



Revised 2/22/2022

*Members of the Association of
Professional Reserve Analysts
/ Reserve Specialist designation
from CAI*

June 1, 2021

Sahhali South Owners Association
c/o Patti Lundeen
Sycan B Corp
840 Beltline Rd Ste 202
Springfield, OR 97477

Dear Directors,

We have been engaged to create a reserve study for the Sahhali South Owners Association. Based on the Declaration and Bylaws for the Association, the reserve study has been divided into two parts, General Common Elements and STEP Septic System. The assessment for 2022 is as follows:

General Common Elements	\$50,000
<u>STEP Septic System</u>	<u>21,000</u>
Total	\$71,000

If you have any questions concerning this reserve study, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "David T. Schwindt". The signature is fluid and cursive.

David T. Schwindt, CPA RS PRA

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SAHHALI SOUTH OWNERS ASSOCIATION
MAINTENANCE PLAN UPDATE
RESERVE STUDY
LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION
BUDGET YEAR
January 1, 2022 to December 31, 2022



<https://www.schwindtco.com/>

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SAHHALI SOUTH OWNERS ASSOCIATION - COMMON

Executive Summary

Year of Report:

January 1, 2022 to December 31, 2022

Number of Units:

58 Units

Parameters:

Beginning Balance: \$103,958

Year 2022 Suggested Contribution: \$50,000

Year 2022 Projected Interest Earned: \$92

Inflation: 4.00%

Annual Increase to Suggested Contribution: 4.00%

Lowest Cash Balance Over 30 Years (Threshold): \$88,569

Average Reserve Assessment per Unit: \$71.84

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**Sahhali South Owners Association
Maintenance Plan Update
Reserve Study Update – Offsite
Disclosure Information
2022**

We have conducted an offsite reserve study update for the Sahhali South Owners Association for the year beginning January 1, 2022 in accordance with guidelines established by the Community Associations Institute and the American Institute of Certified Public Accountants.

This reserve study and maintenance plan complies with the legislative changes made in 2007 to ORS Chapters 94 and 100.

We have no other involvement with the Association other than providing the Reserve Study and Maintenance Plan.

Assumptions used for inflation, interest, and other factors are detailed on page 13. Income tax factors were not considered due to the uncertainty of factors affecting net taxable income and the election of tax forms to be filed.

David T. Schwindt, the representative in charge of this report, is a designated Reserve Study Specialist, Professional Reserve Analyst, and Certified Public Accountant licensed in the states of Oregon, Washington, California, and Arizona.

All information regarding the useful life and cost of reserve components was derived from the developer, local vendors, and/or from various construction pricing and scheduling manuals.

The terms *RS Means*, *National Construction Estimator*, and *Fannie Mae Expected Useful Life Tables and Forms* refer to construction industry estimating databases that are used throughout the industry to establish cost estimates and useful life estimates for common building components and products. We suggest that the Association obtain firm bids for these services.

Increases in Roofing and Painting Costs.

Over the last several years, roofing, painting, and other costs have increased at a dramatic pace. Schwindt & Company has noted this in our reserve studies. We were not sure if this was a temporary price increase or the new normal in pricing. We are now of the opinion that these increased prices will most likely continue. Roofing costs have nearly doubled and painting costs have increased 50%. It is still possible to keep the increases to a minimum if Associations can find a vendor that will perform the work at a reduced price, however, these vendors are becoming rare.

The main reason for increased prices aside from normal cost increases appears to be the availability of labor. Many workers left the industry during the downturn and have not reentered the job market thus driving up wage costs to attract qualified workers. Roofers and painters are also seeing increased demand for their services due to aging association property. These factors have created the perfect storm for increased prices.

These increases are being built into cost estimates and required contributions. Associations have seen an increase in the suggested reserve contributions beginning with the 2018/2019 budget years and depending on the year the roofing and painting projects occur, the increases may be substantial. As of 2020, we are seeing the prices remain at the elevated rate.

In April 2021, the average annual inflation rate increased from 2.64% to 4.16%. Experts are not sure if this increase is temporary due to supply chain issues or if this will be a long-term increase. At this time, Schwindt and Company is recommending an inflation rate of 4% in reserve studies. We will continue to monitor the inflation rate throughout this period. More information can be found at https://inflationdata.com/Inflation/Inflation_Rate/HistoricalInflation.aspx.

The Developer believes, as does the FED, that inflation will moderate from the 4% + in April and will approach the Fed's

target rate of 2.0% over the life of the study. The elected Board of Directors should monitor inflation rate expectations and can responsibly set a range of increases between 2 & 4%.

According to Article 6.12.2 of the Association's Bylaws, the Association shall repair and maintain the Common Area and the Commonly Maintained Property.

According to Article 9.4.1 of the Association's Declaration, the Association has no obligation to perform any maintenance, repair, or replacement of the exterior of Living Units, or any maintenance of any landscaping on the Lots.

An insurance deductible is not included in the reserve study.

Many reserve studies do not include components such as the structural building envelope, plumbing (including water supply and piping), electrical systems, and water/sewer systems because they are deemed to be beyond the usual 30-year threshold and reserve study providers are generally not experts in determining the estimated useful lives and replacement costs of such assets. Associations that are 20+ years in age should consider adding funding for these components because the eventual cost may be one of the largest expenditures in the study. Because the eventual replacement costs and determination of the estimated useful life of such components depend on several factors, it is advisable to hire experts to advise the Association on such matters. Schwindt and Company believes the best way to determine costs and lives associated with these components is to perform an inspection of the applicable components which should include information about the component, steps to take to lengthen the estimated useful life, projected estimated useful life, and estimated replacement costs. This inspection should be conducted by experts and should include a written report. This information will allow the reserve study provider and the Association to include appropriate costs, lives, and projected expenditures in the study. Schwindt & Co believes that the cost of these inspections should be included in the reserve study as a funded component.

We are not aware of any material issues which, if not disclosed, would cause a material distortion of this report.

Certain information, such as the beginning balance of reserve funds and other information as detailed on the component detail reports, was provided by Association representatives and is deemed to be reliable by us. This reserve study is a reflection of the information provided to us and cannot be used for the purpose of performing an audit, a quality/forensic analysis, or background checks of historical records.

Site visits should not be considered a project audit or quality inspection of the Association's property.

Certain costs outlined in the reserve study are subjective and, as a result, are for planning purposes only. The Association should obtain firm bids at the time of work. Actual costs will depend upon the scope of work as defined at the time the repair, replacement, or restoration is performed. All estimates relating to future work are good faith estimates and projections are based on the estimated inflation rate, which may or may not prove accurate. All future costs and life expectancies should be reviewed and adjusted annually.

This reserve study, unless specifically stated in the report, assumes no fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances, other chemicals, toxic wastes, radon gas, electro-magnetic radiation, other potentially hazardous materials (on the surface or sub-surface), or termites on the property. The existence of any of these substances may adversely affect the accuracy of this reserve study. Schwindt and Company assumes no responsibility regarding such conditions, as we are not qualified to detect substances, determine the impact, or develop remediation plans/costs.

Since destructive testing was not performed, this reserve study does not attempt to address latent and/or patent defects. Neither does it address useful life expectancies that are abnormally short due either to improper design, installation nor to subsequent improper maintenance. This reserve study assumes all components will be reasonably maintained for the remainder of their life expectancy.

Physical Analysis:

New projects generally include information provided by developers and/or refer to drawings.

Full onsite reserve studies generally include field measurements and do not include destructive testing. Drawings are usually not available for existing projects.

Onsite updates generally include observations of physical characteristics but do not include field measurements.

The client is considered to have deemed previously developed component quantities as accurate and reliable. The current work is reliant on the validity of prior reserve studies.

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.



SAHHALI SOUTH OWNERS ASSOCIATION

MAINTENANCE PLAN UPDATE

BUDGET YEAR

January 1, 2022 to December 31, 2022

Maintenance Plan Executive Summary

Regular maintenance of common elements is necessary to insure the maximum useful life and optimum performance of components. Of particular concern are items that may present a safety hazard to residents or guests if they are not maintained in a timely manner as well as components that perform a waterproofing function.

This maintenance plan is a cyclical plan that calls for maintenance at regular intervals. The frequency of the maintenance activity and the cost of the activity at the first instance follow a short descriptive narrative. This maintenance plan should be reviewed on an annual basis when preparing the annual operating budget for the Association.

Checklists, developed by Reed Construction Data, Inc., can be photocopied or accessed from the RS Means website:

<http://www.rsmeans.com/supplement/67346.asp>

They can be used to assess and document the existing condition of an association's common elements and to track the implementation of planned maintenance activities.

Sahhali South Owners Association Maintenance Plan 2022

Pursuant to Oregon State Statutes sections 94 and 100 requiring a maintenance plan as an integral part of the reserve study, the maintenance procedures are as follows:

The Board of Directors should refer to this maintenance plan each year when preparing the annual operating budget for the Association to ensure that annual maintenance costs are included in the budget for the years that they are scheduled.

Landscape Maintenance

The Association will be responsible for maintenance and upkeep of common area landscape throughout the property. This may include mowing and removal/management of weeds. Landscape techniques vary depending on the foliage and season.

Frequency: Annually

Bridge Maintenance

Regular maintenance of the wooden foot bridge should include regular inspections, and repairs and replacements of boards, fasteners and railings. Fasteners and railings should be kept secure to insure safety.

Frequency: Annually

Annual Property Inspection

Schwindt & Co. recommends that a provision for the annual inspection of common area components be included in the maintenance plan for all Associations. This valuable management tool will help to insure that all components achieve a maximum useful life expectancy and that they are functioning as intended throughout their lifespan.

This inspection process should include an examination of the six fire hydrants throughout the property.

The inspection should be performed by a qualified professional and should include a written summary of conclusions with specific recommendations for any needed repairs or maintenance. This expense should be included in the annual operating budget for the association.

Frequency: Annually

Step System Maintenance

Maintenance of the private septic system includes testing, pumping and minor repairs. The full cost of this component will not be realized until Sahhali South is at full capacity.

Frequency: Annually

Asphalt Maintenance – Seal Coating

Maintenance of asphalt paving includes the periodic application of an asphalt emulsion sealer or “seal coat” as it is commonly known. This procedure is typically performed every 4 to 7 years depending on a variety of factors that can affect the useful life of the sealer.

Vehicle traffic is one such factor and Association’s that have asphalt paving that carries considerable vehicle traffic should consider a maintenance program that calls for seal coating of asphalt driving surfaces as frequently as every 4 years.

This maintenance procedure involves thoroughly cleaning all pavement, filling of any surface cracks and patching of any locally damaged pavement surfaces. The emulsion sealer is then applied, typically with a vehicle mounted spraying system or for small areas a roller application is sometimes used. Asphalt contractors recommend seal coating immediately after performing an overlay (skim coat). This will help insure the prevention of water penetration which can lead to damage and deterioration.

This work should be performed by a licensed paving contractor.

Frequency: Once every 5 years.

Asphalt Renewal – Overlay

Renewal of asphalt paving refers to the periodic application of a bituminous asphalt overlay that is typically applied in 1” to 2” thicknesses, depending on the individual project specifications. This overlay is known as a “wearing course” and is designed to renew the life of the pavement for another lifecycle of equal duration to the initial life expectancy of the pavement. The new surface will subsequently be maintained in the same manner as the original asphalt surface. Asphalt contractors recommend seal coating immediately after performing an overlay (skim coat). This will help insure the prevention of water penetration which can lead to damage and deterioration.

Parking area demarcation lines will need to be renewed after this layering process is completed. The component expense includes the cost of this work as well as the cost of the overlay.

This work should be performed by a licensed paving contractor.

Frequency: Once every 25 years.

This maintenance plan is designed to preserve and extend the useful life of assets and is dependent upon proper inspection and follow up procedures.

Sahhali South Owners Association Property Description

Sahhali South Owners Association - Common consists of Sahhali South Owners Association units located in Neskowin, OR. At the date of the reserve study the development consists of 50 townhouse units and 13 single family homes. The Declarant has indicated that Declarant is actively pursuing land use actions which have the potential to change the number of units in the development. If such actions are successful, unit assessments should be adjusted by the board to reflect the actual number of units in the Association. The Declarant or the Association shall provide maintenance on roads, sidewalks, street signs, landscape, the foot bridge and the septic system.

Subsequent to the original declaration, Declarant incorporated five (5) new single-family lots (formerly referred to as Sahhali North) into the association, bringing the total to 63 lots. These five (5) lots will not be serviced by the Septech Sewer System.

Every owner must promptly perform all maintenance and repair work to such owner's lot and the exterior of the improvements thereon and keep the same in good repair and sanitary and neat condition.

This study uses information supplied by the Association, and various construction pricing and scheduling manuals to determine useful lives and replacement costs.

Schwindt and Company has not performed a site visit.

Two studies have been prepared to allow proper reserve contribution allocations. A reserve study incorporates all components shared by the units. A separate study has been prepared for the Septic Tank Effluent Pumping (STEP) system.

Funds are being accumulated in the replacement fund based on estimates of future need for repairs and replacement of common property components. Actual expenditures, investment income and provisions for income taxes however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future funding needs.

If additional funds are needed, the Declarant or the Association as stated in the By-laws has the right, subject to approval, to increase regular assessments, and/or levy special assessments. Otherwise the Declarant or the Association may delay repairs or replacements until funds are available.

SAHHALI SOUTH OWNERS ASSOCIATION - COMMON
RESERVE STUDY
LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION
BUDGET YEAR
January 1, 2022 to December 31, 2022

**Sahhali South Owners Association - Common
Cash Flow Method - Threshold Funding Model Summary**

<i>Report Parameters</i>	
Report Date	June 1, 2021
Account Number	2sahha
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	58
Inflation	4.00%
Annual Assessment Increase	4.00%
Interest Rate on Reserve Deposit	0.10%
2022 Beginning Balance	\$103,958

Threshold Funding

Fully Reserved Model Summary

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount. The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, "fully reserved".
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$50,000** in **2022** and increases **4.00%** each year for the remaining years of the study. A minimum balance of **\$88,569** is maintained.
- The Developer believes, as does the FED, that inflation will moderate from the 4% + in April and will approach the Fed's target rate of 2.0% over the life of the study. The elected Board of Directors should monitor inflation rate expectations and can responsibly set a range of increases between 2 & 4%.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

Fully Funded Threshold Funding Method Summary of Calculations

Required Month Contribution	\$4,166.67
<i>\$71.84 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$7.69</u>
Total Month Allocation to Reserves	\$4,174.36
<i>\$71.97 per unit monthly</i>	

**Sahhali South Owners Association - Common
Cash Flow Method - Threshold Funding Model Projection**

Beginning Balance: \$103,958

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	50,000	92	38,806	115,245	341,990	34%
2023	52,000	143		167,388	385,211	43%
2024	54,080	197		221,665	431,343	51%
2025	56,243	242	10,104	268,046	470,437	57%
2026	58,493	274	25,615	301,198	496,258	61%
2027	60,833	321	13,363	348,988	537,199	65%
2028	63,266	383		412,638	595,076	69%
2029	65,797	448		478,883	656,723	73%
2030	68,428	255	260,576	286,991	451,351	64%
2031	71,166	180	145,432	212,905	359,087	59%
2032	74,012	202	51,068	236,051	362,910	65%
2033	76,973	278		313,302	421,698	74%
2034	80,052	52	304,837	88,569	167,579	53%
2035	83,254	121	12,848	159,095	208,805	76%
2036	86,584	168	37,917	207,930	227,524	91%
2037	90,047	239	18,106	280,111	269,587	104%
2038	93,649	331		374,091	334,234	112%
2039	97,395	427		471,913	403,622	117%
2040	101,291	527		573,730	478,026	120%
2041	105,342	585	46,132	633,526	509,760	124%
2042	109,556	623	69,953	673,753	520,412	129%
2043	113,938	736		788,427	606,762	130%
2044	118,496	853		907,776	699,187	130%
2045	123,236	953	22,140	1,009,825	775,010	130%
2046	128,165	1,024	56,126	1,082,887	821,356	132%
2047	133,292	1,126	29,280	1,188,025	900,424	132%
2048	138,623	1,264		1,327,912	1,016,172	131%
2049	144,168	1,407		1,473,487	1,139,740	129%
2050	149,935	1,542	13,140	1,611,825	1,257,901	128%
2051	155,933	1,629	68,286	1,701,100	1,326,887	128%

Sahhali South Owners Association - Common Component Summary By Group

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
Asphalt - Overlay	2006	2030	24	0	8	95,200 SF	2.00	190,400
Asphalt - Replacement	2006	2034	28	0	12	95,200 SF	8.00 @ 25%	190,400
Bear Proof Trash Cans	2007	2025	10	8	3	2 Units	1,159.69	2,319
Blue Heron Trail Gate - Replacement	2020	2050	30	0	28	1 Total	4,382.00	4,382
Concrete Under Benches	2007	2027	20	0	5	2 Units	465.01	930
DEQ Parts - Replacement	2007	2022	5	0	0	1 Total	3,584.30	3,584
Emergency Entrance Gate - Replacement	2007	2032	25	0	10	1 Total	2,573.95	2,574
Park Benches - Replacement	2007	2025	10	8	3	2 Units	791.98	1,584
Shared Road Asphalt - Overlay	2006	2031	25	0	9	27,340 SF	2.00	54,680
Shared Road Asphalt - Replacement	2006	2022	10	0	0	27,340 SF	8.00 @ 10%	21,872
Shared Road Curb - Replacement	2006	2031	25	0	9	1,367 LF	14.68 @ 20%	4,014
Street Signs - Replacement	2006	2025	20	-1	3	1 TOTAL	1,266.55	1,267
Trail Signs - Replacement	2007	2025	10	8	3	10 Units	381.28	3,813
Capital - Total								\$481,819
Non-Capital								
Asphalt - Repair	2021	2022	1	0	0	1 Total	5,880.00	5,880
Asphalt - Sealcoat	2021	2026	5	0	4	95,200 SF	0.23	21,896
Concrete Curbing	2006	2031	25	0	9	7,621 SF	11.33 @ 25%	21,588
Emergency Entrance Gate - Maintenance	2007	2022	5	0	0	16 L.F.	11.31	181
Insurance Deductible	2021	2022	1	0	0	1 Total	1,000.00	1,000
Shared Road Asphalt - Seal Coat	2017	2022	5	0	0	27,340 LF	0.23	6,288
Non-Capital - Total								\$56,834
Total Asset Summary								\$538,653

Sahhali South Owners Association - Common Component Summary By Category

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Streets/Asphalt								
Asphalt - Overlay	2006	2030	24	0	8	95,200 SF	2.00	190,400
Asphalt - Repair	2021	2022	1	0	0	1 Total	5,880.00	5,880
Asphalt - Replacement	2006	2034	28	0	12	95,200 SF	8.00 @ 25%	190,400
Asphalt - Sealcoat	2021	2026	5	0	4	95,200 SF	0.23	21,896
Shared Road Asphalt - Overlay	2006	2031	25	0	9	27,340 SF	2.00	54,680
Shared Road Asphalt - Replacement	2006	2022	10	0	0	27,340 SF	8.00 @ 10%	21,872
Shared Road Asphalt - Seal Coat	2017	2022	5	0	0	27,340 LF	0.23	6,288
Shared Road Curb - Replacement	2006	2031	25	0	9	1,367 LF	14.68 @ 20%	4,014
Streets/Asphalt - Total								\$495,431
Fencing/Security								
Emergency Entrance Gate - Maintenance	2007	2022	5	0	0	16 L.F.	11.31	181
Emergency Entrance Gate - Replacement	2007	2032	25	0	10	1 Total	2,573.95	2,574
Fencing/Security - Total								\$2,755
Equipment								
Bear Proof Trash Cans	2007	2025	10	8	3	2 Units	1,159.69	2,319
Equipment - Total								\$2,319
Grounds Components								
Blue Heron Trail Gate - Replacement	2020	2050	30	0	28	1 Total	4,382.00	4,382
DEQ Parts - Replacement	2007	2022	5	0	0	1 Total	3,584.30	3,584
Park Benches - Replacement	2007	2025	10	8	3	2 Units	791.98	1,584
Grounds Components - Total								\$9,550
Signs								
Street Signs - Replacement	2006	2025	20	-1	3	1 TOTAL	1,266.55	1,267
Trail Signs - Replacement	2007	2025	10	8	3	10 Units	381.28	3,813
Signs - Total								\$5,079
Contingency								
Insurance Deductible	2021	2022	1	0	0	1 Total	1,000.00	1,000
Contingency - Total								\$1,000
Concrete								
Concrete Curbing	2006	2031	25	0	9	7,621 SF	11.33 @ 25%	21,588
Concrete Under Benches	2007	2027	20	0	5	2 Units	465.01	930
Concrete - Total								\$22,518

**Sahhali South Owners Association - Common
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2022	
Asphalt - Repair - 1 of 1X	5,880
DEQ Parts - Replacement	3,584
Emergency Entrance Gate - Maintenance	181
Insurance Deductible - 1 of 1X	1,000
Shared Road Asphalt - Replacement	21,872
Shared Road Asphalt - Seal Coat	6,288
Total for 2022	\$38,806
<i>No Replacement in 2023</i>	
<i>No Replacement in 2024</i>	
Replacement Year 2025	
Bear Proof Trash Cans	2,609
Park Benches - Replacement	1,782
Street Signs - Replacement	1,425
Trail Signs - Replacement	4,289
Total for 2025	\$10,104
Replacement Year 2026	
Asphalt - Sealcoat	25,615
Total for 2026	\$25,615
Replacement Year 2027	
Concrete Under Benches	1,132
DEQ Parts - Replacement	4,361
Emergency Entrance Gate - Maintenance	220
Shared Road Asphalt - Seal Coat	7,651
Total for 2027	\$13,363
<i>No Replacement in 2028</i>	
<i>No Replacement in 2029</i>	
Replacement Year 2030	
Asphalt - Overlay	260,576
Total for 2030	\$260,576

**Sahhali South Owners Association - Common
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2031	
Asphalt - Sealcoat	31,165
Concrete Curbing	30,727
Shared Road Asphalt - Overlay	77,827
Shared Road Curb - Replacement	5,714
Total for 2031	\$145,432
Replacement Year 2032	
DEQ Parts - Replacement	5,306
Emergency Entrance Gate - Maintenance	268
Emergency Entrance Gate - Replacement	3,810
Shared Road Asphalt - Replacement	32,376
Shared Road Asphalt - Seal Coat	9,308
Total for 2032	\$51,068
<i>No Replacement in 2033</i>	
Replacement Year 2034	
Asphalt - Replacement	304,837
Total for 2034	\$304,837
Replacement Year 2035	
Bear Proof Trash Cans	3,862
Park Benches - Replacement	2,637
Trail Signs - Replacement	6,349
Total for 2035	\$12,848
Replacement Year 2036	
Asphalt - Sealcoat	37,917
Total for 2036	\$37,917
Replacement Year 2037	
DEQ Parts - Replacement	6,455
Emergency Entrance Gate - Maintenance	326
Shared Road Asphalt - Seal Coat	11,325
Total for 2037	\$18,106

**Sahhali South Owners Association - Common
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2038</i>	
<i>No Replacement in 2039</i>	
<i>No Replacement in 2040</i>	
Replacement Year 2041	
Asphalt - Sealcoat	46,132
Total for 2041	\$46,132
Replacement Year 2042	
DEQ Parts - Replacement	7,854
Emergency Entrance Gate - Maintenance	397
Shared Road Asphalt - Replacement	47,924
Shared Road Asphalt - Seal Coat	13,778
Total for 2042	\$69,953
<i>No Replacement in 2043</i>	
<i>No Replacement in 2044</i>	
Replacement Year 2045	
Bear Proof Trash Cans	5,717
Park Benches - Replacement	3,904
Street Signs - Replacement	3,122
Trail Signs - Replacement	9,398
Total for 2045	\$22,140
Replacement Year 2046	
Asphalt - Sealcoat	56,126
Total for 2046	\$56,126
Replacement Year 2047	
Concrete Under Benches	2,479
DEQ Parts - Replacement	9,555
Emergency Entrance Gate - Maintenance	483
Shared Road Asphalt - Seal Coat	16,763
Total for 2047	\$29,280

**Sahhali South Owners Association - Common
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2048</i>	
<i>No Replacement in 2049</i>	
Replacement Year 2050	
Blue Heron Trail Gate - Replacement	13,140
Total for 2050	\$13,140
Replacement Year 2051	
Asphalt - Sealcoat	68,286
Total for 2051	\$68,286

**Sahhali South Owners Association - Common
Detail Report by Category**

Asphalt - Overlay		95,200 SF	@ \$2.00
Asset ID	1003	Asset Cost	\$190,400.00
	Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$260,575.55
Placed in Service	July 2006		
Useful Life	24		
Replacement Year	2030		
Remaining Life	8		

This component is a provision for the renewal of the asphalt driving and parking surfaces. Renewal of asphalt involves the application of a 1" to 2" overlay that is placed on top of the existing surface after it has been cleaned, repaired, and has been treated with an asphalt emulsion tack coat. This new "wearing course" will then be maintained in the same manner as new asphalt with the periodic application of an emulsion sealer.

Estimated useful life assumptions are based on accepted industry estimates as established by RS Means (RSM) and/or The National Construction Estimator. Costs are based on a per square foot estimate from Kodiak Construction. The association should firm up the cost with a bid.

This work should be performed by a licensed paving contractor.

Estimated area: 95,200 square feet per Sycan Development.

Asphalt - Repair		1 Total	@ \$5,880.00
Asset ID	1029	Asset Cost	\$5,880.00
	Non-Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$5,880.00
Placed in Service	July 2021		
Useful Life	1		
Replacement Year	2022		
Remaining Life	0		

This component provides funding for the repair of the asphalt in 2022 as recommended by Western Asphalt.

**Sahhali South Owners Association - Common
Detail Report by Category**

Asphalt - Replacement		95,200 SF	@ \$8.00
Asset ID	1004	Asset Cost	\$190,400.00
	Capital	Percent Replacement	25%
	Streets/Asphalt	Future Cost	\$304,836.53
Placed in Service	July 2006		
Useful Life	28		
Replacement Year	2034		
Remaining Life	12		

This component provides contingency funding in the amount of \$90,083 for the partial replacement of 25% of the asphalt pavement in 2034.

Schwindt & Company's useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator.

In future years the pavement condition will be reviewed during the annual inspections that are detailed in the maintenance plan. This review should help determine the extent to which complete replacement of the paving can be anticipated. If the Association finds that this expense is likely to be higher than expected, this component expense should be updated accordingly.

This cost has been adjusted for inflation.

Asphalt - Sealcoat		95,200 SF	@ \$0.23
Asset ID	1002	Asset Cost	\$21,896.00
	Non-Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$25,615.22
Placed in Service	July 2021		
Useful Life	5		
Replacement Year	2026		
Remaining Life	4		

This component provides funding for the application of an asphalt seal coat every 4 years, beginning in 2010. The seal coating scheduled for 2026 will take place after the application of a 1" overlay has been completed. There are approximately 95,200 square feet of asphalt that will need to be maintained.

The useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. According to the Association, this was done in 2021 for \$21,900.

This work should be performed by a licensed paving contractor.

**Sahhali South Owners Association - Common
Detail Report by Category**

Shared Road Asphalt - Overlay

		27,340 SF	@ \$2.00
Asset ID	1007	Asset Cost	\$54,680.00
	Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$77,826.69
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	9		

Sahhali Drive and Tyee Loop are private roads that serve Sahhali Shores Association and Sahhali South Homeowners Association. The two associations agreed to share the cost of maintenance, repairs, and replacements of the roads in the Access Easement Maintenance Agreement effective on May 1, 2005. Sahhali South is responsible for 38.1% of expenses related to the maintenance, repair, and replacement of these roads.

This component is a provision for the renewal of the asphalt driving and parking surfaces. Renewal of asphalt involves the application of a 1" to 2" overlay that is placed on top of the existing surface after it has been cleaned, repaired, and has been treated with an asphalt emulsion tack coat. This new "wearing course" will then be maintained in the same manner as new asphalt with the periodic application of an emulsion sealer.

This work should be performed by a licensed paving contractor.

Estimated area: 23,740 square feet. Tyee Loop is 177 ft x 20 ft and Sahhali Drive is 1,190 ft x 20 ft per Sycon B Corporation. Sahhali Drive is currently in poor shape caused by excessive wear and tear due to construction.

Estimated useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. Costs are based on a per square foot estimate from Kodiak Construction. The association should firm up the cost with a bid.

This work should be performed by a licensed paving contractor.

Shared Road Asphalt - Replacement

		27,340 SF	@ \$8.00
Asset ID	1009	Asset Cost	\$21,872.00
	Capital	Percent Replacement	10%
	Streets/Asphalt	Future Cost	\$21,872.00
Placed in Service	January 2006		
Useful Life	10		
Replacement Year	2022		
Remaining Life	0		

Sahhali Drive and Tyee Loop are private roads that serve Sahhali Shores Association and Sahhali South Homeowners Association. The two associations agreed to share the cost of

Sahhali South Owners Association - Common Detail Report by Category

Shared Road Asphalt - Replacement continued...

maintenance, repairs, and replacements of the roads in the Access Easement Maintenance Agreement effective on May 1, 2005. Sahhali South is responsible for 38.1% of expenses related to the maintenance, repair and replacement of these roads.

This component provides funding for the partial replacement of the asphalt pavement in 2016 as a contingency.

This renewal is scheduled to occur in the same year as the overlay which will involve the application of a new 1" wearing course over the entire asphalt surface.

In future years the pavement condition will be reviewed during the annual inspections that are detailed in this study. This review should help determine the extent to which complete replacement of the paving can be anticipated. If the Association finds that this expense is likely to be higher than expected, this component expense should be updated accordingly.

Estimated total area: 27,340 square feet. Tyee Loop is 177 ft x 20 ft and Sahhali Drive is 1,190 ft x 20 ft per Sycan B Corporation. Sahhali Drive is currently in poor shape caused by excessive wear and tear due to construction.

This cost has been adjusted for inflation.

Shared Road Asphalt - Seal Coat

Asset ID	1008	27,340 LF	@ \$0.23
	Non-Capital	Asset Cost	\$6,288.20
	Streets/Asphalt	Percent Replacement	100%
Placed in Service	January 2017	Future Cost	\$6,288.20
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

Sahhali Drive and Tyee Loop are private roads that serve Sahhali Shores Association and Sahhali South Homeowners Association. The two associations agreed to share the cost of maintenance, repairs, and replacements of the roads in the Access Easement Maintenance Agreement effective on May 1, 2005. Sahhali South is responsible for 38.1% of expenses related to the maintenance, repair, and replacement of these roads.

This component provides funding for the application of an asphalt seal coat every 5 years, beginning in 2011. The seal coating scheduled for 2026 will take place after the application of a 1" overlay has been completed.

This work should be performed by a licensed paving contractor.

Tyee Loop is 177 lf and Sahhali Drive is 1,190 lf per Sycan B Corporation. Sahhali Drive is currently in poor shape caused by excessive wear and tear due to construction.

**Sahhali South Owners Association - Common
Detail Report by Category**

Shared Road Asphalt - Seal Coat continued...

Estimated useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. Costs are based on a per square foot estimate from Kodiak construction. The association should firm up this cost with a bid.

This work should be performed by a licensed paving contractor.

Shared Road Curb - Replacement

		1,367 LF	@ \$14.68
Asset ID	1010	Asset Cost	\$4,014.33
	Capital	Percent Replacement	20%
	Streets/Asphalt	Future Cost	\$5,713.65
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	9		

Sahhali Drive and Tyee Loop are private roads that serve Sahhali Shores Association and Sahhali South Homeowners Association. The two associations agreed to share the cost of maintenance, repairs, and replacements of the roads in the Access Easement Maintenance Agreement effective on May 1, 2005. Sahhali South is responsible for 38.1% of expenses related to the maintenance, repair, and replacement of these roads.

This component provides funding for the partial replacement of concrete curbing in the year 2031. Since the expected useful life of a typical concrete curb installation is greater than 30 years, this component only provides funding for the replacement of a percentage of the total amount of curbing.

Sycan B Corporation has indicated that there are approximately 1,367 total lineal feet of curbing. Schwindt & Co. includes this provision to fund the replacement of 20% of the curbing in 25 years. Tyee Loop is 177 lf and Sahhali Drive is 1,190 lf per Sycan B Corporation. Sahhali Drive is currently in poor shape caused by excessive wear and tear due to construction.

Estimated useful life and cost assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator.

NOTE:

This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

This cost has been adjusted for inflation.

**Sahhali South Owners Association - Common
Detail Report by Category**

Streets/Asphalt - Total Current Cost	\$495,431
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Emergency Entrance Gate - Maintenance		16 L.F.	@ \$11.31
Asset ID	1022	Asset Cost	\$181.02
	Non-Capital	Percent Replacement	100%
	Fencing/Security	Future Cost	\$181.02
Placed in Service	January 2007		
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

The cost projection is based on an estimated cost per linear foot to power wash the gate surface as provided by a local vendor. The Association should firm up the cost with an actual bid.

Asset ID	1021	1 Total	@ \$2,573.95
	Capital	Asset Cost	\$2,573.95
	Fencing/Security	Percent Replacement	100%
Placed in Service	January 2007	Future Cost	\$3,810.08
Useful Life	25		
Replacement Year	2032		
Remaining Life	10		

The cost projection is based on an estimate provided by the developer. The Association should firm up the cost with an actual bid.

Fencing/Security - Total Current Cost	\$2,755
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**Sahhali South Owners Association - Common
Detail Report by Category**

Bear Proof Trash Cans		2 Units	@ \$1,159.69
Asset ID	1011	Asset Cost	\$2,319.39
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$2,608.99
Placed in Service	January 2007		
Useful Life	10		
Adjustment	8		
Replacement Year	2025		
Remaining Life	3		

This provision is for the replacement of two bear proof trash cans located on the trail within the Association's grounds. The trash cans will need to be replaced every ten years, starting in 2017 as recommended by the developer.

The cost projection is based on an estimate provided by the developer. The Association should firm up the cost with an actual bid.

Equipment - Total Current Cost \$2,319

**Sahhali South Owners Association - Common
Detail Report by Category**

Blue Heron Trail Gate - Replacement

Asset ID	1030	1 Total	@ \$4,382.00
Capital		Asset Cost	\$4,382.00
Grounds Components		Percent Replacement	100%
Placed in Service	January 2020	Future Cost	\$13,140.32
Useful Life	30		
Replacement Year	2050		
Remaining Life	28		

This provision is for the replacement of the galvanized gate at the head of the Blue Heron Trail that parallels Hwy 101.

According to the Developer, the gate was installed in 2020 for \$4,382.

DEQ Parts - Replacement

Asset ID	1027	1 Total	@ \$3,584.30
Capital		Asset Cost	\$3,584.30
Grounds Components		Percent Replacement	100%
Placed in Service	January 2007	Future Cost	\$3,584.30
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

This provision is for the replacement of parts that are required to be in inventory by the DEQ in 2012 as recommended by the developer.

The cost projection is based on an estimate provided by the developer. The Association should firm up the cost with an actual bid.

Park Benches - Replacement

Asset ID	1013	2 Units	@ \$791.98
Capital		Asset Cost	\$1,583.97
Grounds Components		Percent Replacement	100%
Placed in Service	January 2007	Future Cost	\$1,781.75
Useful Life	10		
Adjustment	8		
Replacement Year	2025		
Remaining Life	3		

This provision is for the replacement of two park benches located within the park of the association. The benches will need to be replaced every 10 years starting in 2017 as

**Sahhali South Owners Association - Common
Detail Report by Category**

Park Benches - Replacement continued...

recommended by the developer.

The cost projection is based on an estimate that was provided by the developer. The Association should firm up the cost with an actual bid.

Grounds Components - Total Current Cost	\$9,550
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**Sahhali South Owners Association - Common
Detail Report by Category**

Street Signs - Replacement

Asset ID	1005	1 TOTAL	@ \$1,266.55
	Capital	Asset Cost	\$1,266.55
	Signs	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$1,424.70
Useful Life	20		
Adjustment	-1		
Replacement Year	2025		
Remaining Life	3		

This component provides funding for the replacement of the street signs throughout the Association's private roads. Given the Association's close proximity to the ocean, the metal street signs will have a shortened useful life due to wear and tear from salt and other elements of the oceanic environment.

Estimated useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator.

Estimated cost is calculated as follows:

\$ 345 - Street Signs (3 x \$115)

690 - Stop Signs (2 x \$345)

1,035 - 2007 Total Cost to Replace

This cost has been adjusted for inflation.

Trail Signs - Replacement

Asset ID	1015	10 Units	@ \$381.28
	Capital	Asset Cost	\$3,812.84
	Signs	Percent Replacement	100%
Placed in Service	January 2007	Future Cost	\$4,288.93
Useful Life	10		
Adjustment	8		
Replacement Year	2025		
Remaining Life	3		

This provision is for the replacement of 10 signs located throughout the site for the Association. The signs will need to be replaced every 10 years starting in 2017 as recommended by the developer.

The cost projection is based on an estimate provided by the developer. The Association should firm up the cost with an actual bid.

**Sahhali South Owners Association - Common
Detail Report by Category**

Signs - Total Current Cost	\$5,079
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**Sahhali South Owners Association - Common
Detail Report by Category**

Insurance Deductible		1 Total	@ \$1,000.00
Asset ID	1028	Asset Cost	\$1,000.00
	Non-Capital	Percent Replacement	100%
	Contingency	Future Cost	\$1,000.00
Placed in Service	January 2021		
Useful Life	1		
Replacement Year	2022		
Remaining Life	0		

Many Associations include the insurance deductible in the reserve study as a component. Generally, this amount is \$10,000 but can vary based on insurance coverages.

The insurance deductible component is only included as an expenditure in the first year of the study. This expenditure is not listed again during the 30 year cash flow projection. Boards have asked if the inclusion of an insurance deductible in the study as a component can increase the suggested annual reserve contribution. As long as the Association has a threshold amount of greater than \$10,000 in the reserve study as a contingency in the first year of the study, the inclusion of the insurance deductible should not affect the suggested reserve contribution. In other words, if the cash flow projection shows an amount greater than \$10,000 as a contingency balance in the reserve cash flow model without the insurance deductible, the inclusion of the insurance component should not affect the suggested reserve contribution.

Contingency - Total Current Cost

\$1,000

**Sahhali South Owners Association - Common
Detail Report by Category**

Concrete Curbing		7,621 SF	@ \$11.33
Asset ID	1001	Asset Cost	\$21,588.39
	Non-Capital	Percent Replacement	25%
	Concrete	Future Cost	\$30,727.01
Placed in Service	July 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	9		

This component provides funding for the partial replacement of concrete curbing in the year 2031.

Since the expected useful life of a typical concrete curb installation is greater than 30 years, this component only provides funding for the replacement of a percentage of the total amount of curbing after 25 years. The developer indicated that there is approximately 7,621 square feet of curbing. Schwindt and Company includes this provision to fund the replacement of 25% of the curbing in 25 years.

The cost has been provided by the developer at the time this reserve study was performed.

NOTE:

This is a provision for an anticipated expense. Should the association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

This cost has been updated for inflation.

Concrete Under Benches		2 Units	@ \$465.01
Asset ID	1026	Asset Cost	\$930.02
	Capital	Percent Replacement	100%
	Concrete	Future Cost	\$1,131.51
Placed in Service	January 2007		
Useful Life	20		
Replacement Year	2027		
Remaining Life	5		

This provision is for the replacement of concrete that is located under 2 park benches. The concrete should be replaced every 20 years starting in 2027 as recommended by the developer.

The cost projection is based on an estimate provided by the developer. The Association should firm up the cost with an actual bid.

**Sahhali South Owners Association - Common
Detail Report by Category**

Concrete - Total Current Cost	\$22,518
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**Sahhali South Owners Association - Common
Detail Report by Category**

Detail Report Summary

Grand Total

Assigned Reserves	\$103,958.00
Monthly Contribution	\$4,166.67
Monthly Interest	\$7.69
Monthly Allocation	\$4,174.36

SAHHALI SOUTH OWNERS ASSOCIATION - STEP SYSTEM

RESERVE STUDY

LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION

BUDGET YEAR

January 1, 2022 to December 31, 2022



SAHHALI SOUTH OWNERS ASSOCIATION - STEP SYSTEM

Executive Summary

Year of Report:

January 1, 2022 to December 31, 2022

Number of Units:

58 Units

Parameters:

Beginning Balance: \$70,800

Year 2022 Suggested Contribution: \$21,000

Year 2022 Projected Interest Earned: \$56

Inflation: 4.00%

Annual Increase to Suggested Contribution: 4.00%

Lowest Cash Balance Over 30 Years (Threshold): \$32,951

Average Reserve Assessment per Unit: \$30.17

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Sahhali South Owners Association - STEP System

RESERVE STUDY - STEP SYSTEM

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Sahhali South Owners Association - STEP System
Category Detail Index

Asset ID	Description	Replacement	Page
Equipment			
1005	2" Magnetic Flow Meter - Renewal	2029	13 of 26
1007	Above Ground Vent Fan Assembly - Renewal	2029	13 of 26
1010	AdvanTex Pressure Gauge Assembly - Renewal	2029	14 of 26
1015	AdvanTexAX100 Pods - Labor	2031	14 of 26
1006	AdvanTexAX100 Pods - Renewal	2031	15 of 26
1014	Control Panel at Drain Field & Treatment Facility	2022	15 of 26
1011	DEQ Compliance	2022	16 of 26
1017	Drainfield - Labor	2036	16 of 26
1016	Drainfield - Renewal	2036	16 of 26
1004	Effluent Pump - 1/2 HP 20' Lead - Renewal	2022	17 of 26
1003	Effluent Pump - 3 HP 30' Lead - Renewal	2022	17 of 26
1002	Effluent Pump - 3/4 HP 20' Lead - Renewal	2022	18 of 26
Grounds Components			
1019	2" Sch 40 PVC to Drainfield - Labor	2046	19 of 26
1018	2" Sch 40 PVC to Drainfield - Replacement	2046	19 of 26
1021	Building: Blue Heron Trail - Reside & Paint Building	2022	20 of 26
1022	Building: Blue Heron Trail - Roof	2026	20 of 26
1020	Building: Scherzinger - Complete Rebuild	2022	21 of 26
1001	STEP System - Renewal	2056	21 of 26
	Total Funded Assets	17	
	Total Unfunded Assets	<u>1</u>	
	Total Assets	18	

**Sahhali South Owners Association - STEP System
Cash Flow Method - Threshold Funding Model Summary**

		<i>Report Parameters</i>	
Report Date	June 1, 2021	Inflation	4.00%
Account Number	2sahha	Interest Rate on Reserve Deposit	0.10%
Budget Year Beginning	January 1, 2022		
Budget Year Ending	December 31, 2022	2022 Beginning Balance	\$70,800
Total Units	58		

**Threshold Funding
Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount. The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, "fully reserved".
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$21,000** in **2022** and increases **4.00%** each year until 2031. In 2031, the contribution is \$29,890 and remains constant for the remaining years of the study. A minimum balance of **\$32,951** is maintained.
- The Developer believes, as does the FED, that inflation will moderate from the 4% + in April and will approach the Fed's target rate of 2.0% over the life of the study. The elected Board of Directors should monitor inflation rate expectations and can responsibly set a range of increases between 2 & 4%.
- The purpose of this study is to ensure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

Cash Flow Method - Threshold Funding Model Summary of Calculations

Required Monthly Contribution	\$1,750.00
<i>\$30.17 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$4.68</u>
Total Monthly Allocation to Reserves	\$1,754.68
<i>\$30.25 per unit monthly</i>	

Sahhali South Owners Association - STEP System
Cash Flow Method - Threshold Funding Model Projection

Beginning Balance: \$70,800

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	21,000	56	26,067	65,789	183,319	36%
2023	21,840	78		87,707	203,764	43%
2024	22,714	99	1,096	109,424	224,413	49%
2025	23,622	122		133,168	247,572	54%
2026	24,567	144	2,870	155,009	269,240	58%
2027	25,550	167	2,319	178,407	292,938	61%
2028	26,572	192	1,282	203,888	319,275	64%
2029	27,635	208	11,034	220,696	337,429	65%
2030	28,740	235	1,386	248,285	367,016	68%
2031	29,890	19	245,242	32,951	144,878	23%
2032	29,890	45	4,321	58,565	165,142	35%
2033	29,890	75		88,529	191,468	46%
2034	29,890	103	1,622	116,900	217,950	54%
2035	29,890	133		146,923	247,999	59%
2036	29,890	31	132,608	44,234	142,190	31%
2037	29,890	46	14,505	59,665	155,863	38%
2038	29,890	74	1,897	87,731	184,118	48%
2039	29,890	104		117,725	216,436	54%
2040	29,890	132	2,052	145,694	248,911	59%
2041	29,890	162		175,746	285,857	61%
2042	29,890	186	6,396	199,425	318,709	63%
2043	29,890	216		229,530	360,649	64%
2044	29,890	224	22,273	237,371	382,271	62%
2045	29,890	254		267,514	429,136	62%
2046	29,890	235	48,480	249,159	428,720	58%
2047	29,890	260	5,081	274,228	474,735	58%
2048	29,890	288	2,809	301,597	526,320	57%
2049	29,890	318		331,804	584,310	57%
2050	29,890	345	3,038	359,001	642,938	56%
2051	29,890	375		389,266	708,607	55%

**Sahhali South Owners Association - STEP System
Component Summary By Group**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
2" Magnetic Flow Meter - Renewal	2006	2029	15	8	7	1 Unit	3,750.00	3,750
2" Sch 40 PVC to Drainfield - Labor	2006	2046	40	0	24	1 Total	8,900.00	8,900
2" Sch 40 PVC to Drainfield - Replacement	2006	2046	40	0	24	3,500 LF	2.16	7,560
Above Ground Vent Fan Assembly - Renewal	2006	2029	15	8	7	1 Unit	2,938.00	2,938
AdvanTex Pressure Gauge Assembly - Rene..	2006	2029	15	8	7	4 Unit	424.28	1,697
AdvanTexAX100 Pods - Labor	2006	2031	25	0	9	1 Total	49,412.00	49,412
AdvanTexAX100 Pods - Renewal	2006	2031	25	0	9	6 Unit	20,482.00	122,892
Building: Blue Heron Trail - Reside & Paint ..	2006	2022	30	-14	0	1 Total	5,000.00	5,000
Building: Blue Heron Trail - Roof	2006	2026	20	0	4	144 SF	10.00	1,440
Building: Scherzinger - Complete Rebuild	2006	2022	30	-14	0	1 Total	12,000.00	12,000
Control Panel at Drain Field & Treatment Fa..	2006	2022	15	0	0	1 Unit	5,328.00	5,328
DEQ Compliance	<i>Unfunded</i>							
Drainfield - Labor	2006	2036	30	0	14	1 Total	38,900.00	38,900
Drainfield - Renewal	2006	2036	30	0	14	1 Total	36,665.00	36,665
Effluent Pump - 1/2 HP 20' Lead - Renewal	2006	2022	2	0	0	1 Each	1,013.00	1,013
Effluent Pump - 3 HP 30' Lead - Renewal	2006	2022	5	0	0	1 Unit	1,906.00	1,906
Effluent Pump - 3/4 HP 20' Lead - Renewal	2006	2022	15	0	0	1 Unit	820.00	820
STEP System - Renewal	2006	2056	50	0	34	1 Total	1,045,482.85@ 0%	0
Capital - Total								\$300,221
Total Asset Summary								\$300,221

Sahhali South Owners Association - STEP System

Component Summary By Category

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Equipment								
2" Magnetic Flow Meter - Renewal	2006	2029	15	8	7	1 Unit	3,750.00	3,750
Above Ground Vent Fan Assembly - Renewal	2006	2029	15	8	7	1 Unit	2,938.00	2,938
AdvanTex Pressure Gauge Assembly - Rene..	2006	2029	15	8	7	4 Unit	424.28	1,697
AdvanTexAX100 Pods - Labor	2006	2031	25	0	9	1 Total	49,412.00	49,412
AdvanTexAX100 Pods - Renewal	2006	2031	25	0	9	6 Unit	20,482.00	122,892
Control Panel at Drain Field & Treatment Fa..	2006	2022	15	0	0	1 Unit	5,328.00	5,328
DEQ Compliance	<i>Unfunded</i>							
Drainfield - Labor	2006	2036	30	0	14	1 Total	38,900.00	38,900
Drainfield - Renewal	2006	2036	30	0	14	1 Total	36,665.00	36,665
Effluent Pump - 1/2 HP 20' Lead - Renewal	2006	2022	2	0	0	1 Each	1,013.00	1,013
Effluent Pump - 3 HP 30' Lead - Renewal	2006	2022	5	0	0	1 Unit	1,906.00	1,906
Effluent Pump - 3/4 HP 20' Lead - Renewal	2006	2022	15	0	0	1 Unit	820.00	820
Equipment - Total								\$265,321
Grounds Components								
2" Sch 40 PVC to Drainfield - Labor	2006	2046	40	0	24	1 Total	8,900.00	8,900
2" Sch 40 PVC to Drainfield - Replacement	2006	2046	40	0	24	3,500 LF	2.16	7,560
Building: Blue Heron Trail - Reside & Paint ..	2006	2022	30	-14	0	1 Total	5,000.00	5,000
Building: Blue Heron Trail - Roof	2006	2026	20	0	4	144 SF	10.00	1,440
Building: Scherzinger - Complete Rebuild	2006	2022	30	-14	0	1 Total	12,000.00	12,000
STEP System - Renewal	2006	2056	50	0	34	1 Total	1,045,482.85@ 0%	0
Grounds Components - Total								\$34,900
Total Asset Summary								\$300,221

**Sahhali South Owners Association - STEP System
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2022	
Building: Blue Heron Trail - Reside & Paint Building	5,000
Building: Scherzinger - Complete Rebuild	12,000
Control Panel at Drain Field & Treatment Facility	5,328
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,013
Effluent Pump - 3 HP 30' Lead - Renewal	1,906
Effluent Pump - 3/4 HP 20' Lead - Renewal	820
Total for 2022	\$26,067
<i>No Replacement in 2023</i>	
Replacement Year 2024	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,096
Total for 2024	\$1,096
<i>No Replacement in 2025</i>	
Replacement Year 2026	
Building: Blue Heron Trail - Roof	1,685
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,185
Total for 2026	\$2,870
Replacement Year 2027	
Effluent Pump - 3 HP 30' Lead - Renewal	2,319
Total for 2027	\$2,319
Replacement Year 2028	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,282
Total for 2028	\$1,282
Replacement Year 2029	
2" Magnetic Flow Meter - Renewal	4,935
Above Ground Vent Fan Assembly - Renewal	3,866
AdvanTex Pressure Gauge Assembly - Renewal	2,233
Total for 2029	\$11,034

**Sahhali South Owners Association - STEP System
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2030	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,386
Total for 2030	\$1,386
Replacement Year 2031	
AdvanTexAX100 Pods - Labor	70,329
AdvanTexAX100 Pods - Renewal	174,914
Total for 2031	\$245,242
Replacement Year 2032	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,499
Effluent Pump - 3 HP 30' Lead - Renewal	2,821
Total for 2032	\$4,321
<i>No Replacement in 2033</i>	
Replacement Year 2034	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,622
Total for 2034	\$1,622
<i>No Replacement in 2035</i>	
Replacement Year 2036	
Drainfield - Labor	67,362
Drainfield - Renewal	63,492
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,754
Total for 2036	\$132,608
Replacement Year 2037	
Control Panel at Drain Field & Treatment Facility	9,595
Effluent Pump - 3 HP 30' Lead - Renewal	3,433
Effluent Pump - 3/4 HP 20' Lead - Renewal	1,477
Total for 2037	\$14,505
Replacement Year 2038	
Effluent Pump - 1/2 HP 20' Lead - Renewal	1,897
Total for 2038	\$1,897

**Sahhali South Owners Association - STEP System
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2039</i>	
Replacement Year 2040	
Effluent Pump - 1/2 HP 20' Lead - Renewal	2,052
Total for 2040	\$2,052
<i>No Replacement in 2041</i>	
Replacement Year 2042	
Effluent Pump - 1/2 HP 20' Lead - Renewal	2,220
Effluent Pump - 3 HP 30' Lead - Renewal	4,176
Total for 2042	\$6,396
<i>No Replacement in 2043</i>	
Replacement Year 2044	
2" Magnetic Flow Meter - Renewal	8,887
Above Ground Vent Fan Assembly - Renewal	6,963
AdvanTex Pressure Gauge Assembly - Renewal	4,022
Effluent Pump - 1/2 HP 20' Lead - Renewal	2,401
Total for 2044	\$22,273
<i>No Replacement in 2045</i>	
Replacement Year 2046	
2" Sch 40 PVC to Drainfield - Labor	22,813
2" Sch 40 PVC to Drainfield - Replacement	19,379
Building: Blue Heron Trail - Roof	3,691
Effluent Pump - 1/2 HP 20' Lead - Renewal	2,597
Total for 2046	\$48,480
Replacement Year 2047	
Effluent Pump - 3 HP 30' Lead - Renewal	5,081
Total for 2047	\$5,081

**Sahhali South Owners Association - STEP System
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2048	
Effluent Pump - 1/2 HP 20' Lead - Renewal	2,809
Total for 2048	\$2,809
<i>No Replacement in 2049</i>	
Replacement Year 2050	
Effluent Pump - 1/2 HP 20' Lead - Renewal	3,038
Total for 2050	\$3,038
<i>No Replacement in 2051</i>	

**Sahhali South Owners Association - STEP System
Detail Report by Category**

2" Magnetic Flow Meter - Renewal

Asset ID	1005	Asset Actual Cost	1 Unit @ \$3,750.00
Category	Capital	Percent Replacement	100%
Placed in Service	Equipment	Future Cost	\$4,934.74
Useful Life	January 2006		
Adjustment	15		
Replacement Year	8		
Remaining Life	2029		
	7		

This provision is for the replacement of the 2" magnetic flow meter with converter mounted in the control panel.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

Above Ground Vent Fan Assembly - Renewal

Asset ID	1007	Asset Actual Cost	1 Unit @ \$2,938.00
Category	Capital	Percent Replacement	100%
Placed in Service	Equipment	Future Cost	\$3,866.21
Useful Life	January 2006		
Adjustment	15		
Replacement Year	8		
Remaining Life	2029		
	7		

This provision is for the replacement of the above ground vent fan assembly.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

Sahhali South Owners Association - STEP System
Detail Report by Category

AdvanTex Pressure Gauge Assembly - Renewal

Asset ID	1010	4 Unit	@ \$424.28
	Capital	Asset Actual Cost	\$1,697.12
Category	Equipment	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$2,233.29
Useful Life	15		
Adjustment	8		
Replacement Year	2029		
Remaining Life	7		

This provision is for the replacement of the Advantex pressure gauge assembly.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

In 2021 it was indicated that there are 6 psi gauges. They are part of the Advantex units.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

AdvanTexAX100 Pods - Labor

Asset ID	1015	1 Total	@ \$49,412.00
	Capital	Asset Actual Cost	\$49,412.00
Category	Equipment	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$70,328.68
Useful Life	25		
Replacement Year	2031		
Remaining Life	9		

This provision is for the labor for the replacement of the AdvanTexAX100 Pods.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

**Sahhali South Owners Association - STEP System
Detail Report by Category**

AdvanTexAX100 Pods - Renewal

		6 Unit	@ \$20,482.00
Asset ID	1006	Asset Actual Cost	\$122,892.00
	Capital	Percent Replacement	100%
Category	Equipment	Future Cost	\$174,913.63
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	9		

This provision is for the replacement of the AdvanTexAX100 Pods.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

As of 2021, the cost of \$20,482/pod does not include installation and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

Control Panel at Drain Field & Treatment Facility

		1 Unit	@ \$5,328.00
Asset ID	1014	Asset Actual Cost	\$5,328.00
	Capital	Percent Replacement	100%
Category	Equipment	Future Cost	\$5,328.00
Placed in Service	January 2006		
Useful Life	15		
Replacement Year	2022		
Remaining Life	0		

This provision is for the labor for the replacement of the control panel at the drain field.

Cost and useful life assumptions are based on estimates provided by Septech.

The Association should firm up cost with an actual bid.

Sahhali South Owners Association - STEP System
Detail Report by Category

DEQ Compliance

Asset ID	1011	1 Total	@ \$50,000.00
Category	Capital	Asset Actual Cost	\$50,000.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2021	Future Cost	\$50,000.00
Replacement Year	1		
Remaining Life	2022		
	0		

As of 2/2022, it is unknown if this will be required. The Association is in contact with DEQ to determine if this is needed. As this time, the component is unfunded. If DEQ requires changes to the system, a special assessment will be needed.

This provision is for improvements to be in compliance with DEQ.

The cost and useful life are based on information from the Association.

Drainfield - Labor

Asset ID	1017	1 Total	@ \$38,900.00
Category	Capital	Asset Actual Cost	\$38,900.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2006	Future Cost	\$67,362.21
Replacement Year	30		
Remaining Life	2036		
	14		

This provision is for the labor for the renewal of the drainfield.

The cost and useful life are based on information from Smith and Associates Inc.

Drainfield - Renewal

Asset ID	1016	1 Total	@ \$36,665.00
Category	Capital	Asset Actual Cost	\$36,665.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2006	Future Cost	\$63,491.92
Replacement Year	30		
Remaining Life	2036		
	14		

This provision is for the renewal of the drainfield.

**Sahhali South Owners Association - STEP System
Detail Report by Category**

Drainfield - Renewal continued...

The cost and useful life are based on information from Smith and Associates Inc.

Effluent Pump - 1/2 HP 20' Lead - Renewal

Asset ID	1004	1 Each	@ \$1,013.00
Category	Capital	Asset Actual Cost	\$1,013.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2006	Future Cost	\$1,013.00
Replacement Year	2		
Remaining Life	2022		
	0		

This provision is for the replacement of the 6 effluent pumps 3 HP 30' lead.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

The Association plans to replace 1 pump every 2 years.

Effluent Pump - 3 HP 30' Lead - Renewal

Asset ID	1003	1 Unit	@ \$1,906.00
Category	Capital	Asset Actual Cost	\$1,906.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2006	Future Cost	\$1,906.00
Replacement Year	5		
Remaining Life	2022		
	0		

This provision is for the replacement of the effluent pump 3 HP 30' lead.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

**Sahhali South Owners Association - STEP System
Detail Report by Category**

Effluent Pump - 3 HP 30' Lead - Renewal continued...

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

The Association plans to replace 1 every 5 years.

Effluent Pump - 3/4 HP 20' Lead - Renewal

Asset ID	1002	1 Unit	@ \$820.00
Category	Capital	Asset Actual Cost	\$820.00
Placed in Service	Equipment	Percent Replacement	100%
Useful Life	January 2006	Future Cost	\$820.00
Replacement Year	15		
Remaining Life	2022		
	0		

This provision is for the replacement of the effluent pump 3/4 HP 20' lead.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

This cost includes installation, parts, and labor.

The Association should firm up cost with an actual bid.

According to the Association, in 2021 there were only 17 homes using the system, and as a result of the low usage, no repairs or replacements have been required.

The Association plans to replace 1 every 3 years.

Equipment - Total Current Cost \$265,321

Sahhali South Owners Association - STEP System
Detail Report by Category

2" Sch 40 PVC to Drainfield - Labor

Asset ID	1019	1 Total	@ \$8,900.00
Capital		Asset Actual Cost	\$8,900.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$22,813.41
Useful Life	40		
Replacement Year	2046		
Remaining Life	24		

This provision is for the labor to replace of the 2" Sch 40 PVC pipe to the drain field.

According to information provided by Sycon, there is 3,500 feet of pipe.

The estimated life of the pipe is 25-40 years.

2" Sch 40 PVC to Drainfield - Replacement

Asset ID	1018	3,500 LF	@ \$2.16
Capital		Asset Actual Cost	\$7,560.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$19,378.58
Useful Life	40		
Replacement Year	2046		
Remaining Life	24		

This provision is for the replacement of the 2" Sch 40 PVC pipe to the drain field.

According to information provided by Sycon, there is 3,500 feet of pipe. This cost does not include labor.

The estimated life of the pipe is 25-40 years.

Sahhali South Owners Association - STEP System
Detail Report by Category

Building: Blue Heron Trail - Reside & Paint Building

Asset ID	1021	1 Total	@ \$5,000.00
	Capital	Asset Actual Cost	\$5,000.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$5,000.00
Useful Life	30		
Adjustment	-14		
Replacement Year	2022		
Remaining Life	0		

This provision is to reside and paint the building on Blue Heron Trail.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Building: Blue Heron Trail - Roof

Asset ID	1022	144 SF	@ \$10.00
	Capital	Asset Actual Cost	\$1,440.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$1,684.60
Useful Life	20		
Replacement Year	2026		
Remaining Life	4		

This provision is for the replacement of the roof of the building on Blue Heron Trail.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

**Sahhali South Owners Association - STEP System
Detail Report by Category**

Building: Scherzinger - Complete Rebuild

Asset ID	1020	1 Total	@ \$12,000.00
	Capital	Asset Actual Cost	\$12,000.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2006	Future Cost	\$12,000.00
Useful Life	30		
Adjustment	-14		
Replacement Year	2022		
Remaining Life	0		

This provision is for the rebuilding of the building on Scherzinger Road.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

STEP System - Renewal

Asset ID	1001	1 Total @ \$1,045,482.85
	Capital	Asset Actual Cost
Category	Grounds Components	Future Cost
Placed in Service	January 2006	
Useful Life	50	
Replacement Year	2056	
Remaining Life	34	

The private septic tank effluent pumping (STEP) system will undergo maintenance, testing and pumping on an annual basis. As the number of homes that are built and sold increases, so will the frequency of maintenance.

The total installation cost of the system, including labor and materials, is \$683,500. The system has an expected useful life of 50 years. The Association should conduct a thorough inspection at the 25 year mark. This includes reviewing the PVC pipes which may have an estimated life of 20-40 years.

Cost and useful life assumptions are based on estimates provided by Sycan B Corporation.

All routine maintenance expenses are assumed to be included in the annual operating budget for the association.

This cost has been updated for inflation.

Disclosure note: According to Greg Hoard of Sycan B. Corp. much of the initial cost of the

**Sahhali South Owners Association - STEP System
Detail Report by Category**

STEP System - Renewal continued...

STEP system was due to the overall complexity of the project and to the installation of components of the system that will likely have a useful life significantly in excess of the 30 year reserve study requirement.

Accordingly, Sycan B. Corp. requesting the reserve study be prepared for the STEP system to include only the components that have been identified by the company that designs and sells these components to have a useful life less than the 30 year threshold. The cost of each component should include the estimated labor to install that respective component.

Grounds Components - Total Current Cost	\$34,900
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Additional Disclosures

Levels of Service

The following three categories describe the various types of Reserve Studies from exhaustive to minimal.

I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

II. Update, With Site Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No Site Visit/Off-Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

IV. Preliminary, Community Not Yet Constructed. A reserve study prepared before construction, that is generally used for budget estimates. It is based on design documents such as the architectural and engineering plans. The following three tasks are performed to prepare this type of study:

- Component inventory
- Life and valuation estimates
- Funding Plan

Terms and Definitions

CAPITAL IMPROVEMENTS: Additions to the association's common elements that previously did not exist. While these components should be added to the reserve study for future replacement, the cost of construction should not be taken from the reserve fund.

CASH FLOW METHOD: A method of developing a reserve *Funding Plan* 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: The individual line items in the *Reserve Study* developed or updated in the *Physical Analysis*. These elements form the building blocks for 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 can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the Association or cooperative.

COMPONENT METHOD: A method of developing a reserve *Funding Plan* where the total contribution is based on the sum of contributions for individual *Components*. See *Cash Flow Method*.

CONDITION ASSESSMENT: The task of evaluating the current condition of the *Component* based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See *Replacement Cost*.

DEFICIT: An actual or projected *Reserve Balance* that is 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 computations.

FINANCIAL ANALYSIS: The portion of a *Reserve Study* where the current status of the reserves (measured as cash or *Percent Funded*) and a recommended reserve contribution rate (reserve *Funding Plan*) are derived, and the projected reserve income and expense over time is presented. 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. The *Reserve Balance* that is in direct proportion to the fraction of life “used up” of the current repair or *Replacement Cost*. This number is calculated for each *Component*, then added together for an association total. Two formulas can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding. The Association appears to be adequately funded as the threshold method, reducing the potential risk of a special assessment.

FUNDING GOALS: Independent of the methodology utilized, the following represent the basic categories of *Funding Plan* goals:

- 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 reserves at or near 100% funded.

■ **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 funding.

FUNDING PLAN: An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

■ **Sufficient Funds When Required**

■ **Stable Contribution Rate over the Years**

■ **Evenly Distributed Contributions over the Years**

■ **Fiscally Responsible**

LIFE AND VALUATION ESTIMATES: The task of estimating *Useful Life*, *Remaining Useful Life*, and repair or *Replacement Costs* for the reserve *Components*.

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.

PHYSICAL ANALYSIS: The portion of the *Reserve Study* where the *Component Inventory*, *Condition Assessment*, and *Life and Valuation Estimate* tasks are performed. This represents one of the two parts of the *Reserve Study*.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve *Component* can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" *Remaining Useful Life*.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a reserve *Component* to its original functional condition. The *Current Replacement Cost* would be the cost to replace, repair, or restore the *Component* during that particular year.

RESERVE 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, or cash reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares *Reserve Studies*.

RESERVE STUDY: A budget planning tool that identifies the current status of the reserve fund and a stable and equitable *Funding Plan* to offset the anticipated future major common area expenditures. The *Reserve Study* consists of two parts: the *Physical Analysis* and the *Financial Analysis*.

RESPONSIBLE CHARGE: A reserve specialist in *Responsible Charge* of a *Reserve Study* shall render regular and effective supervision to those individuals performing services that directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a *Reserve Study* of which he was in *Responsible Charge*. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

■ The regular and continuous absence from principal office premises from which professional services are

rendered, except for the performance of fieldwork or presence in a field office maintained exclusively for a specific project;

- The failure to personally inspect or review the work of subordinates where necessary and appropriate;
- The rendering of a limited, cursory, or perfunctory review of plans or projects in lieu of an appropriate, detailed review;
- The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

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.

SURPLUS: An actual or projected *Reserve Balance* greater than the *Fully Funded Balance*.

The opposite would be a *Deficit*.

USEFUL LIFE (UL): Total *Useful Life* or depreciable life. The estimated time, in years, that a *Reserve Component* can be expected to serve its intended function if properly constructed in its present application or installation.