PROFESSIONAL RESERVE STUDY

Edelweiss

20 Mustard Mountain Road, Winthrop, WA 98862

For:

Edelweiss Maintenance Commission
c/o Craig Bartholomew
Chair of Finance Committee
P.O. Box 846
Winthrop, WA 98862
(206) 605-4008

Prepared By:

Jeff Samdal, PE, RS, PRA
jeff@samdalassoc.com
(206) 412-4305

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1.0 EXECUTIVE SUMMARY

1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

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

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

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

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

1.2 GENERAL DESCRIPTION OF PROPERTY

This development consists of 291 private lots with approximately 182 homes, of which approximately half are permanent residents. The common elements are private roads throughout the development, a private water distribution system, a neighborhood swimming pool, and several outlying buildings.

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

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

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency	Section
No immediate necessary capital expenditures			

1.4 CURRENT STATUS OF CAPITAL RESERVE FUND

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

Table 1.4: Current Status of the Reserve Fund

Current Reserve Balance	$330,068 as of December 1, 2024
Current Annual Reserve Fund Contribution	$193,505
Average Per Unit Per Month	$55.41
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	$2,411,868
Current Percentage of Full Funding	13.7%

1.5 RECOMMENDATIONS AND ASSUMPTIONS FOR FUTURE RESERVE CONTRIBUTIONS

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

Table 1.5: Recommendations and Assumptions for Future Reserve Contributions

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
Option 1 – Immediate Full Funding	
Immediate Special Assessment Required IF the Association is to be Fully Funded Immediately	$2,081,800
Average Initial Special Assessment per Lot	$7,154
Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	$174,699
Average Contribution per Lot per Year	$600.34
Average Contribution per Lot per Month	$50.03
Option 2 – Path to Full Funding in 5 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in 5 years	$593,557 of which $418,858 will be "make-up" funding
Average Contribution per Lot per Year	$2,039.71
Average Contribution per Lot per Month	$169.98
Option 3 - Path to Full Funding in 10 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in 10 years	$385,697 of which $210,998 will be "make-up" funding
Average Contribution per Lot per Year	$1,325.42
Average Contribution per Lot per Month	$110.45
Option 4 - Path to Full Funding in 30 Years*	
This is not a viable option, as the Reserve Fund would fall below $0	
Option 5 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	$336,450
Average Contribution per Lot per Year	$1,156.19
Average Contribution per Lot per Month	$96.35

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

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 2 RESERVE STUDY

The primary purpose of this Level 2 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light the necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

Associations have a responsibility to their members to adequately maintain their properties and our Reserve Studies provide our clients with the tools to implement capital maintenance. When small issues and maintenance items are addressed prior to becoming larger problems, there is typically a significant overall savings for a property owner. Properly maintained properties maintain higher property values than those with an abundance of deferred maintenance.

An additional benefit of this Reserve Study is that it is one of the qualifications required for Associations to obtain FHA approval (which is helpful in selling or refinancing individual units). Many other sources of funding are also beginning to require them as well.

2.2 WASHINGTON STATE RCW 64.90.550

As of July 1, 2018, WA State RCW 64.90.550 defined a Reserve Study in WA State as the following:

(1) Any reserve study is supplemental to the association's operating and maintenance budget.

(2) A reserve study must include:

(a) A reserve component list, including any reserve component, the replacement cost of which exceeds one percent of the annual budget of the association, excluding contributions to the reserves for that reserve component. If one of these reserve components is not included in the reserve study, the study must explain the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component;

(b) The date of the study and a disclosure as to whether the study meets the requirements of this section;

(c) The following level of reserve study performed:

(i) Level I: Full reserve study funding analysis and plan;

(ii) Level II: Update with visual site inspection; or

(iii) Level III: Update with no visual site inspection;

This reserve study meets the qualifications of WA State RCW 64.90.550

(d) The association's reserve account balance;

(e) The percentage of the fully funded balance to which the reserve account is funded;

(f) Special assessments already implemented or planned;

(g) Interest and inflation assumptions;

(h) Current reserve account contribution rates for a full funding plan and a baseline funding plan;

(i) A recommended reserve account contribution rate for a full funding plan to achieve one hundred percent fully funded reserves by the end of the thirty-year study period, a recommended reserve account contribution rate for a baseline funding plan to maintain the reserve account balance above zero throughout the thirty-year study period without special assessments, and a reserve account contribution rate recommended by the reserve study professional;

(j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

(k) A disclosure on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent; and

(l) A statement of the amount of any current deficit or surplus in reserve funding expressed on a dollars per unit basis. The amount is calculated by subtracting the association's reserve account balance as of the date of the study from the fully funded balance, and then multiplying the result by the fraction or percentage of the common expenses of the association allocable to each unit; except that if the fraction or percentage of the common expenses of the association allocable vary by unit, the association must calculate any current deficit or surplus in a manner that reflects the variation.

(3) A reserve study must also include the following disclosure:

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

2.3 SCOPE AND METHODOLOGY

This Level 2 Reserve Study has been prepared based on Community Associations Institute (CAI) standards and our proposal to the Association dated July 11, 2024, which was based on our correspondence with Craig Bartholomew and the previous Reserve Studies that we have prepared for this Association.

Information Gathering

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

Physical Analysis

Following the initial correspondence regarding the property, we performed an inspection of the property on October 18, 2024 so that we may provide an opinion of the current condition of the common building components. This is also the basis for our opinion of the anticipated capital needs that the Association will be responsible for over the next 30 years. This was a visual inspection, and no invasive or destructive testing was performed. This visual inspection focused on the typical features of a building and surrounding property such as structure, drainage, roof, exterior, electrical, plumbing, HVAC systems, and interior finishes. This inspection was limited to accessible and visible areas.

The physical analysis included the following tasks:

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

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

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

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

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

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

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

4. Financial Analysis: We performed an analysis on the financial needs and current status at the property. The financial analysis provides the following:

- Forecasts the anticipated Capital Reserves necessary at the property over the next 30 years.
- Projects future Capital Reserve balances and determines the appropriate funding levels necessary.
- Reviews the current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

2.4 SOURCES OF INFORMATION

The following people provided us information for this study:

- Craig Bartholomew, Chair of Finance Committee
- Pitkin Thomas, Manager

The following documents were viewed as part of this study:

- Edelweiss Long Term Plan
- Waterline Replacement Schedule

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

- October 18, 2024

2.5 DEFINITIONS

Assumed Inflation - Our assumed inflation rate is our best guess of the long-term average of the inflation rate over the next thirty years; it is not based on the current Consumer Price Index (CPI). Our number is much closer to the historical average of the CPI over the previous 25 years.

Capital Reserves Balance - Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major components which the Association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves.

Component - An individual line item in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

Component Inventory - The task of selecting and quantifying reserve components. This task is accomplished through onsite visual observations, review of Association design and organizational documents, and a review of established Association precedents.

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age - The difference between useful life and remaining useful life. Not always equivalent to chronological age since some components age irregularly. Used primarily in computation.

Financial Analysis - The portion of a Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived. The financial analysis is one of the two parts of a Reserve Study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. In essence, it is the reserve balance that is proportional to the current Repair/replacement cost and the fraction of life "used up". This number is calculated for each component, then summed together for an Association total.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

Special Assessment - An assessment levied on the members of an Association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

2.6 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

What is a reserve study?

Reserve studies are comprehensive reports that are used as budget planning tools that will assess the current financial health of the reserve fund as well as create a plan for future funding to offset anticipated major future common area expenditures.

According to *Community Association Institute's Best Practices, Reserve Studies/Management*: "There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan)."

What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State RCW 64.90.550).

> **Level 1: A full reserve study** – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.
>
> **Level 2: An update with site visit (on-site review)** -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.
>
> **Level 3: An update with no site visit (off-site review)** -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

When should associations obtain reserve studies?

Most association experts would agree that an initial full 30-year reserve study should be conducted sooner rather than later if one is not already in place. They are typically updated annually after that to account for things such as inflation and any adjustments in funding levels, budgets, repairs, or replacements.

If you follow Washington State RCW 64.90.555 (which we recommend), your reserve study schedule would look like this:

- Year 1: Level 1 full 30-year study
- Years 2, 3: Level 3 annual updates
- Year 4: Level 2 update with site visit
- Years 5, 6: Level 3 annual updates
- Year 7: Level 2 update with site visit

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary after year 1.

What are the benefits of a Reserve Study?

Benefits of reserve studies, in short, include improved property maintenance (and therefore value) as well as complying with the law. In more detail:

Complying with Washington State law

View the rules regarding Reserve Studies and Reserve Accounts here:

http://app.leg.wa.gov/RCW/default.aspx?cite=64.90 - Sections 535, 540, 545, 550, 555, and 560

Fulfilling lender requirements (such as FHA)

Many lenders are requiring up-to-date reserve studies that indicate adequate financial health before they lend. Having a reserve study in place that shows a healthy funding plan before a homeowner finds a buyer could save significant time in the closing process.

Help maintain the property's value and appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future repairs or replacement (anticipated capital expenditures), the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life. Many features, when properly maintained, can also benefit from an extended lifespan resulting in overall cost savings to the owners. Well maintained properties almost always have higher resale values than those that have been neglected.

Establishing sound financial planning and budget direction

A comprehensive reserve study lays out a schedule of anticipated major repairs or replacements to common property elements and applies cost estimates to them. It typically spans a 30-year period and will serve as a financial planning tool for the association to use when determining homeowners' dues and contributions to the reserve fund.

Reducing the need for special assessments

An association that has properly implemented their reserve study will strategically collect fees over time from homeowners (via monthly dues) rather than need large sums of cash unexpectedly (special assessments). Therefore, the need for special assessments should be minimized because expenses have already been planned for and the funds exist when needed.

Fulfilling the board of directors' fiduciary responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

3.0 PHYSICAL ANALYSIS

3.1 COMPONENT ASSESSMENT AND VALUATION

The component assessment and valuation of the itemized capital expenses on this property was done by providing our opinion of Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. Table 3.1A lists this component inventory and is based on the information that we were provided and on onsite visual observations.

The remainder of "Section 3.0 Physical Analysis" details each of the items in Table 3.1A using narratives and photos. They are meant to be read together.

Table 3.1B is a summary of expenses, grouped according to their expense category. Chart 3.1B is a pie chart illustrating the same.

Table 3.1A Key:

Quantity - The total quantity of each component.

Units - SF = Square Feet SY = Square Yards LF = Lineal Feet

EA = Each LS = Lump Sum SQ = Roofing Square (10 ft X 10 ft)

Cost/Unit - The cost of a component. The unit cost is multiplied by the component's quantity to obtain the total estimated replacement cost for the component.

Remaining Life – An opinion of the probable remaining life, in years, that a reserve component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have "zero" Remaining Life.

Useful Life - Total Useful Life or Depreciable Life. An opinion of the total probable life, in years, that a reserve component can be expected to serve its intended function in its present condition.

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2024 dollars. Exact numbers may vary.

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Home	Avg. Cost per Home per Year
3.2	**SITE**								
	Annual road maintenance allotment	1	LS	$60,000	1	1	$60,000	$206	$206.19
	Annual storm system allotment	1	LS	$8,000	1	1	$8,000	$27	$27.49
	Replace property signs	2	EA	$6,000	24	30	$12,000	$41	$1.37
	Mailbox kiosk replacement	9	EA	$2,200	14	20	$19,800	$68	$3.40
3.3	**STRUCTURES**								
	Clean, stain, and spot shake replacement of the campground bathroom	1	LS	$5,000	1	10	$5,000	$17	$1.72
	Campground bathroom interior renovation	1	LS	$10,000	9	20	$10,000	$34	$1.72
	Clean, stain, and spot siding replacement of the garbage/ recycling center	1	LS	$3,000	10	10	$3,000	$10	$1.03
	Clean, stain, and spot siding replacement of the maintenance building with sand shed	1	LS	$5,000	1	10	$5,000	$17	$1.72
3.4	**ELECTRICAL SYSTEMS**								
	All significant electrical expenditures will be the responsibility of Okanogan County Electrical Cooperative								
3.5	**WATER DISTRIBUTION SYSTEM**								
	Replace water distribution pipe with AWWA C-900 PVC (2005)	2,180	LF	$67.21	31	50	$146,518	$503	$10.07
	Replace water distribution pipe with AWWA C-900 PVC (2007)	432	LF	$67.21	33	50	$29,035	$100	$2.00
	Replace water distribution pipe with AWWA C-900 PVC (2009)	3,650	LF	$67.21	35	50	$245,317	$843	$16.86
	Replace water distribution pipe with AWWA C-900 PVC (2010)	3,136	LF	$67.21	46	50	$210,771	$724	$14.49
	Replace water distribution pipe with AWWA C-900 PVC (2015)	734	LF	$67.21	41	50	$49,332	$170	$3.39
	Replace water distribution pipe with AWWA C-900 PVC (2017)	1,255	LF	$67.21	43	50	$84,349	$290	$5.80
	Replace water distribution pipe with AWWA C-900 PVC (2018)	2,580	LF	$67.21	44	50	$173,402	$596	$11.92
	Replace water distribution pipe with AWWA C-900 PVC (2019)	2,480	LF	$67.21	45	50	$166,681	$573	$11.46
	Replace water distribution pipe with AWWA C-900 PVC (2020)	2,345	LF	$67.21	46	50	$157,607	$542	$10.83
	Replace water distribution pipe with AWWA C-900 PVC (2022)	2,185	LF	$67.21	48	50	$146,854	$505	$10.09
	Replace water distribution pipe with AWWA C-900 PVC (2023)	577	LF	$67.21	49	50	$38,780	$133	$2.67
	Replace water distribution pipe with AWWA C-900 PVC (2024)	300	LF	$67.21	50	50	$20,163	$69	$1.39

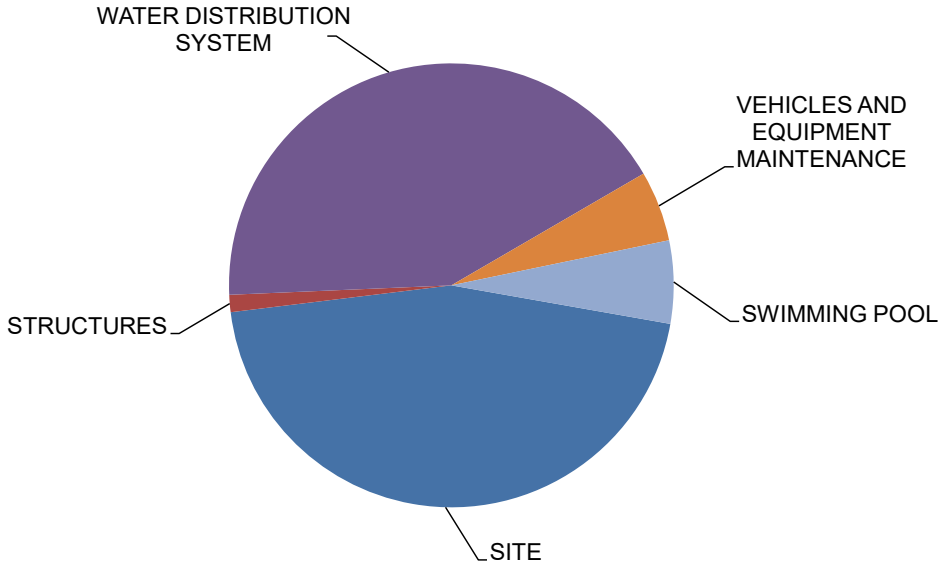
Component		Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.5	**WATER DISTRIBUTION SYSTEM (CONTINUED)**								
	Replace water distribution pipe with AWWA C-900 PVC (2025)	3,925	LF	$67.21	1	50	$263,799	$907	$18.13
	Replace water distribution pipe with AWWA C-900 PVC (2026)	4,027	LF	$67.21	2	50	$270,655	$930	$18.60
	Replace water distribution pipe with AWWA C-900 PVC (2027)	3,910	LF	$67.21	3	50	$262,791	$903	$18.06
	Replace water distribution pipe with AWWA C-900 PVC (2028)	3,515	LF	$67.21	4	50	$236,243	$812	$16.24
	Replace water distribution pipe with AWWA C-900 PVC (2029)	3,536	LF	$67.21	5	50	$237,655	$817	$16.33
	Replace water distribution pipe with AWWA C-900 PVC (2030)	4,134	LF	$67.21	6	50	$277,846	$955	$19.10
	Replace service connections, including meters and setters at each individual lot	296	EA	$500	12	20	$148,000	$509	$25.43
	Replace isolation valves	68	EA	$680	21	25	$46,240	$159	$6.36
	Replace Cassal 10-hp well pump 1	1	EA	$19,200	4	20	$19,200	$66	$3.30
	Replace Cassal 10-hp well pump 2	1	EA	$19,200	6	20	$19,200	$66	$3.30
	Replace Cassal well casings	1	LS	$24,000	21	25	$24,000	$82	$3.30
	Replace Cassal 20-hp booster pump 1	1	EA	$16,000	1	20	$16,000	$55	$2.75
	Replace Cassal 20-hp booster pump 2	1	EA	$16,000	2	20	$16,000	$55	$2.75
	Replace Highland 7-1/2 hp booster pump 1	1	EA	$14,700	16	20	$14,700	$51	$2.53
	Replace Highland 7-1/2 hp booster pump 2	1	EA	$14,700	20	20	$14,700	$51	$2.53
	Replace Campground 5-hp well pump	1	EA	$11,500	7	20	$11,500	$40	$1.98
	Replace 3 underground storage tanks of Cassal system with one 120,000 gallon above ground storage tank	1	EA	$352,000	17	100	$352,000	$1,210	$12.10
	Replace the Sunflower 6,000 gallon underground storage tank	1	EA	$32,000	10	100	$32,000	$110	$1.10
	Replace the Fawn 25,000 gallon underground storage tank	1	EA	$80,000	11	100	$80,000	$275	$2.75
	Electrostatically paint above ground storage tanks	1	LS	$36,000	6	20	$36,000	$124	$6.19

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.6	**COMMUNITY SEPTIC SYSTEM**								
	Community septics system drain fields are maintained via a separate fund collected on a fee basis from subscribers								
	All other elements of the community septic system are maintained by Okanogan County Department of Public Works								
3.7	**VEHICLES AND EQUIPMENT MAINTENANCE**								
	Purchase new pick-up truck (two current trucks will be sold)	1	EA	$38,000	1	15	$38,000	$131	$8.71
	Replace tractor	1	EA	$100,000	20	20	$100,000	$344	$17.18
	Pay off tractor	1	LS	$66,500	1	1	$66,500	N/A	N/A
	Replace Gator ATV	1	EA	$7,500	8	10	$7,500	$26	$2.58
3.8	**SWIMMING POOL**								
	Replaster and re-tile the swimming pool	2,400	SF	$35	11	18	$84,000	$289	$16.04
	Replace the swimming pool heat pump	1	EA	$7,200	3	10	$7,200	$25	$2.47
	Pool house interior renovation	1	LS	$9,600	10	20	$9,600	$33	$1.65
	Clean, stain, and spot siding replacement of the pool house	1	LS	$7,000	3	10	$7,000	$24	$2.41
	Picnic and patio furniture allotment at swimming pool	1	LS	$10,000	3	10	$10,000	$34	$3.44
	Swimming pool filters, pumps, and chlorination equipment are maintained by on-site staff and paid for via the general operating budget								
							Average Cost Per Unit Per Year		**$583**

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

Category	Total Expenditure over 30 Years	Percentage
SITE	$3,454,525	45.3%
STRUCTURES	$96,091	1.3%
ELECTRICAL SYSTEMS	$0	0.0%
WATER DISTRIBUTION SYSTEM	$3,225,698	42.3%
COMMUNITY SEPTIC SYSTEM	$0	0.0%
VEHICLES AND EQUIPMENT MAINTENANCE	$391,340	5.1%
SWIMMING POOL	$460,174	6.0%
TOTAL	**$7,627,827**	

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



3.2 SITE

The address of this property is 20 Mustard Mountain Road, Winthrop, WA 98862.

Aerial image of property (courtesy of Google Earth)

General Description of Site

This development consists of 294 private lots with approximately 182 homes, of which approximately half are permanent residents. The common elements are private roads throughout the development, a private water distribution system, a neighborhood swimming pool, and several outlying buildings.

Roads

We understand that there are approximately 8 miles of roads in this development, of which only a small amount at the main access is asphalt, while the majority of the roads are merely gravel roads.

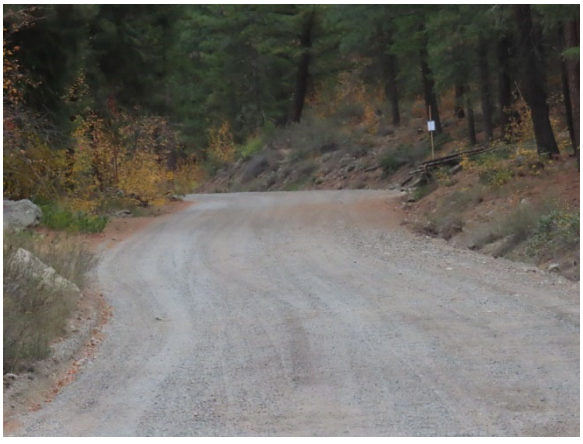
The small asphalt area at the main entrance on Highland Road. This asphalt extends approximately 50 feet past the intersection of Highland Road and Homestead Road onto Highland Road and approximately 250 feet past this intersection onto Homestead Road. We understand that this asphalt was originally laid in 1995 and overlaid in 2005.

The remaining roads in this development are gravel and the current plan is for these roads to remain gravel indefinitely. The Board maintains the roads via grading areas of washboard surfaces, applying Lignin Sulfate to control dust, and laying new gravel. We have also budgeted for miscellaneous road repairs to maintain safe conditions. We have assumed that the Board will spend approximately $60,000 per year on road repairs and general maintenance and have budgeted accordingly in this study.

Main Entrance on Highland Road is Asphalt

Main Entrance on Highland Road is Asphalt

Highland Road/Homestead Road Transition Road is Asphalt

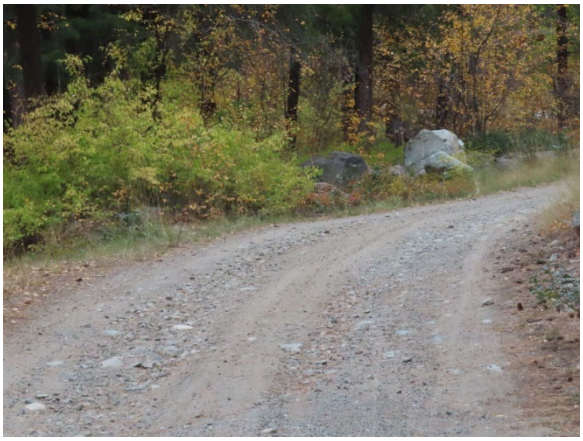


Gravel Section of Highland Road

Highland Meadows Road

Mustard Mountain Road

East Fawn Creek Road



Fawn Road

Quaking Aspen Road

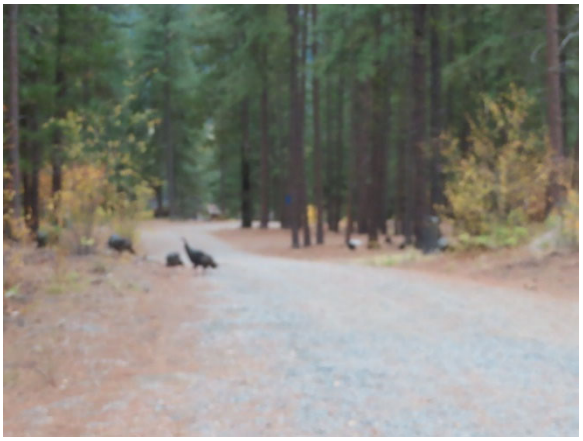
Trillium Road

Crab Apple Road

Ayers Court

Blue Grouse Road

Bitterbrush Road



Cassal Road

Laney Lane

Lupine Road

Cottonwood Road

River Road

West Fawn Creek Road (U.S. Forest Service Road)

STORM SYSTEM

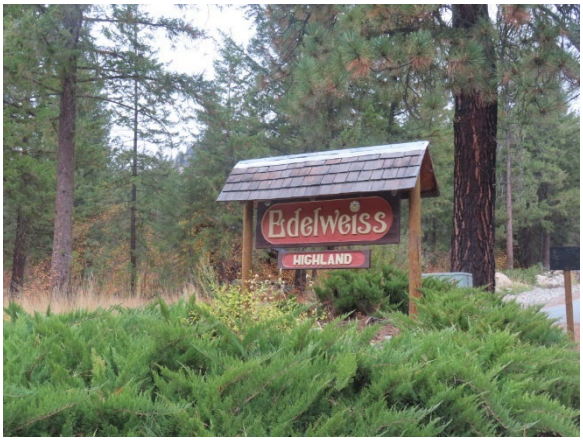
There is not a comprehensive storm system on this property, nor are there any plans to install a comprehensive storm system.

The cost of addressing storm problems has historically required annual expenditures by the Board and will continue to be in the future. Therefore, we have budgeted for $8,000 in storm system expenditures annually. The Board can adjust this level of expenditure, as necessary.

Property Signs

There are two property signs in this association; a Highland sign and a Meadows sign. These signs are constructed of wood supports and a wood panel hanging sign. The Highland sign has wood shake roofing, while the Meadows sign has a wood cross member. We understand that these signs were installed in 2017. We have assumed that these signs will be generally maintained via routine maintenance and general operations. With maintenance, we have assumed that these signs will have a long 30-year lifespan.

Meadows Property Sign



Highland Property Sign

Mailbox Kiosks

There are 9 metal mailbox kiosks installed in the Meadows campground area of the development that were installed in 2018. These mailbox kiosks have a typical lifespan of 20 years.

Mailbox Bank

Campground

There is a campground located in this development. No Reserve Funding is anticipated to be necessary at this campground other than for the buildings listed in the Structures section of this report.

Campground

Campground

3.3 STRUCTURES

Campground Bathroom and Laundry Room

There is a campground bathroom and laundry room building. This building has a pitched roof with a relatively new metal roof surface and wood shake siding with wood trim and aluminum-frame windows.

The roof of this building should have 50-year design life, which is well beyond the 30-year duration of this study. Therefore, no funding has been budgeted for roofing of this building.

There are large eaves on this building; therefore, if the siding is periodically cleaned and stained with spot shake replacement, it should have a lifespan beyond the 30-year duration of this study. We have budgeted for cleaning, staining, and spot siding/trim replacement every 10 years.

The bathrooms and laundry room in this building are simple interior areas with bare concrete floors. We have budgeted for renovation of the interior of this building in the distant future and every 20 years thereafter.

Campground Bathroom House and Laundry Room

Interior of Campground Bathroom House and Laundry Room

Men's Bathroom

Women's Bathroom

Garbage/Recycling Center

There is a garbage/recycling center located at the campground. We have budgeted for exterior cleaning, staining, and spot siding/trim replacement of this building every 10 years.

Exterior of Garbage/Recycling Center

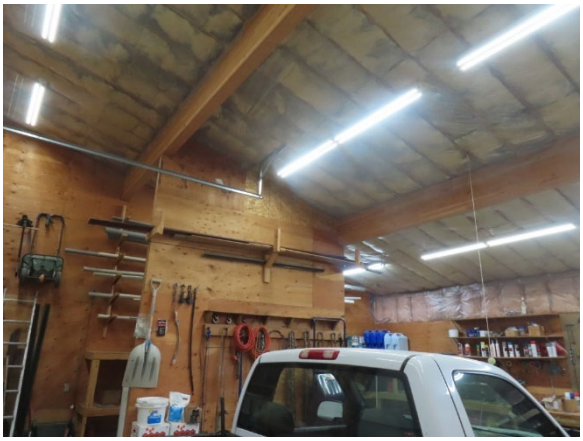
Maintenance Building with Sand Shed

There is a maintenance building with an adjacent sand shed in the campground area. This building has a pitched shed style roof with a metal roof surface and wood shake siding with wood trim. The interior of the maintenance section of the building is unfinished and will not require any capital maintenance.

The roof of this building should have 50-year design life, which is well beyond the 30-year duration of this study. Therefore, no funding has been budgeted for roofing of this building.

There are large eaves on this building; therefore, if the siding is periodically cleaned and stained with spot shake replacement, it should have a lifespan beyond the 30-year duration of this study. We have budgeted for cleaning, staining, and spot wood replacement every 10 years.

Exterior of Maintenance Building with Sand Shed



Interior of Maintenance Building

Pump Houses and Smaller Buildings

There are several pump houses in this development with wood siding and a combination of metal roofing and asphalt composition roofing. These buildings are simple, and we have assumed that all maintenance including roofing and exterior siding maintenance will be paid for as necessary via the general operating budget.

Campground Well House

Cassal Well House

Cassal Booster Pump House

Highland Booster Pump House

3.4 ELECTRICAL DISTRIBUTION SYSTEMS

We understand that the electrical distribution system in this development is the responsibility of Okanogan County Electrical Cooperative. Therefore, we have not included replacement of any of the electrical distribution system in the Reserve Study.

3.5 WATER DISTRIBUTION SYSTEM

Prior to our initial Level 1 Reserve Study in 2018, we were provided a copy of the 2014 Edelweiss Water System Analysis Report that was prepared by Erlandsen. This study is mandated by the WA State Dept. of Health per WAC 246-290-100, which requires water purveyors to update their water system plans every six years. This report and our correspondence with the Board and the managers provided us the basic understanding of the water distribution system.

According to the 2014 Water System Analysis Report, the Edelweiss water supply system is a privately owned system that has a Green Operating permit from the Washington State Department of Health (DOH) and is permitted up to 320 connections. As of July 2014, this system was servicing 180 connections; however, we understand additional connections have been made since that time.

We understand that there are two completely separate systems. One system is the small Campground System, which is the relatively small system that serves the campground and a relatively small number of homes along the western section of this development. The other system is the Cassal System, which serves the vast majority of the lots in this development.

We understand that the Campground System is supplied by one well. The Campground System has one 6,000-gallon underground Sunflower reservoir and one 25,000-gallon underground Fawn reservoir.

The Cassal System is supplied by two deep wells located near the confluence of Cassal Creek and the Methow River. These well pumps supply water up to the Cassal Booster Pump Station that supply water to the Cassal Reservoirs located at the east side of the development.

The Cassal System Reservoirs consist of 3 separate 25,000-gallon underground storage tanks that were originally constructed at the time of the original development of this neighborhood, plus one 120,000 gallon above ground storage tank.

Distribution System

We understand that the Board intends to replace the entire water distribution system in phases. There is approximately 8 miles or 42,240 linear feet of distribution pipe. We understand that the original supply piping in this development is white PVC; however, a significant amount of the supply piping in this development have been replaced with AWWA C-900/C905 PVC Piping.

We were provided with historical replacement timelines with the approximate linear feet that have been replaced each year between 2005 and 2024, plus the planned replacement schedule between 2025 and 2030, at which time the entire system should be replaced. We have used this schedule directly in this study. Based on the records that we have been provided by the Board, since 2005, approximately 4.13 miles of the total 8.5 miles of distribution piping has been replaced. We estimate that the new supply piping will have a 50-year design life.

We understand that the Edelweiss Maintenance Commission is only responsible for 70% of the costs of replacing the distribution pipe, as we understand that Okanogan County Electrical Commission is responsible for the remaining 30%. This has recently translated into a typical cost that the Edelweiss Maintenance Commission is responsible for of $67.21 per linear foot (including tax).

We understand that all of the 296-service connection shut-off valves were replaced with new metered shut-off valves and all of the individual meters and setters were replaced in 2016. We have assumed that these meters and setters will have a total lifespan of 20 years.

Based on the drawings, there are 68 isolation valves that are part of the distribution system. We have budgeted for future replacement of these isolation valves well into the future.

Wells, Primary Well Pumps, and Booster Pumps

We do not anticipate that any of the 3 wells (2 Cassal system pumps and 1 campground pump) will need to be replaced within the 30-year duration of this study; however, this is always possible.

There are two Cassal well pumps (Pumps 1 and 2) that are each 10 hp. Pump 1 was replaced in 2008 while Pump 2 was replaced in 1999. We have assumed that each of these pumps be replaced on a 20-year cycle. However, it may also be possible to rewind these pumps and get additional life (though we have not included this in our budget).

There are two separate booster stations in the Cassal system; the Cassal booster station (two 20-hp pumps) and the Highland booster station (two 7 1/2-hp pumps). We understand that Highland booster pump 1 was replaced in 2020 and Highland booster pump 2 was replaced in 2024, while the rest of these pumps are at least 20 years old; however, the motor to Cassal Booster Pump 2 was rebuilt in 2017. We recommend that all of these pumps be budgeted for replacement within the next 6 years, and every 20 years thereafter.

The Campground well pump is a 5-hp pump that was installed in 2011. We have also estimated that this pump will need to be replaced every 20 years.

Please note: a 20-year estimate for a well pump and a booster pump assumes routine maintenance and is a general average. Clearly pumps can fail prior to this duration and can last beyond this duration.

We have assumed that maintenance and repairs to all other related equipment will be performed via the operating budget.

Storage Tanks

The Cassal System Reservoirs consist of 3 separate 25,000-gallon underground storage tanks that were originally constructed at the time of the original development of this neighborhood, plus one 120,000 gallon above-ground storage tank. We understand that there is some speculative planning about the installation of a second storage tank to replace the 3 underground storage tanks when they eventually fail. For budgeting purposes, we have assumed that a similarly sized above ground storage tank will be installed adjacent to the current one. Also, for budgeting purposes we have assumed that this will occur in 2041. This is based on a recent inspection of these tanks via divers.

The steel storage tanks will need to be painted periodically to control oxidation. We have budgeted for the exterior of the above ground water storage tank to be repainted every 20 years. We have budgeted for the application of electrostatic painting of these tanks, as that is what we recommend.

The Campground system is served by a 6,000-gallon Sunflower underground storage tank and a 25,000-gallon Fawn storage tank. We have budgeted for the eventual replacement of these tanks. We have also budgeted for these storage tanks to be replaced with similarly sized tanks in 2034 and 2035, respectfully.

We have assumed that cleaning of the interior of the steel tanks will be done as part of routine maintenance via the operating budget.

Fire Hydrants

There are 3 fire hydrants on this property. The installation of additional fire hydrants should only be considered once there is sufficient flow in this system.

Possible Back-up Generators for Pump Houses

There are no back-up generators for the pump houses or booster houses in this development. The installation of such back-up generators should be considered.

Controls Systems

We understand that the Board has a considerable operating budget for the water supply system and separate budgets for controls systems and telemetry upgrades. Therefore, this has not been budgeted for in this study.

Interior of Campground Well House

Cassal Pump 1

Cassal Well Head 2

Cassal Controls

Cassal Booster Pumps

Cassal Booster Pump Controls

Highland Booster Pumps

Highland Booster Pump Controls

Above Ground Reservoir

Below Ground Reservoirs for Cassal System

3.6 COMMUNITY SEPTIC SYSTEMS

We understand that a small minority of the lots in this development are connected to the community septic system. Edelweiss Maintenance Company is responsibility for maintaining the drain fields via a separate fund that is collected on a fee basis for community septic hook-up. We understand that Okanogan County Department of Public Works maintains all other elements of this community septic system.

3.7 VEHICLES AND MAINTENANCE EQUIPMENT

Vehicles

The homeowners association owns one Chevy 2500 pick-up truck and one Ford F-350 diesel crew cab pick-up truck. We understand from Pitkin Thomas that the Board plans to sell both of these trucks and purchase one truck for $38,000, which clearly assumes that this truck will be used when purchased. We have assumed that the association will purchase a new truck every 15 years.

Chevy 2500 Pickup Truck

Ford F-350 Diesel Crew Cab Pickup Truck

Maintenance Equipment

The Association owns a tractor that was purchased in 2023 for approximately $100,000 on a no interest loan, for which the balance will be paid off over the next 4 years from the Reserve Fund.

We assume that the new machine will have a total lifespan of 20 years before replacement is necessary.

There are two sand spreaders that are somewhat worn as well as a plow. We have assumed that these stand spreaders and plow can be maintained as necessary indefinitely. Additionally, we have assumed that all smaller maintenance equipment will be paid for via the general operating budget, as necessary.

The Association owns a Gator ATV that we assume will have a total lifespan of 10 years.

Tractor

Sand Spreader

Gator ATV

3.8 SWIMMING POOL

We understand that this swimming pool was completely rebuilt in 2016. This required that the actual structure of the swimming pool be re-poured with new concrete and a new concrete pool deck be installed. This level of maintenance should not be necessary within the 30-year duration of this study. Going forward, we have budgeted for re-plastering and re-tiling every 18 years. We have assumed that no work will be necessary with the concrete pool deck.

We have budgeted for replacement of the swimming pool heat pump every 10 years. We understand that this unit was purchased around 2016. The on-site staff maintains the swimming pool filters, pumps, the water heater, and chlorination equipment and replaces this equipment as necessary and new equipment is paid for via the general maintenance fund.

The pool house locker rooms in the pool house are relatively simple. We have budgeted for renovation of the interior of this building in the distant future and every 20 years thereafter.

The roof of the pool house building is a metal shed roof and should have 50-year design life, which is well beyond the 30-year duration of this study. Therefore, no funding has been budgeted for roofing of this building. We have not budgeted for siding/wood wall replacement. If the siding/wood wall is periodically cleaned and stained with spot siding replacement (as necessary), the siding should have a lifespan beyond the 30-year duration of this study. We have budgeted for cleaning, staining, and spot wood replacement every 10 years.

We have assumed that the Board will purchase new picnic and patio furniture periodically. Therefore, we have included a picnic and patio furniture allotment in this study every 10 years.

Swimming Pool

Swimming Pool Fence

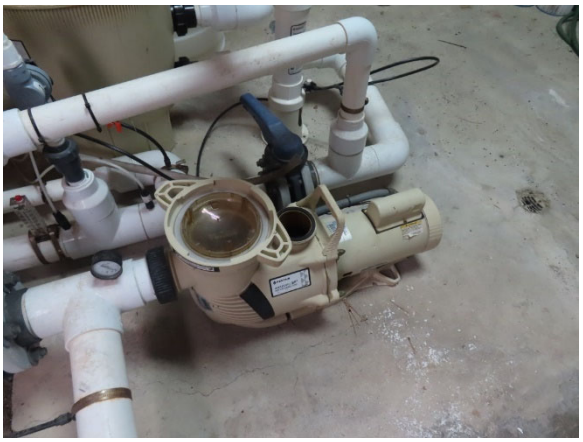
Swimming Pool House

Swimming Pool House

Men's Bathroom in Swimming Pool House

Women's Bathroom in Swimming Pool House

X



Swimming Pool Pump

Swimming Pool Heat Pump

Swimming Pool Filters

Swimming Pool House Water Heater

3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

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

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
3.2	**SITE**													
	Annual road maintenance allotment	$60,000	$61,800	$63,654	$65,564	$67,531	$69,556	$71,643	$73,792	$76,006	$78,286	$80,635	$83,054	$85,546
	Annual storm system allotment	$8,000	$8,240	$8,487	$8,742	$9,004	$9,274	$9,552	$9,839	$10,134	$10,438	$10,751	$11,074	$11,406
	Replace property signs													
	Mailbox kiosk replacement													
3.3	**STRUCTURES**													
	Clean, stain, and spot shake replacement of the campground bathroom		$5,150										$6,921	
	Campground bathroom interior renovation										$13,048			
	Clean, stain, and spot siding replacement of the garbage/ recycling center											$4,032		
	Clean, stain, and spot siding replacement of the maintenance building with sand shed		$5,150										$6,921	
3.4	**ELECTRICAL SYSTEMS**													
	All significant electrical expenditures will be the responsibility of Okanogan County Electrical Cooperative													

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
3.5	**WATER DISTRIBUTION SYSTEM**													
	Replace water distribution pipe with AWWA C-900 PVC (2005)													
	Replace water distribution pipe with AWWA C-900 PVC (2007)													
	Replace water distribution pipe with AWWA C-900 PVC (2009)													
	Replace water distribution pipe with AWWA C-900 PVC (2010)													
	Replace water distribution pipe with AWWA C-900 PVC (2015)													
	Replace water distribution pipe with AWWA C-900 PVC (2017)													
	Replace water distribution pipe with AWWA C-900 PVC (2018)													
	Replace water distribution pipe with AWWA C-900 PVC (2019)													
	Replace water distribution pipe with AWWA C-900 PVC (2020)													
	Replace water distribution pipe with AWWA C-900 PVC (2022)													
	Replace water distribution pipe with AWWA C-900 PVC (2023)													
	Replace water distribution pipe with AWWA C-900 PVC (2024)													
	Replace water distribution pipe with AWWA C-900 PVC (2025)		$271,713											
	Replace water distribution pipe with AWWA C-900 PVC (2026)			$287,138										
	Replace water distribution pipe with AWWA C-900 PVC (2027)				$287,159									
	Replace water distribution pipe with AWWA C-900 PVC (2028)					$265,894								
	Replace water distribution pipe with AWWA C-900 PVC (2029)						$275,507							
	Replace water distribution pipe with AWWA C-900 PVC (2030)							$331,763						
	Replace service connections, including meters and setters at each individual lot													$211,013
	Replace isolation valves													
	Replace Cassal 10-hp well pump 1					$21,610								
	Replace Cassal 10-hp well pump 2							$22,926						
	Replace Cassal well casings													
	Replace Cassal 20-hp booster pump 1		$16,480											
	Replace Cassal 20-hp booster pump 2			$16,974										
	Replace Highland 7-1/2 hp booster pump 1													
	Replace Highland 7-1/2 hp booster pump 2													
	Replace Campground 5-hp well pump								$14,144					
	Replace 3 underground storage tanks of Cassal system with one 120,000 gallon above ground storage tank													
	Replace the Sunflower 6,000 gallon underground storage tank											$43,005		
	Replace the Fawn 25,000 gallon underground storage tank												$110,739	
	Electrostatically paint above ground storage tanks							$42,986						

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
3.6	**COMMUNITY SEPTIC SYSTEM**													
	Community septics system drain fields are maintained via a separate fund collected on a fee basis from subscribers													
	All other elements of the community septic system are maintained by Okanogan County Department of Public Works													
3.7	**VEHICLES AND EQUIPMENT MAINTENANCE**													
	Purchase new pick-up truck (two current trucks will be sold)		$39,140											
	Replace tractor													
	Pay off tractor		$19,570	$20,157	$20,762	$10,692								
	Replace Gator ATV									$9,501				
3.8	**SWIMMING POOL**													
	Replaster and re-tile the swimming pool												$116,276	
	Replace the swimming pool heat pump				$7,868									
	Pool house interior renovation											$12,902		
	Clean, stain, and spot siding replacement of the pool house				$7,649									
	Swimming pool filters, pumps, and chlorination equipment are maintained by on-site staff and paid for via the general operating budget				$10,927									
	ANNUAL EXPENSES BY YEAR	**$68,000**	**$427,243**	**$396,410**	**$408,670**	**$374,730**	**$354,337**	**$478,870**	**$97,775**	**$95,641**	**$101,772**	**$151,325**	**$334,985**	**$307,964**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
3.2	**SITE**													
	Annual road maintenance allotment	$88,112	$90,755	$93,478	$96,282	$99,171	$102,146	$105,210	$108,367	$111,618	$114,966	$118,415	$121,968	$125,627
	Annual storm system allotment	$11,748	$12,101	$12,464	$12,838	$13,223	$13,619	$14,028	$14,449	$14,882	$15,329	$15,789	$16,262	$16,750
	Replace property signs												$24,394	
	Mailbox kiosk replacement		$29,949											
3.3	**STRUCTURES**													
	Clean, stain, and spot shake replacement of the campground bathroom									$9,301				
	Campground bathroom interior renovation													
	Clean, stain, and spot siding replacement of the garbage/ recycling center								$5,418					
	Clean, stain, and spot siding replacement of the maintenance building with sand shed									$9,301				
3.4	**ELECTRICAL SYSTEMS**													
	All significant electrical expenditures will be the responsibility of Okanogan County Electrical Cooperative													

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
3.5	**WATER DISTRIBUTION SYSTEM**													
	Replace water distribution pipe with AWWA C-900 PVC (2005)													
	Replace water distribution pipe with AWWA C-900 PVC (2007)													
	Replace water distribution pipe with AWWA C-900 PVC (2009)													
	Replace water distribution pipe with AWWA C-900 PVC (2010)													
	Replace water distribution pipe with AWWA C-900 PVC (2015)													
	Replace water distribution pipe with AWWA C-900 PVC (2017)													
	Replace water distribution pipe with AWWA C-900 PVC (2018)													
	Replace water distribution pipe with AWWA C-900 PVC (2019)													
	Replace water distribution pipe with AWWA C-900 PVC (2020)													
	Replace water distribution pipe with AWWA C-900 PVC (2022)													
	Replace water distribution pipe with AWWA C-900 PVC (2023)													
	Replace water distribution pipe with AWWA C-900 PVC (2024)													
	Replace water distribution pipe with AWWA C-900 PVC (2025)													
	Replace water distribution pipe with AWWA C-900 PVC (2026)													
	Replace water distribution pipe with AWWA C-900 PVC (2027)													
	Replace water distribution pipe with AWWA C-900 PVC (2028)													
	Replace water distribution pipe with AWWA C-900 PVC (2029)													
	Replace water distribution pipe with AWWA C-900 PVC (2030)													
	Replace service connections, including meters and setters at each individual lot													
	Replace isolation valves									$86,020				
	Replace Cassal 10-hp well pump 1												$39,030	
	Replace Cassal 10-hp well pump 2													
	Replace Cassal well casings									$44,647				
	Replace Cassal 20-hp booster pump 1									$29,765				
	Replace Cassal 20-hp booster pump 2										$30,658			
	Replace Highland 7-1/2 hp booster pump 1				$23,589									
	Replace Highland 7-1/2 hp booster pump 2								$26,550					
	Replace Campground 5-hp well pump													
	Replace 3 underground storage tanks of Cassal system with one 120,000 gallon above ground storage tank					$581,802								
	Replace the Sunflower 6,000 gallon underground storage tank													
	Replace the Fawn 25,000 gallon underground storage tank													
	Electrostatically paint above ground storage tanks													

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
3.6	**COMMUNITY SEPTIC SYSTEM**													
	Community septics system drain fields are maintained via a separate fund collected on a fee basis from subscribers													
	All other elements of the community septic system are maintained by Okanogan County Department of Public Works													
3.7	**VEHICLES AND EQUIPMENT MAINTENANCE**													
	Purchase new pick-up truck (two current trucks will be sold)				$60,979									
	Replace tractor								$180,611					
	Pay off tractor													
	Replace Gator ATV						$12,768							
3.8	**SWIMMING POOL**													
	Replaster and re-tile the swimming pool													
	Replace the swimming pool heat pump	$10,573										$14,210		
	Pool house interior renovation													
	Clean, stain, and spot siding replacement of the pool house	$10,280										$13,815		
	Swimming pool filters, pumps, and chlorination equipment are maintained by on-site staff and paid for via the general operating budget	$14,685										$19,736		
	ANNUAL EXPENSES BY YEAR	**$135,399**	**$132,805**	**$105,942**	**$193,688**	**$694,196**	**$128,534**	**$119,238**	**$335,395**	**$305,535**	**$160,953**	**$181,965**	**$201,653**	**$142,377**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2050	2051	2052	2053	2054
3.2	**SITE**					
	Annual road maintenance allotment	$129,395	$133,277	$137,276	$141,394	$145,636
	Annual storm system allotment	$17,253	$17,770	$18,303	$18,853	$19,418
	Replace property signs					
	Mailbox kiosk replacement					
3.3	**STRUCTURES**					
	Clean, stain, and spot shake replacement of the campground bathroom					
	Campground bathroom interior renovation				$23,566	
	Clean, stain, and spot siding replacement of the garbage/ recycling center					$7,282
	Clean, stain, and spot siding replacement of the maintenance building with sand shed					
3.4	**ELECTRICAL SYSTEMS**					
	All significant electrical expenditures will be the responsibility of Okanogan County Electrical Cooperative					

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2050	2051	2052	2053	2054
3.5	**WATER DISTRIBUTION SYSTEM**					
	Replace water distribution pipe with AWWA C-900 PVC (2005)					
	Replace water distribution pipe with AWWA C-900 PVC (2007)					
	Replace water distribution pipe with AWWA C-900 PVC (2009)					
	Replace water distribution pipe with AWWA C-900 PVC (2010)					
	Replace water distribution pipe with AWWA C-900 PVC (2015)					
	Replace water distribution pipe with AWWA C-900 PVC (2017)					
	Replace water distribution pipe with AWWA C-900 PVC (2018)					
	Replace water distribution pipe with AWWA C-900 PVC (2019)					
	Replace water distribution pipe with AWWA C-900 PVC (2020)					
	Replace water distribution pipe with AWWA C-900 PVC (2022)					
	Replace water distribution pipe with AWWA C-900 PVC (2023)					
	Replace water distribution pipe with AWWA C-900 PVC (2024)					
	Replace water distribution pipe with AWWA C-900 PVC (2025)					
	Replace water distribution pipe with AWWA C-900 PVC (2026)					
	Replace water distribution pipe with AWWA C-900 PVC (2027)					
	Replace water distribution pipe with AWWA C-900 PVC (2028)					
	Replace water distribution pipe with AWWA C-900 PVC (2029)					
	Replace water distribution pipe with AWWA C-900 PVC (2030)					
	Replace service connections, including meters and setters at each individual lot					
	Replace isolation valves					
	Replace Cassal 10-hp well pump 1					
	Replace Cassal 10-hp well pump 2	$41,407				
	Replace Cassal well casings					
	Replace Cassal 20-hp booster pump 1					
	Replace Cassal 20-hp booster pump 2					
	Replace Highland 7-1/2 hp booster pump 1					
	Replace Highland 7-1/2 hp booster pump 2					
	Replace Campground 5-hp well pump		$25,545			
	Replace 3 underground storage tanks of Cassal system with one 120,000 gallon above ground storage tank					
	Replace the Sunflower 6,000 gallon underground storage tank					
	Replace the Fawn 25,000 gallon underground storage tank					
	Electrostatically paint above ground storage tanks	$77,637				

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2050	2051	2052	2053	2054
3.6	**COMMUNITY SEPTIC SYSTEM**					
	Community septics system drain fields are maintained via a separate fund collected on a fee basis from subscribers					
	All other elements of the community septic system are maintained by Okanogan County Department of Public Works					
3.7	**VEHICLES AND EQUIPMENT MAINTENANCE**					
	Purchase new pick-up truck (two current trucks will be sold)					
	Replace tractor					
	Pay off tractor					
	Replace Gator ATV			$17,159		
3.8	**SWIMMING POOL**					
	Replaster and re-tile the swimming pool				$197,952	
	Replace the swimming pool heat pump					
	Pool house interior renovation					$23,302
	Clean, stain, and spot siding replacement of the pool house					
	Swimming pool filters, pumps, and chlorination equipment are maintained by on-site staff and paid for via the general operating budget					
	ANNUAL EXPENSES BY YEAR	**$265,692**	**$176,592**	**$172,739**	**$381,764**	**$195,637**

4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by Samdal & Associates. We have provided the funding method that we believe will most adequately fund the reserves of this Association.

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance is anticipated to be $330,068 as of December 31, 2024 (Balance provided by Craig Bartholomew). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is $2,411,868. Therefore, the property is 13.7% funded.

The current annual contribution to the reserve fund is $193,505, which averages $55.41 per lot per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
13.7% funded.

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

4.2 RECOMMENDED RESERVE FUNDING PLAN

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

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

Our funding recommendations are as follows:

Option One: Immediate Full Funding

If the Association desires to be Fully Funded immediately, then based on the anticipated expenditures the Association will need to immediately contribute a total of $2,081,800 to the Reserve Fund. This translates to an average of $7,154 per unit. Following this initial contribution, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of $174,699 per year in the initial year, which translates to $50.03 per lot per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

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

-OR-

Option One

Average Immediate Contribution Per Lot:

$7,154

Avg. Contribution Thereafter Per Unit Per Month:

2025 $50.03

(with 3% annual increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a "full funding" deficiency of $2,081,800. This option makes up for this deficiency over the next five years. Starting in 2025 for five years through 2029, the Association will make up their Reserve Fund deficiency by contributing $593,557 annually (which includes $418,858 in make-up funds and $174,699 in capital maintenance funds that will increase annually with inflation). This translates to an average of $169.98 per lot per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2030. From this point on, the funding plan will be identical to the funding plan listed above in the "Immediate Full Funding" option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to $202,524 in 2030, which translates to $58.00 per lot per month. This 2030 annual contribution will need to be increased 3% each subsequent year (to account for inflation) for the duration of this 30-year study to maintain Full Funding and to account for inflation.

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

Option Two

Average Contributions Per Lot Per Month:

2025 $169.98

Increasing at 3% per year through:

2029 $176.26

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

2030 $58.00

(with 3% annual increase thereafter)

-OR-

Option Three: Full Funding Within Ten Years

There is currently a "full funding" deficiency of $2,081,800. This option makes up for this deficiency over the next ten years. Starting in 2025 for ten years through 2034, the Association will make up their Reserve Fund deficiency by contributing $385,697 annually (which includes $210,998 in make-up funds and $174,699 in capital maintenance funds that will increase annually with inflation). This translates to an average of $110.45 per lot per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2035. From this point on, the funding plan will be identical to the funding plan listed above in the "Immediate Full Funding" option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to $234,781 in 2035, which translates to $67.23 per lot per month. This 2035 annual contribution will need to be increased 3% each subsequent year for the duration of this 30-year study to maintain Full Funding and to account for inflation.

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

Option Three

Average Contributions Per Lot Per Month:

2025 $110.45

Increasing at 3% per year through:

2034 $125.70

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

2035 $67.23

(plus 3% annual increase thereafter)

Other funding options are also possible. Section 4.6 details other common funding methods as well. It is up to the Association to decide which funding option is best for them.

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State RCW 64.90.550, our Reserve Study is required to provide the following funding plans:

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

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

These required options are as follows:

Option Four: Full Funding in 30 Years

This is not a viable option, as the Reserve Fund would fall below $0.

-OR-

Option Five: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of $336,450 per year in the initial year, which translates to $96.35 per lot per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

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

Option Five

Average Contributions Per Lot Per Month:

$1,156.19

(with 3% annual increase thereafter)

4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason why this Reserve Study should be updated annually per Washington RCW 64.90.550, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

For the purpose of this study, we will assume that the Association manages their money in the Reserve Fund so that the average interest rate return on its money will be equal to that of inflation. This is a conservative estimate given that since 1965, the average yield between short term treasuries and inflation has been 1.04%, which means that these relatively conservative investments have been able to outpace inflation over the long term (according to Crestmont Research, www.crestmontresearch.com). Since we have assumed that the inflation rate over the duration of this study will average 3%, we have conservatively also assumed that the Reserve Fund average interest rate will equal 3%. Again, this does not reflect current averages but rather a best guess of the future assuming you have invested effectively.

A common strategy is to invest in multiple accounts. Funds that will be necessary in the shorter term must be kept in a relatively liquid account. Funds that are not allotted for near future planned expenditures can be deposited into longer term investments which frequently earn higher interest rates. Consult with a qualified financial advisor for the best solution for your Association.

4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

The table and figures shown in this section are intended to give the Association a clearer view of the likely future financial position that the Association will be in, provided that the reserve funding plan is followed.

- Table 4.5: “Reserve Fund Balance Sheet”. This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.

- Figure 4.5A-1: “Comparison of Funding Plans -- Reserve Fund Balances Through 2054”. This line graph depicts the funding balances of the proposed funding options vs. the current. Note the current plan, in dotted red, falls below zero in several places. This represents insufficient funding for repairs needed in these years.

- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2034”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.

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

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

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
CURRENT FUNDING PLAN												
Beginning Reserve Balance	330,068	262,068	34,559	(156,766)	(354,775)	(513,036)	(644,805)	(894,949)	(757,236)	(609,823)	(460,744)	(353,260)
Planned Special Assessments												
Regular Reserve Fund Contribution	-	199,290	205,269	211,427	217,770	224,303	231,032	237,963	245,102	252,455	260,028	267,829
Annual Total Property Contribution to The Reserve Fund	-	199,290	205,269	211,427	217,770	224,303	231,032	237,963	245,102	252,455	260,028	267,829
Average Monthly Contribution to the Reserve Fund per Unit	55.41	57.07	58.78	60.55	62.36	64.23	66.16	68.15	70.19	72.30	74.46	76.70
Annual Capital Expenses	68,000	427,243	396,410	408,670	374,730	354,337	478,870	97,775	95,641	101,772	151,325	334,985
Interest Income	-	444	(183)	(766)	(1,300)	(1,734)	(2,306)	(2,475)	(2,048)	(1,603)	(1,219)	(1,161)
Ending Reserve Balance	***262,068***	***34,559***	***(156,766)***	***(354,775)***	***(513,036)***	***(644,805)***	***(894,949)***	***(757,236)***	***(609,823)***	***(460,744)***	***(353,260)***	***(421,576)***
Percentage of Full Funding	10.9%	1.6%	-8.3%	-21.3%	-34.5%	-48.3%	-84.4%	-64.4%	-47.0%	-32.4%	-23.5%	-30.0%
Yellow Highlighted Cells Represent Make-Up Funds												
IMMEDIATE FULL FUNDING												
Beginning Reserve Balance	330,068	262,068	2,094,854	1,884,343	1,666,329	1,487,220	1,333,733	1,060,973	1,175,147	1,298,067	1,421,672	1,502,669
Full Funding Annual Maintenace Funding	-	174,699	179,940	185,338	190,898	196,625	202,524	208,600	214,858	221,303	227,942	234,781
Planned Special Assessments / Make up Funds		2,081,800										
Annual Total Property Contribution to The Reserve Fund	-	2,256,499	179,940	185,338	190,898	196,625	202,524	208,600	214,858	221,303	227,942	234,781
Average Monthly Contribution to the Reserve Fund per Unit		50.03	51.53	53.08	54.67	56.31	58.00	59.74	61.53	63.37	65.28	67.23
Annual Capital Expenses	68,000	427,243	396,410	408,670	374,730	354,337	478,870	97,775	95,641	101,772	151,325	334,985
Interest Income	-	3,530	5,960	5,318	4,723	4,225	3,587	3,349	3,704	4,073	4,380	4,358
Full Funding - Ending Reserve Balance	***262,068***	***2,094,854***	***1,884,343***	***1,666,329***	***1,487,220***	***1,333,733***	***1,060,973***	***1,175,147***	***1,298,067***	***1,421,672***	***1,502,669***	***1,406,823***
Percentage of Full Funding	10.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds												
FULL FUNDING WITHIN 5 YEARS												
Beginning Reserve Balance	330,068	262,068	429,417	633,397	831,116	1,068,988	1,333,733	1,060,973	1,175,147	1,298,067	1,421,672	1,502,669
Full Funding Annual Maintenace Funding	-	174,699	179,940	185,338	190,898	196,625	202,524	208,600	214,858	221,303	227,942	234,781
Planned Special Assessments / Make up Funds		418,858	418,858	418,858	418,858	418,858						
Annual Total Property Contribution to The Reserve Fund	-	593,557	598,798	604,196	609,756	615,483	202,524	208,600	214,858	221,303	227,942	234,781
Average Monthly Contribution to the Reserve Fund per Unit		169.98	171.48	173.02	174.62	176.26	58.00	59.74	61.53	63.37	65.28	67.23
Annual Capital Expenses	68,000	427,243	396,410	408,670	374,730	354,337	478,870	97,775	95,641	101,772	151,325	334,985
Interest Income	-	1,036	1,592	2,193	2,846	3,599	3,587	3,349	3,704	4,073	4,380	4,358
Ending Reserve Balance	***262,068***	***429,417***	***633,397***	***831,116***	***1,068,988***	***1,333,733***	***1,060,973***	***1,175,147***	***1,298,067***	***1,421,672***	***1,502,669***	***1,406,823***
Percentage of Full Funding	10.9%	20.5%	33.6%	49.9%	71.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
FULL FUNDING WITHIN 10 YEARS												
Beginning Reserve Balance	330,068	262,068	221,245	216,428	204,725	232,545	286,609	222,022	544,993	877,338	1,210,995	1,502,674
Full Funding Annual Maintenace Funding	-	174,699	179,940	185,338	190,898	196,625	202,524	208,600	214,858	221,303	227,942	234,781
Planned Special Assessments / Make up Funds		210,998	210,998	210,998	210,998	210,998	210,998	210,998	210,998	210,998	210,998	
Annual Total Property Contribution to The Reserve Fund	-	385,697	390,938	396,336	401,896	407,623	413,522	419,597	425,855	432,301	438,940	234,781
Average Monthly Contribution to the Reserve Fund per Unit		110.45	111.95	113.50	115.09	116.73	118.42	120.16	121.95	123.80	125.70	67.23
Annual Capital Expenses	68,000	427,243	396,410	408,670	374,730	354,337	478,870	97,775	95,641	101,772	151,325	334,985
Interest Income	-	724	656	631	655	778	762	1,149	2,130	3,128	4,064	4,358
Ending Reserve Balance	***262,068***	***221,245***	***216,428***	***204,725***	***232,545***	***286,609***	***222,022***	***544,993***	***877,338***	***1,210,995***	***1,502,674***	***1,406,828***
Percentage of Full Funding	10.9%	10.6%	11.5%	12.3%	15.6%	21.5%	20.9%	46.4%	67.6%	85.2%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds												
BASELINE FUNDING												
Beginning Reserve Balance	330,068	262,068	171,925	122,499	71,058	64,179	88,748	48	304,468	624,009	950,800	1,241,750
Full Funding Annual Maintenace Funding	-	336,450	346,544	356,940	367,648	378,677	390,038	401,739	413,791	426,205	438,991	452,161
Planned Special Assessments / Make up Funds												
Annual Total Property Contribution to The Reserve Fund	-	336,450	346,544	356,940	367,648	378,677	390,038	401,739	413,791	426,205	438,991	452,161
Average Monthly Contribution to the Reserve Fund per Unit		96.35	99.24	102.22	105.28	108.44	111.69	115.05	118.50	122.05	125.71	129.48
Annual Capital Expenses	68,000	427,243	396,410	408,670	374,730	354,337	478,870	97,775	95,641	101,772	151,325	334,985
Interest Income	-	650	441	290	203	229	133	456	1,391	2,359	3,284	3,901
Ending Reserve Balance	***262,068***	***171,925***	***122,499***	***71,058***	***64,179***	***88,748***	***48***	***304,468***	***624,009***	***950,800***	***1,241,750***	***1,362,827***
Percentage of Full Funding	10.9%	8.2%	6.5%	4.3%	4.3%	6.7%	0.0%	25.9%	48.1%	66.9%	82.6%	96.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
CURRENT FUNDING PLAN												
Beginning Reserve Balance	(421,576)	(454,990)	(307,390)	(148,214)	47,137	164,253	(210,210)	(9,677)	210,663	225,378	280,541	491,482
Planned Special Assessments												
Regular Reserve Fund Contribution	275,864	284,140	292,664	301,444	310,487	319,802	329,396	339,278	349,456	359,940	370,738	381,860
Annual Total Property Contribution to The Reserve Fund	275,864	284,140	292,664	301,444	310,487	319,802	329,396	339,278	349,456	359,940	370,738	381,860
Average Monthly Contribution to the Reserve Fund per Unit	79.00	81.37	83.81	86.32	88.91	91.58	94.33	97.16	100.07	103.08	106.17	109.35
Annual Capital Expenses	307,964	135,399	132,805	105,942	193,688	694,196	128,534	119,238	335,395	305,535	160,953	181,965
Interest Income	(1,313)	(1,142)	(682)	(151)	317	(69)	(329)	301	653	758	1,156	1,774
Ending Reserve Balance	***(454,990)***	***(307,390)***	***(148,214)***	***47,137***	***164,253***	***(210,210)***	***(9,677)***	***210,663***	***225,378***	***280,541***	***491,482***	***693,152***
Percentage of Full Funding	-33.8%	-21.0%	-9.3%	2.7%	8.9%	-14.7%	-0.6%	11.9%	12.9%	15.9%	25.4%	33.1%
Yellow Highlighted Cells Represent Make-Up Funds												
IMMEDIATE FULL FUNDING												
Beginning Reserve Balance	1,406,823	1,344,804	1,462,689	1,591,008	1,754,325	1,838,192	1,429,230	1,593,975	1,777,199	1,753,428	1,768,694	1,938,285
Full Funding Annual Maintenace Funding	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Planned Special Assessments / Make up Funds												
Annual Total Property Contribution to The Reserve Fund	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Average Monthly Contribution to the Reserve Fund per Unit	69.25	71.33	73.47	75.67	77.94	80.28	82.69	85.17	87.72	90.36	93.07	95.86
Annual Capital Expenses	307,964	135,399	132,805	105,942	193,688	694,196	128,534	119,238	335,395	305,535	160,953	181,965
Interest Income	4,121	4,205	4,574	5,010	5,381	4,894	4,528	5,049	5,288	5,275	5,552	6,044
Full Funding - Ending Reserve Balance	***1,344,804***	***1,462,689***	***1,591,008***	***1,754,325***	***1,838,192***	***1,429,230***	***1,593,975***	***1,777,199***	***1,753,428***	***1,768,694***	***1,938,285***	***2,097,105***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds												
FULL FUNDING WITHIN 5 YEARS												
Beginning Reserve Balance	1,406,823	1,344,804	1,462,689	1,591,008	1,754,325	1,838,192	1,429,231	1,593,975	1,777,199	1,753,428	1,768,694	1,938,285
Full Funding Annual Maintenace Funding	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Planned Special Assessments / Make up Funds												
Annual Total Property Contribution to The Reserve Fund	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Average Monthly Contribution to the Reserve Fund per Unit	69.25	71.33	73.47	75.67	77.94	80.28	82.69	85.17	87.72	90.36	93.07	95.86
Annual Capital Expenses	307,964	135,399	132,805	105,942	193,688	694,196	128,534	119,238	335,395	305,535	160,953	181,965
Interest Income	4,121	4,205	4,574	5,010	5,381	4,894	4,528	5,049	5,288	5,275	5,552	6,044
Ending Reserve Balance	***1,344,804***	***1,462,689***	***1,591,008***	***1,754,325***	***1,838,192***	***1,429,231***	***1,593,975***	***1,777,199***	***1,753,428***	***1,768,694***	***1,938,285***	***2,097,105***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
FULL FUNDING WITHIN 10 YEARS												
Beginning Reserve Balance	1,406,828	1,344,809	1,462,694	1,591,014	1,754,330	1,838,198	1,429,236	1,593,981	1,777,205	1,753,433	1,768,699	1,938,290
Full Funding Annual Maintenace Funding	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Planned Special Assessments / Make up Funds												
Annual Total Property Contribution to The Reserve Fund	241,824	249,079	256,551	264,248	272,175	280,340	288,751	297,413	306,335	315,526	324,991	334,741
Average Monthly Contribution to the Reserve Fund per Unit	69.25	71.33	73.47	75.67	77.94	80.28	82.69	85.17	87.72	90.36	93.07	95.86
Annual Capital Expenses	307,964	135,399	132,805	105,942	193,688	694,196	128,534	119,238	335,395	305,535	160,953	181,965
Interest Income	4,121	4,205	4,574	5,010	5,381	4,894	4,528	5,049	5,288	5,275	5,552	6,044
Ending Reserve Balance	***1,344,809***	***1,462,694***	***1,591,014***	***1,754,330***	***1,838,198***	***1,429,236***	***1,593,981***	***1,777,205***	***1,753,433***	***1,768,699***	***1,938,290***	***2,097,110***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds												
BASELINE FUNDING												
Beginning Reserve Balance	1,362,827	1,524,913	1,874,303	2,241,751	2,652,049	2,990,991	2,845,440	3,282,185	3,746,257	4,012,450	4,327,072	4,805,694
Full Funding Annual Maintenace Funding	465,725	479,697	494,088	508,911	524,178	539,903	556,101	572,784	589,967	607,666	625,896	644,673
Planned Special Assessments / Make up Funds												
Annual Total Property Contribution to The Reserve Fund	465,725	479,697	494,088	508,911	524,178	539,903	556,101	572,784	589,967	607,666	625,896	644,673
Average Monthly Contribution to the Reserve Fund per Unit	133.37	137.37	141.49	145.74	150.11	154.61	159.25	164.03	168.95	174.02	179.24	184.61
Annual Capital Expenses	307,964	135,399	132,805	105,942	193,688	694,196	128,534	119,238	335,395	305,535	160,953	181,965
Interest Income	4,325	5,091	6,165	7,330	8,452	8,742	9,178	10,527	11,621	12,491	13,679	15,111
Ending Reserve Balance	***1,524,913***	***1,874,303***	***2,241,751***	***2,652,049***	***2,990,991***	***2,845,440***	***3,282,185***	***3,746,257***	***4,012,450***	***4,327,072***	***4,805,694***	***5,283,513***
Percentage of Full Funding	113.4%	128.1%	140.9%	151.2%	162.7%	199.1%	205.9%	210.8%	228.8%	244.6%	247.9%	251.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2048	2049	2050	2051	2052	2053	2054
CURRENT FUNDING PLAN							
Beginning Reserve Balance	693,152	887,182	1,152,976	1,308,240	1,565,739	1,840,783	1,920,614
Planned Special Assessments							
Regular Reserve Fund Contribution	393,316	405,116	417,269	429,787	442,681	455,961	469,640
Annual Total Property Contribution to The Reserve Fund	393,316	405,116	417,269	429,787	442,681	455,961	469,640
Average Monthly Contribution to the Reserve Fund per Unit	112.63	116.01	119.49	123.08	126.77	130.57	134.49
Annual Capital Expenses	201,653	142,377	265,692	176,592	172,739	381,764	195,637
Interest Income	2,367	3,056	3,686	4,305	5,102	5,634	6,173
Ending Reserve Balance	***887,182***	***1,152,976***	***1,308,240***	***1,565,739***	***1,840,783***	***1,920,614***	***2,200,790***
Percentage of Full Funding	39.5%	46.7%	50.8%	56.3%	61.2%	63.3%	67.5%
Yellow Highlighted Cells Represent Make-Up Funds							
IMMEDIATE FULL FUNDING							
Beginning Reserve Balance	2,097,105	2,246,741	2,466,550	2,574,189	2,782,373	3,006,361	3,033,342
Full Funding Annual Maintenace Funding	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Planned Special Assessments / Make up Funds							
Annual Total Property Contribution to The Reserve Fund	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Average Monthly Contribution to the Reserve Fund per Unit	98.74	101.70	104.75	107.89	111.13	114.46	117.89
Annual Capital Expenses	201,653	142,377	265,692	176,592	172,739	381,764	195,637
Interest Income	6,506	7,059	7,550	8,023	8,670	9,046	9,424
Full Funding - Ending Reserve Balance	***2,246,741***	***2,466,550***	***2,574,189***	***2,782,373***	***3,006,361***	***3,033,342***	***3,258,818***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds							
FULL FUNDING WITHIN 5 YEARS							
Beginning Reserve Balance	2,097,105	2,246,741	2,466,550	2,574,189	2,782,373	3,006,361	3,033,342
Full Funding Annual Maintenace Funding	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Planned Special Assessments / Make up Funds							
Annual Total Property Contribution to The Reserve Fund	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Average Monthly Contribution to the Reserve Fund per Unit	98.74	101.70	104.75	107.89	111.13	114.46	117.89
Annual Capital Expenses	201,653	142,377	265,692	176,592	172,739	381,764	195,637
Interest Income	6,506	7,059	7,550	8,023	8,670	9,046	9,424
Ending Reserve Balance	***2,246,741***	***2,466,550***	***2,574,189***	***2,782,373***	***3,006,361***	***3,033,342***	***3,258,818***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2048	2049	2050	2051	2052	2053	2054
FULL FUNDING WITHIN 10 YEARS							
Beginning Reserve Balance	2,097,110	2,246,747	2,466,556	2,574,194	2,782,378	3,006,367	3,033,347
Full Funding Annual Maintenace Funding	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Planned Special Assessments / Make up Funds							
Annual Total Property Contribution to The Reserve Fund	344,783	355,127	365,781	376,754	388,057	399,698	411,689
Average Monthly Contribution to the Reserve Fund per Unit	98.74	101.70	104.75	107.89	111.13	114.46	117.89
Annual Capital Expenses	201,653	142,377	265,692	176,592	172,739	381,764	195,637
Interest Income	6,506	7,059	7,550	8,023	8,670	9,046	9,424
Ending Reserve Balance	***2,246,747***	***2,466,556***	***2,574,194***	***2,782,378***	***3,006,367***	***3,033,347***	***3,258,823***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds							
BASELINE FUNDING							
Beginning Reserve Balance	5,283,513	5,762,417	6,322,073	6,780,457	7,350,615	7,948,143	8,360,579
Full Funding Annual Maintenace Funding	664,013	683,934	704,452	725,585	747,353	769,773	792,866
Planned Special Assessments / Make up Funds							
Annual Total Property Contribution to The Reserve Fund	664,013	683,934	704,452	725,585	747,353	769,773	792,866
Average Monthly Contribution to the Reserve Fund per Unit	190.15	195.86	201.73	207.78	214.02	220.44	227.05
Annual Capital Expenses	201,653	142,377	265,692	176,592	172,739	381,764	195,637
Interest Income	16,544	18,100	19,624	21,165	22,914	24,426	25,978
Ending Reserve Balance	***5,762,417***	***6,322,073***	***6,780,457***	***7,350,615***	***7,948,143***	***8,360,579***	***8,983,786***
Percentage of Full Funding	256.5%	256.3%	263.4%	264.2%	264.4%	275.6%	275.7%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2054

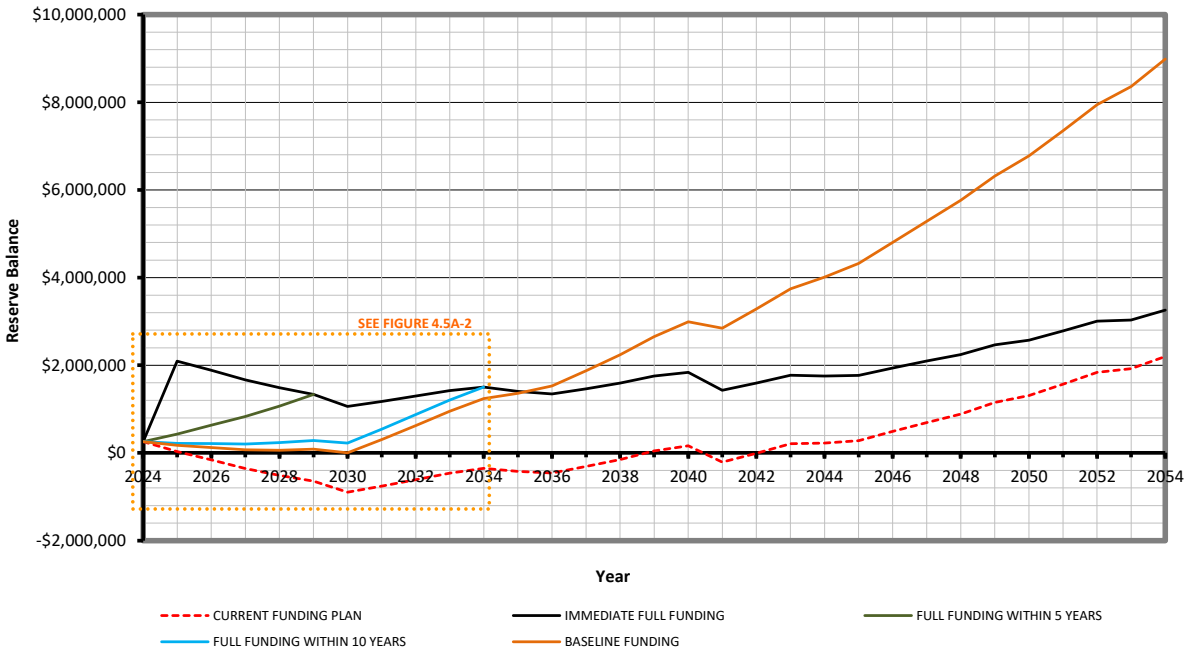


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2034

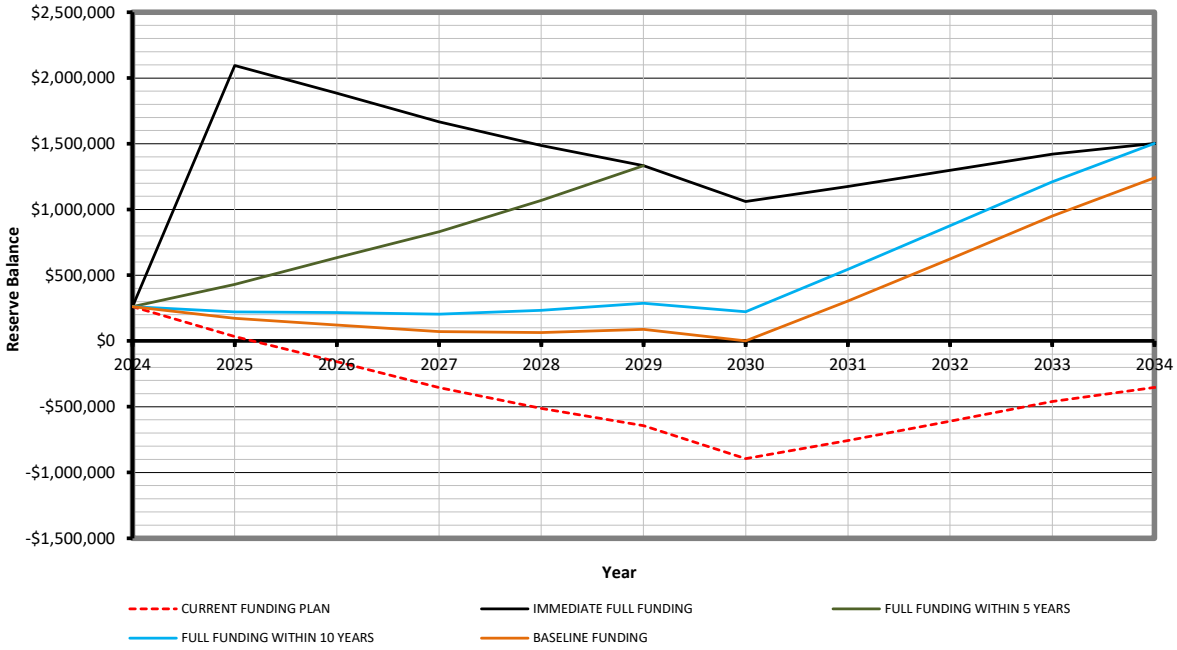


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

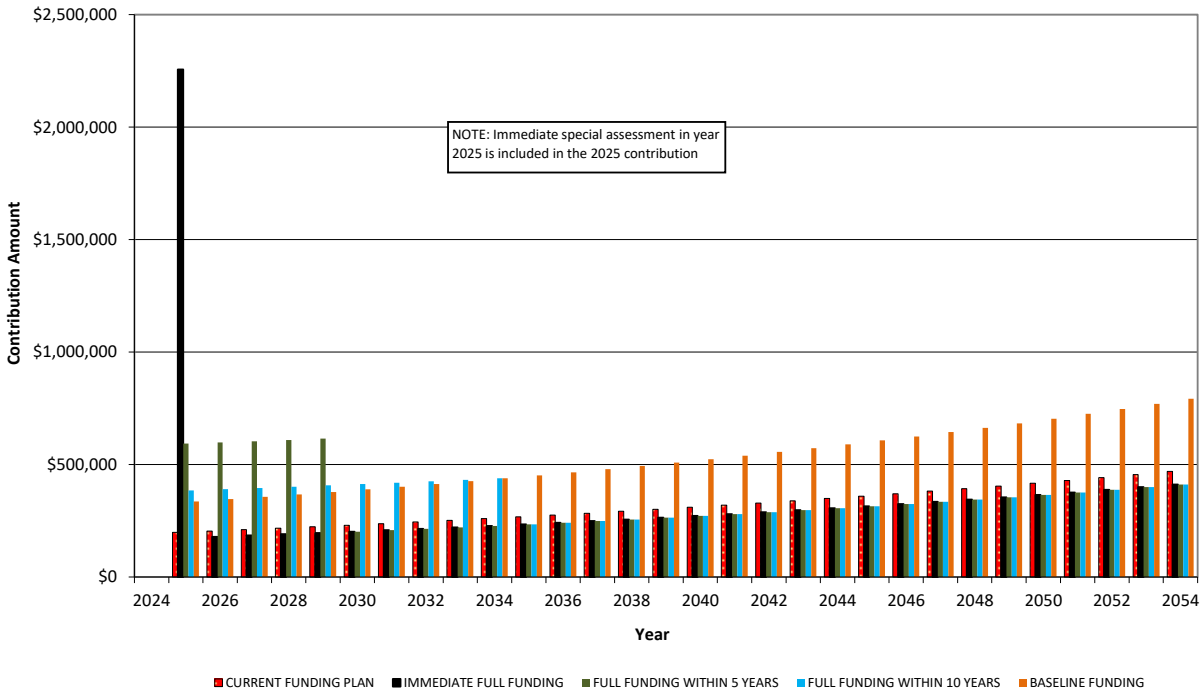
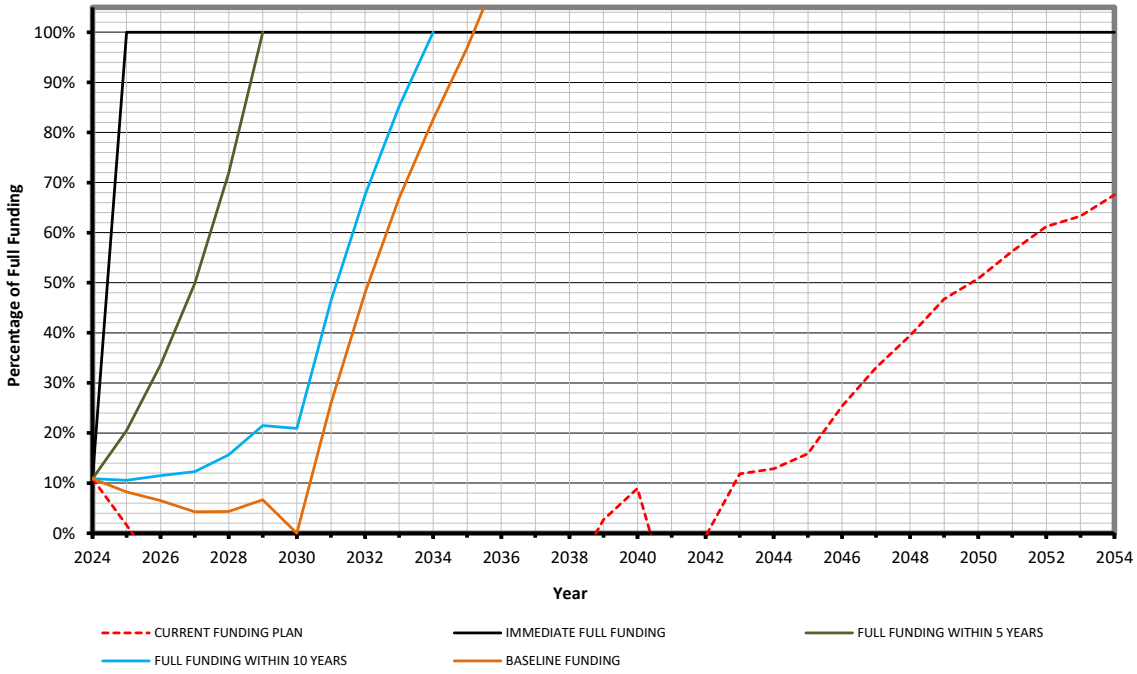


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



4.6 OTHER COMMON FUNDING METHODS

The following methods are methods that are sometimes implemented. We believe that many of these funding methods that keep the reserve fund at less than "Fully Funded" represent a weaker position for the Association. As the Fully Funded percentage decreases, the likelihood of unplanned special assessments increases.

Cash Flow Method

A method of calculating Reserve contributions where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

Component Method

A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

Baseline Funding

Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding

Setting a Reserve funding goal of attaining and maintaining the Reserve Fund at or near 100% funded. *Recommended by Samdal & Associates*

Statutory Funding

Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding

Establishing a Reserve funding goal of keeping the Reserve Balance above a specified dollar or Percent Funded amount. Depending on the threshold this may be more or less conservative than "Fully Funded."

5.0 LIMITATIONS

This report has been prepared for the exclusive use of Edelweiss Maintenance Commission and their property management company. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 2 Reserve Study is a reflection of the information provided to us. This report has been prepared for Edelweiss Maintenance Commission's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

This report is a snapshot in time of the condition of the property at the time of inspection. The remaining life values that we list are based on our opinion of the remaining useful life and are by no means a guarantee. Our opinions are based on what we believe one could reasonably expect and are not based on worst case scenarios. These opinions are based upon our experience with other buildings of similar age and construction type. Opinions will vary and you may encounter contractors and/or consultants with differing opinions from ours. Ratings of various building components are most often determined by comparison to other buildings of similar age and construction type. The quality of materials originally impacts our judgment of their current state.

The life expectancy estimates that we prepare are based on National Association of Home Builders (NAHB) averages, Building Owners and Managers (BOMA) averages, product defined expected life averages, and our own assessment of typical life expectancy based on our experience with similar components in our area.

This report will tell you a great deal about the overall condition of this property. However, this report does not constitute a warranty, an insurance policy, or a guarantee of any kind. Owning any property involves some risk and while we can give an excellent overview of the property, we cannot inspect what we cannot see.

Our inspection and report do not include building code compliance or municipal regulatory compliance. Nor do they include mold investigations, hazardous materials investigations, or indoor air quality analysis.

The purpose of this report is not intended to be a statement of the insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

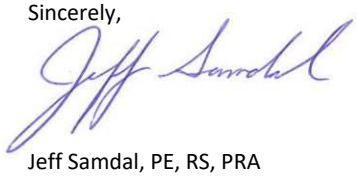
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe to or contact the CPSC (Consumer Product Safety Commission) web site for recall information regarding any system or component. If a problem is encountered on your property, we cannot be responsible for any corrective action that you take, unless we have the opportunity to review the conditions before repairs are made.

Please ensure that you have read and understand the entire proposal to perform this Level 2 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

We appreciate the opportunity to be of assistance and we hope that we have provided you with a clear understanding of your financial situation and given you a better overall understanding of the physical assets of the Association. This report supersedes any opinion or discussion that occurred during the inspection and should be considered our complete opinion of the condition of this property.

Please contact us if you have any questions regarding this report. We will be happy to be of assistance.

Sincerely,



Jeff Samdal, PE, RS, PRA

APPENDIX

Resume of Engineer Performing Study

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

Mr. Samdal is the owner of Samdal & Associates, Inc., a corporation that specializes in building inspections, engineering, project management, and related services. He is a double-licensed Professional Engineer (Mechanical and Civil) in Washington State. He is also an accredited Building Inspection Engineer (BIE) and Reserve Specialist (RS), and Professional Reserve Analyst (PRA). He has performed thousands of building inspections as well as numerous additional services such as building envelope investigations, construction management, and general consulting for property owners pertaining to building maintenance and long-term budgeting. Mr. Samdal consistently earns repeat and referral business because of his attention to detail, practical approach, knowledge of the industry, and genuine appreciation for clients' concerns for their real estate investments.

Capabilities

Mr. Samdal is experienced at performing residential (single- and multi-family), commercial, and industrial inspections in Washington State and beyond. Mr. Samdal's experience includes the following:

- Property Condition Assessments (PCAs)
- Capital Needs Assessments (CNAs)
- Reserve Studies for Condominiums and Homeowner's Association
- Building Envelope Studies

Relevant Work History

Mr. Samdal has been owner and operator of Samdal & Associates since 2005, performing or managing all aspects of this business. Additionally, Mr. Samdal has been the co-owner and president of True North Construction Management since 2017, which is informative in obtaining current construction costs and keeping up to date with modern construction methods and construction products.

Prior to concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

Education

BS in Mechanical Engineering, University of Washington

Licenses and Certifications

- *Licensed Professional Engineer* (PE), Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer* (PE), Civil Engineering, State of Washington, #40985
- *Reserve Specialist* (RS), Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA),* Association of Professional Reserve Analysts
- *Building Inspection Engineer* (BIE), National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

Mr. Samdal lives in Woodinville with his wife and 2 children and has been involved with many of their activities as a Little League coach, a scout leader, a personal fitness coach, among other activities.