



PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



Bridgewood Estates

2500 Jahn Avenue Northwest, Gig Harbor, WA 98335

<u>For:</u>	<u>Prepared By:</u>	<u>Date Prepared:</u>
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1.0 EXECUTIVE SUMMARY

1.1 REQUIRED STATEMENT PER STATE OF WASHINGTON SENATE BILL 6215

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 you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

1.2 GENERAL DESCRIPTION OF PROPERTY

The subject property is approximately 53 acres and is located just to the west of SR16 in a suburban area of Gig Harbor. There are 117 single family homes in this Association. According to Juanita Carbaugh, the property was constructed around 1999/2000. The property has gently rolling terrain and consists of an asphalt service drive with adjacent concrete sidewalks, green belts, common areas of lawn and landscaping, common areas of lighting, 3 gated access points with entrance monuments, 2 bus shelters, wood fencing, and two playground areas outside of the buildings themselves.

There are no buildings that are the responsibility of the Homeowners Association.

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

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

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

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency	Section
<i>No immediate necessary capital expenditures</i>			

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 3 RESERVE STUDY

The primary purpose of this Level 3 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

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

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

2.2 WASHINGTON STATE SENATE BILL (SB) 6215

On March 8, 2008, the Washington Legislature passed Senate Bill 6215 regarding reserve studies for condominiums, which became effective June 12, 2008. This Reserve Study meets the requirements of preparing a reserve study presented by the State. According to the State of Washington, SB 6215, "...an Association shall prepare and update a reserve study..." According to the State, the terminology for this Scope of Work is "Level I: Full reserve study funding analysis and plan."

Components from this law include:

- Requirements for a Residential Condominium Association--unless doing so would impose an unreasonable hardship--to (1) prepare an initial reserve study based upon a visual site inspection conducted by a reserve study professional (LEVEL 1 STUDY); (2) update the study annually (LEVEL 3 STUDY); and (3) arrange for a visual site inspection every three years by a reserve study professional (LEVEL 2 STUDY).
- Reserve studies must include detailed information on projected expenditures and current reserve account information and must be conducted by a reserve study professional.
- Encourages, but does not require, a Residential Condominium Association to establish a reserve account, supplemental to the Association's annual operating budget, to fund major maintenance, repair, and replacement of common elements.
- Requires a condominium Public Offering Statement or Resale Certificate to include a copy of the current reserve study; or (2) a disclosure to the potential buyer stating that the Association does not have a reserve study.
- The statute does not define "unreasonable hardship." The law also allows an Association to withdraw funds from the reserve account for unforeseen expenses, as long as notice is given to unit owners, and a repayment schedule is set up.

This Reserve Study meets these qualifications and we provide the required (LEVEL 3 STUDY) Annual Updates in years 2 and 3 to our original Reserve Study at NO ADDITIONAL CHARGE. These Annual Updates are performed without a site visit and are simply a review and update of the financials.

This reserve study
meets the
qualifications of
WA State SB 6215

2.3 WASHINGTON STATE HOUSE BILL (HB) 1309

On April 29, 2011, the Washington Legislature passed House Bill 1309 that expands the minimum criteria that reserve studies in Washington are required to meet. This law has been codified within RCW 64.34.308. This law became effective January 1, 2012. The expanded required elements of Reserve Studies include the following:

This Reserve Study meets the reporting qualifications of Reserve Studies per WA State HB 1309

- Requires that the Board distribute the financial planning statistics from the Reserve Study to all owners as part of their summary of the annual budget.
- Requires that a Reserve Study contain the following data: reserve contribution rate; recommended contribution rate and the funding plan upon which it is based; any and all special assessments that are scheduled and the date(s) and purpose of each assessment.
- Requires that the Reserve Study have a statement of the ability of the current reserve contribution to meet the financial obligations of the components listed in the Reserve Study, while keeping a positive balance in the Reserve Fund over the next 30 years.
- Requires that the Reserve Study have a listing of the Reserve Study provider's recommended level of funding that should be present in the Reserve Fund at the end of the current fiscal year, as well as the projected actual account balance at the end of the current fiscal year and the ratio of these two values in terms of a Percentage of Full Funding.
- Requires that the Reserve Study have a listing of the following values in each of the 5 years following the year that the study was performed: recommended reserve balance, projected reserve balance (based on current funding plan), and the ratio of these numbers in terms of a Percentage of Full Funding.
- Requires that the Reserve Study component list include or otherwise address the following items: roofing, exterior cladding (siding and trim), painting, decks, windows, and paving. It also requires that the component list contain any anticipated capital expenditure that will cost more than 1% of the annual budget. If any of these components are excluded from the Reserve Fund component list, then an explanation of the basis for this exclusion must be present.
- Inclusion of a funding plan that leads to a Reserve Fund that is fully funded at the end of a 30 year period.
- Inclusion of a "baseline" funding plan that is the minimum regular contribution to the Reserve Fund to meet the financial obligations of the components listed in the Reserve Study while keeping a positive balance in the reserve fund over the next 30 years.
- Requirement that Homeowners Associations obtain a Reserve Study if it has "significant assets." Significant assets are defined as the following:
 - For Condominium Association – If the current total cost of capital repairs and replacement of components maintained by the Association is 50% or more of the total annual budget of the Association (excluding reserve contributions) in any one fiscal year, then the Condominium Association has "significant assets."
 - For Homeowners Association – If the current total cost of capital repairs and replacement of components maintained by the Homeowners Association is 75% or more of the total annual budget of the Association (excluding the budgeted reserve contribution) in any one fiscal year, then the HOA has "significant assets."
- *For HOAs Only:* Exempts an HOA from the Reserve Study requirement if the cost of the Reserve Study exceeds 5% of the Association's annual budget or there are ten or fewer homes in the Association.
- *For HOAs Only:* States that HOAs do not have to specifically address roofing, exterior cladding, windows, painting, decks, and paving as many of these components are not found in HOAs.
- *For Condominiums Only:* Exempts a Condominium Association from the Reserve Study requirement if the cost of the Reserve Study exceeds 10% of the Association's annual budget.
- Allows an Association to withdraw funds from its Reserve Fund to pay for unforeseen costs that are unrelated to maintenance, repair, or replacement of specific reserve components. However, notification to the homeowners must be performed of this Reserve Fund withdrawal.
- Allows an Association to withdraw funds from its Reserve Fund for components in the Reserve Study without notification to the homeowners, whether or not this expenditure is listed in the year of repair in the Reserve Study.

This Reserve Study meets the reporting qualifications of Reserve Studies per House Bill 1309, which has been codified within RCW 64.34.308.

2.4 SCOPE AND METHODOLOGY

Our initial Level 1 Reserve Study was finalized on March 23, 2012 at this property. We prepared a Level 3 Reserve Study Update for this property on July 19, 2013.

This report is an off-site update of that report based solely on the information provided to us by Juanita Carbaugh on April 4, 2014. The updated information that we received is attached in the appendices.

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 Association's current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

2.6 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.

2.7 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 Senate Bill 6215).

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 Senate Bill (SB) 6215 (which we recommend that you do), 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 according to SB 6215 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

Washington Senate Bill 6215 took effect in June 2008. It does not require a reserve study, but rather, strongly encourages it the following way: Each Public Offering Statement or Resale Certificate should include a copy of the association's reserve study for the current fiscal year that meets all of the requirements of the new law, or the following disclaimer:

"This association does not have a current reserve study. The lack of a current reserve study poses certain risks to you, the purchaser. Insufficient reserves may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a common element."

View the full law at:

<http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/Senate%20Bills/6215.pdf>.

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 2014 dollars. Exact numbers may vary.

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2 SITE								
Asphalt overlay	220,000	SF	\$1.65	15	30	\$363,000	\$3,103	\$103.42
Minor asphalt repairs prior to seal coating and resurfacing	3,000	SF	\$5.50	2	5	\$16,500	\$141	\$28.21
Asphalt seal coating	220,000	SF	\$0.17	2	5	\$37,400	\$320	\$63.93
Concrete flatwork and curbing allotment	1	LS	\$5,000	2	5	\$5,000	\$43	\$8.55
Storm drainage allotment	53	ACRES	\$300	2	5	\$15,900	\$136	\$27.18
Heavy brush removal of detention ponds	2	EA	\$4,000	1	5	\$8,000	\$68	\$13.68
Detention pond sediment removal	2	EA	\$3,000	1	5	\$6,000	\$51	\$10.26
Replace common fencing	1,180	LF	\$28.00	10	25	\$33,040	\$282	\$11.30
Entrance monument maintenance	3	EA	\$1,500	2	12	\$4,500	\$38	\$3.21
Iron maintenance and coating for front gates	3	EA	\$4,000	2	12	\$12,000	\$103	\$8.55
Replace the gate access systems	3	EA	\$3,200	1	10	\$9,600	\$82	\$8.21
Replace the gate operators	6	EA	\$4,000	1	10	\$24,000	\$205	\$20.51
Replace three mailbox kiosks	3	EA	\$1,321	20	20	\$3,963	\$34	\$1.69
Replace remaining 14 mailbox kiosks	14	EA	\$1,321	7	20	\$18,494	\$158	\$7.90
Street light replacement	26	EA	\$900	15	30	\$23,400	\$200	\$6.67
Street sign replacement allotment	1	LS	\$4,000	10	10	\$4,000	\$34	\$3.42
Bus stop shelter replacement	2	EA	\$6,000	15	30	\$12,000	\$103	\$3.42
Playground equipment replacement	2	EA	\$12,000	10	25	\$24,000	\$205	\$8.21
Playground chip replacement	1	LS	\$1,800	1	3	\$1,800	\$15	\$5.13
<i>Water tower and water supply distribution is not the responsibility of the Homeowners Association</i>								
<i>Landscaping and irrigation systems paid for via the operating budget</i>								

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.3 STRUCTURE								
	<i>No structural expenditures budgeted</i>							
3.4 ROOFING								
	<i>No common roofs</i>							
3.5 EXTERIOR								
	<i>No common exteriors</i>							
3.6 ELECTRICAL SYSTEMS								
	<i>Lighting addressed in Site section</i>							
3.7 PLUMBING SYSTEMS								
	<i>No common plumbing expenditures anticipated</i>							
3.8 HVAC SYSTEMS								
	<i>No common HVAC systems</i>							
3.9 ELEVATORS								
	<i>No common elevators</i>							
3.10 FIRE DETECTION & SUPPRESSION								
	<i>No common fire detection and suppression systems</i>							
3.11 COMMON INTERIOR FINISHES								
	<i>No common interior areas</i>							
3.12 MISCELLANEOUS								
	<i>No miscellaneous expenses</i>							
3.13 AMENITIES								
	<i>No amenities not mentioned in other areas of this table</i>							
Average Cost Per Unit Per Year								\$343

3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

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

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3.2	SITE													
	Asphalt overlay													
	Minor asphalt repairs prior to seal coating and resurfacing			\$17,505					\$20,293					\$23,525
	Asphalt seal coating			\$39,678					\$45,997					\$53,323
	Concrete flatwork and curbing allotment			\$5,305					\$6,149					\$7,129
	Storm drainage allotment			\$16,868					\$19,555					\$22,670
	Heavy brush removal of detention ponds		\$8,240					\$9,552					\$11,074	
	Detention pond sediment removal		\$6,180					\$7,164					\$8,305	
	Replace common fencing											\$44,403		
	Entrance monument maintenance			\$4,774										
	Iron maintenance and coating for front gates			\$12,731										
	Replace the gate access systems		\$9,888										\$13,289	
	Replace the gate operators		\$24,720										\$33,222	
	Replace three mailbox kiosks													
	Replace remaining 14 mailbox kiosks								\$22,745					
	Street light replacement													
	Street sign replacement allotment											\$5,376		
	Street sign replacement allotment											\$5,376		
	Bus stop shelter replacement													
	Playground equipment replacement											\$32,254		
	Playground chip replacement		\$1,854			\$2,026			\$2,214			\$2,419		

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3.3	STRUCTURE													
	<i>No structural expenditures budgeted</i>													
3.4	ROOFING													
	No common roofs													
3.5	EXTERIOR													
	No common exteriors													
3.6	ELECTRICAL SYSTEMS													
	Lighting addressed in Site section													
3.7	PLUMBING SYSTEMS													
	No common plumbing expenditures anticipated													
3.8	HVAC SYSTEMS													
	No common HVAC systems													
3.9	ELEVATORS													
	No common elevators													
3.10	FIRE DETECTION & SUPPRESSION													
	No common fire detection and suppression systems													
3.11	COMMON INTERIOR FINISHES													
	No common interior areas													
3.12	MISCELLANEOUS													
	No miscellaneous expenses													
3.13	AMENITIES													
	<i>No amenities not mentioned in other areas of this table</i>													
ANNUAL EXPENSES BY YEAR		\$0	\$50,882	\$96,860	\$0	\$2,026	\$0	\$16,717	\$116,954	\$0	\$0	\$89,827	\$65,890	\$106,647

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
3.2	SITE													
	Asphalt overlay			\$565,542										
	Minor asphalt repairs prior to seal coating and resurfacing					\$27,272					\$31,616			
	Asphalt seal coating					\$61,817					\$71,662			
	Concrete flatwork and curbing allotment					\$8,264					\$9,581			
	Storm drainage allotment					\$26,280					\$30,466			
	Heavy brush removal of detention ponds				\$12,838					\$14,882				
	Detention pond sediment removal				\$9,628					\$11,162				
	Replace common fencing													
	Entrance monument maintenance		\$6,807											
	Iron maintenance and coating for front gates		\$18,151											
	Replace the gate access systems									\$17,859				
	Replace the gate operators									\$44,647				
	Replace three mailbox kiosks								\$7,158					
	Replace remaining 14 mailbox kiosks													
	Street light replacement			\$36,456										
	Street sign replacement allotment								\$7,224					
	Street sign replacement allotment								\$7,224					
	Bus stop shelter replacement			\$18,696										
	Playground equipment replacement													
	Playground chip replacement	\$2,643			\$2,888			\$3,156			\$3,449			\$3,769

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
3.3	STRUCTURE													
	<i>No structural expenditures budgeted</i>													
3.4	ROOFING													
	No common roofs													
3.5	EXTERIOR													
	No common exteriors													
3.6	ELECTRICAL SYSTEMS													
	Lighting addressed in Site section													
3.7	PLUMBING SYSTEMS													
	No common plumbing expenditures anticipated													
3.8	HVAC SYSTEMS													
	No common HVAC systems													
3.9	ELEVATORS													
	No common elevators													
3.10	FIRE DETECTION & SUPPRESSION													
	No common fire detection and suppression systems													
3.11	COMMON INTERIOR FINISHES													
	No common interior areas													
3.12	MISCELLANEOUS													
	No miscellaneous expenses													
3.13	AMENITIES													
	<i>No amenities not mentioned in other areas of this table</i>													
ANNUAL EXPENSES BY YEAR		\$2,643	\$24,958	\$620,694	\$25,354	\$123,633	\$0	\$3,156	\$21,607	\$88,550	\$146,774	\$0	\$0	\$3,769

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2040	2041	2042	2043	2044
3.2	SITE					
	Asphalt overlay					
	Minor asphalt repairs prior to seal coating and resurfacing		\$36,651			
	Asphalt seal coating		\$83,076			
	Concrete flatwork and curbing allotment		\$11,106			
	Storm drainage allotment		\$35,318			
	Heavy brush removal of detention ponds	\$17,253				
	Detention pond sediment removal	\$12,940				
	Replace common fencing					
	Entrance monument maintenance	\$9,705				
	Iron maintenance and coating for front gates	\$25,879				
	Replace the gate access systems					
	Replace the gate operators					
	Replace three mailbox kiosks					
	Replace remaining 14 mailbox kiosks		\$41,081			
	Street light replacement					
	Street sign replacement allotment					\$9,709
	Street sign replacement allotment					\$9,709
	Bus stop shelter replacement					
	Playground equipment replacement					
	Playground chip replacement			\$4,118		

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2040	2041	2042	2043	2044
3.3	STRUCTURE					
	<i>No structural expenditures budgeted</i>					
3.4	ROOFING					
	No common roofs					
3.5	EXTERIOR					
	No common exteriors					
3.6	ELECTRICAL SYSTEMS					
	Lighting addressed in Site section					
3.7	PLUMBING SYSTEMS					
	No common plumbing expenditures anticipated					
3.8	HVAC SYSTEMS					
	No common HVAC systems					
3.9	ELEVATORS					
	No common elevators					
3.10	FIRE DETECTION & SUPPRESSION					
	No common fire detection and suppression systems					
3.11	COMMON INTERIOR FINISHES					
	No common interior areas					
3.12	MISCELLANEOUS					
	No miscellaneous expenses					
3.13	AMENITIES					
	<i>No amenities not mentioned in other areas of this table</i>					
ANNUAL EXPENSES BY YEAR		\$65,776	\$207,233	\$4,118	\$0	\$19,418

4.0 FINANCIAL ANALYSIS

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

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance was \$30,033 as of March 31, 2014 (Balance provided by Juanita Carbaugh). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is \$346,715. Therefore, the property is 8.7% funded.

The current annual contribution to the reserve fund is \$8,000, which averages \$5.70 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
8.7% 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 \$316,682 to the Reserve Fund. This translates to an average of \$2,707 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 \$40,179 per year in the initial year, which translates to \$28.62 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

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

-OR-

Option One

Average Immediate
Contribution Per Unit:

\$2,707

Avg. Contribution
Thereafter Per Unit Per
Month:

2015 \$28.62

(with 3% annual
increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a “full funding” deficiency of \$316,682. This option makes up this deficiency over the next five years. Starting in 2015 for five years through 2019, the Association will make up their Reserve Fund deficiency by contributing \$107,314 annually (which includes \$67,135 in make-up funds and \$40,179 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$76.43 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2020. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$47,976 in 2020, which translates to \$34.17 per unit per month. This 2020 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).

-OR-

Option Three: Full Funding Within Ten Years

There is currently a “full funding” deficiency of \$316,682. This option makes up this deficiency over the next ten years. Starting in 2015 for ten years through 2024, the Association will make up their Reserve Fund deficiency by contributing \$76,223 annually (which includes \$36,044 in make-up funds and \$40,179 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$54.29 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2025. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$55,618 in 2025, which translates to \$39.61 per unit per month. This 2025 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).

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.

Option Two

Average Contributions Per Unit Per Month:

2015 \$76.43

Increasing at 3% per year through:

2019 \$80.99

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

2020 \$34.17

(with 3% annual increase thereafter)

Option Three

Average Contributions Per Unit Per Month:

2015 \$54.29

Increasing at 3% per year through:

2024 \$64.13

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

2025 \$39.61

(plus 3% annual increase thereafter)

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State HB 1309, our Reserve Study is required to provide the following funding plans:

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

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

These required options are as follows:

Option Four: Full Funding in 30 Years

There is currently a “full funding” deficiency of \$316,682. This option makes up this deficiency over the next thirty years. Starting in 2015 for thirty years through 2044, the Association will make up their Reserve Fund deficiency by contributing \$55,866 annually (which includes \$15,686 in make-up funds and \$40,179 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$39.79 per unit per month in the initial year.

This option will require a loan in several years and is not advisable.

If this plan is followed, the Association will be Fully Funded by the start of 2045.

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 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 \$56,600 per year in the initial year, which translates to \$40.31 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

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

Option Four

Average Contributions
Per Unit Per Month:

2015 \$39.79

Increasing at 3% per
year through:

2044 \$80.64

Option Five

Average Contributions
Per Unit Per Month:

\$40.31

(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 State SB 6215, 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 2044”. 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 2024”. 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”

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
FULL FUNDING WITHIN 5 YEARS											
Beginning Reserve Balance	30,033	34,574	92,890	108,772	224,740	343,469	469,193	514,997	461,896	527,414	596,448
Full Funding Annual Maintenance Funding	6,027	40,179	42,626	43,905	45,222	46,579	47,976	49,416	50,898	52,425	53,998
Planned Special Assessments / Make up Funds		67,135	67,135	67,135	67,135	67,135					
Annual Total Property Contribution to The Reserve Fund	6,027	107,314	109,761	111,040	112,357	113,714	47,976	49,416	50,898	52,425	53,998
Average Monthly Contribution to the Reserve Fund per Unit		76.43	78.18	79.09	80.03	80.99	34.17	35.20	36.25	37.34	38.46
Annual Capital Expenses	-	50,882	96,860	-	2,026	-	16,717	116,954	-	-	89,827
Interest Income		1,884	2,980	4,929	8,397	12,010	14,545	14,437	14,620	16,609	17,356
Ending Reserve Balance	34,574	92,890	108,772	224,740	343,469	469,193	514,997	461,896	527,414	596,448	577,975
Percentage of Full Funding	10.0%	26.8%	36.1%	63.3%	83.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
FULL FUNDING WITHIN 10 YEARS											
Beginning Reserve Balance	30,033	34,574	61,332	44,709	127,198	211,443	301,648	379,010	358,414	457,412	560,930
Full Funding Annual Maintenance Funding	6,027	40,179	42,626	43,905	45,222	46,579	47,976	49,416	50,898	52,425	53,998
Planned Special Assessments / Make up Funds		36,044	36,044	36,044	36,044	36,044	36,044	36,044	36,044	36,044	36,044
Annual Total Property Contribution to The Reserve Fund	6,027	76,223	78,670	79,949	81,266	82,622	84,020	85,459	86,942	88,469	90,041
Average Monthly Contribution to the Reserve Fund per Unit		54.29	56.03	56.94	57.88	58.85	59.84	60.87	61.92	63.01	64.13
Annual Capital Expenses	-	50,882	96,860	-	2,026	-	16,717	116,954	-	-	89,827
Interest Income		1,417	1,567	2,541	5,005	7,583	10,059	10,898	12,057	15,049	16,831
Ending Reserve Balance	34,574	61,332	44,709	127,198	211,443	301,648	379,010	358,414	457,412	560,930	577,975
Percentage of Full Funding	10.0%	17.7%	14.8%	35.8%	51.6%	64.3%	73.6%	77.6%	86.7%	94.0%	100.0%

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
BASELINE FUNDING											
Beginning Reserve Balance	30,033	34,574	41,415	3,517	64,570	127,227	195,703	251,206	208,631	285,545	366,886
Full Funding Annual Maintenance Funding	6,027	56,600	58,298	60,047	61,848	63,704	65,615	67,583	69,611	71,699	73,850
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	6,027	56,600	58,298	60,047	61,848	63,704	65,615	67,583	69,611	71,699	73,850
Average Monthly Contribution to the Reserve Fund per Unit		40.31	41.52	42.77	44.05	45.37	46.73	48.14	49.58	51.07	52.60
Annual Capital Expenses	-	50,882	96,860	-	2,026	-	16,717	116,954	-	-	89,827
Interest Income		1,123	664	1,006	2,834	4,772	6,605	6,796	7,303	9,642	10,767
Ending Reserve Balance	34,574	41,415	3,517	64,570	127,227	195,703	251,206	208,631	285,545	366,886	361,676
Percentage of Full Funding	10.0%	12.0%	1.2%	18.2%	31.1%	41.7%	48.8%	45.2%	54.1%	61.5%	62.6%
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	30,033	34,574	40,670	2,764	63,333	124,998	191,948	245,356	200,087	273,673	351,017
Full Funding Annual Maintenance Funding	6,027	40,179	42,626	43,905	45,222	46,579	47,976	49,416	50,898	52,425	53,998
Planned Special Assessments / Make up Funds		15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686
Annual Total Property Contribution to The Reserve Fund	6,027	55,866	58,313	59,591	60,909	62,265	63,663	65,102	66,584	68,111	69,684
Average Monthly Contribution to the Reserve Fund per Unit		39.79	41.53	42.44	43.38	44.35	45.34	46.37	47.42	48.51	49.63
Annual Capital Expenses	-	50,882	96,860	-	2,026	-	16,717	116,954	-	-	89,827
Interest Income		1,112	642	977	2,783	4,684	6,463	6,583	7,001	9,232	10,228
Ending Reserve Balance	34,574	40,670	2,764	63,333	124,998	191,948	245,356	200,087	273,673	351,017	341,102
Percentage of Full Funding	10.0%	11.7%	0.9%	17.8%	30.5%	40.9%	47.6%	43.3%	51.9%	58.9%	59.0%

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
BASELINE FUNDING											
Beginning Reserve Balance	361,676	382,855	365,617	455,811	528,519	1,267	65,074	33,727	129,693	228,184	313,836
Full Funding Annual Maintenance Funding	76,066	78,348	80,698	83,119	85,613	88,181	90,826	93,551	96,358	99,248	102,226
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	76,066	78,348	80,698	83,119	85,613	88,181	90,826	93,551	96,358	99,248	102,226
Average Monthly Contribution to the Reserve Fund per Unit	54.18	55.80	57.48	59.20	60.98	62.81	64.69	66.63	68.63	70.69	72.81
Annual Capital Expenses	65,890	106,647	2,643	24,958	620,694	25,354	123,633	-	3,156	21,607	88,550
Interest Income	11,003	11,061	12,139	14,547	7,829	980	1,460	2,415	5,289	8,010	9,620
Ending Reserve Balance	382,855	365,617	455,811	528,519	1,267	65,074	33,727	129,693	228,184	313,836	337,132
Percentage of Full Funding	65.5%	66.2%	72.8%	77.6%	0.9%	36.4%	26.7%	65.0%	83.3%	94.0%	102.2%
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	341,102	356,830	333,356	416,485	481,256	(54,852)	(868)	(43,053)	41,006	126,466	197,908
Full Funding Annual Maintenance Funding	55,618	57,286	59,005	60,775	62,598	64,476	66,411	68,403	70,455	72,569	74,746
Planned Special Assessments / Make up Funds	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686
Annual Total Property Contribution to The Reserve Fund	71,304	72,973	74,691	76,461	78,285	80,163	82,097	84,089	86,141	88,255	90,432
Average Monthly Contribution to the Reserve Fund per Unit	50.79	51.97	53.20	54.46	55.76	57.10	58.47	59.89	61.35	62.86	64.41
Annual Capital Expenses	65,890	106,647	2,643	24,958	620,694	25,354	123,633	-	3,156	21,607	88,550
Interest Income	10,314	10,200	11,081	13,267	6,302	(823)	(649)	(30)	2,475	4,794	5,965
Ending Reserve Balance	356,830	333,356	416,485	481,256	(54,852)	(868)	(43,053)	41,006	126,466	197,908	205,755
Percentage of Full Funding	61.0%	60.4%	66.5%	70.6%	-40.6%	-0.5%	-34.1%	20.6%	46.2%	59.3%	62.4%

LEVEL 3 RESERVE STUDY FOR BRIDGEWOOD ESTATES HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2036	2037	2038	2039	2040	2041	2042	2043	2044
BASELINE FUNDING									
Beginning Reserve Balance	337,132	305,143	424,375	550,487	679,958	753,880	690,049	834,181	990,646
Full Funding Annual Maintenance Funding	105,293	108,451	111,705	115,056	118,508	122,063	125,725	129,497	133,382
Planned Special Assessments / Make up Funds									
Annual Total Property Contribution to The Reserve Fund	105,293	108,451	111,705	115,056	118,508	122,063	125,725	129,497	133,382
Average Monthly Contribution to the Reserve Fund per Unit	74.99	77.24	79.56	81.95	84.41	86.94	89.55	92.23	95.00
Annual Capital Expenses	146,774	-	-	3,769	65,776	207,233	4,118	-	19,418
Interest Income	9,492	10,781	14,407	18,184	21,190	21,339	22,526	26,968	31,429
Ending Reserve Balance	305,143	424,375	550,487	679,958	753,880	690,049	834,181	990,646	1,136,038
Percentage of Full Funding	113.5%	118.8%	122.1%	124.5%	129.2%	143.4%	142.6%	141.8%	142.2%
FULL FUNDING WITHIN 30 YEARS									
Beginning Reserve Balance	205,755	157,017	258,136	364,704	473,130	524,433	436,335	554,474	683,135
Full Funding Annual Maintenance Funding	76,988	79,298	81,677	84,127	86,651	89,250	91,928	94,686	97,526
Planned Special Assessments / Make up Funds	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686	15,686
Annual Total Property Contribution to The Reserve Fund	92,674	94,984	97,363	99,813	102,337	104,936	107,614	110,372	113,212
Average Monthly Contribution to the Reserve Fund per Unit	66.01	67.65	69.35	71.09	72.89	74.74	76.65	78.61	80.64
Annual Capital Expenses	146,774	-	-	3,769	65,776	207,233	4,118	-	19,418
Interest Income	5,361	6,135	9,205	12,382	14,742	14,199	14,642	18,290	21,901
Ending Reserve Balance	157,017	258,136	364,704	473,130	524,433	436,335	554,474	683,135	798,830
Percentage of Full Funding	58.4%	72.2%	80.9%	86.6%	89.9%	90.6%	94.8%	97.8%	100.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2044

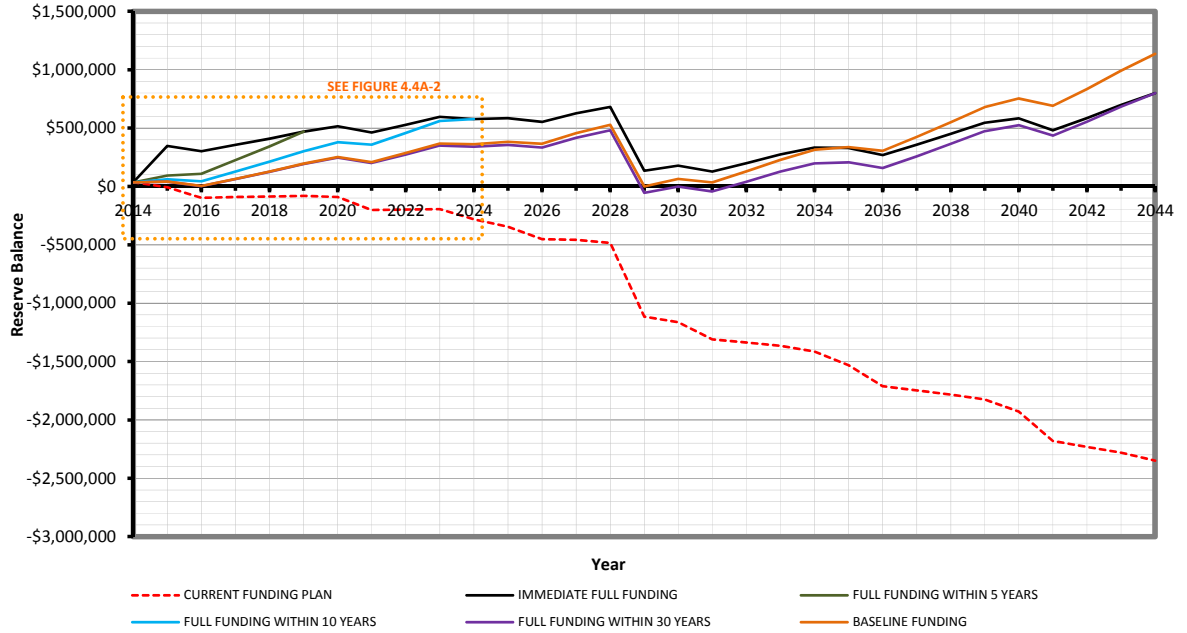


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2024

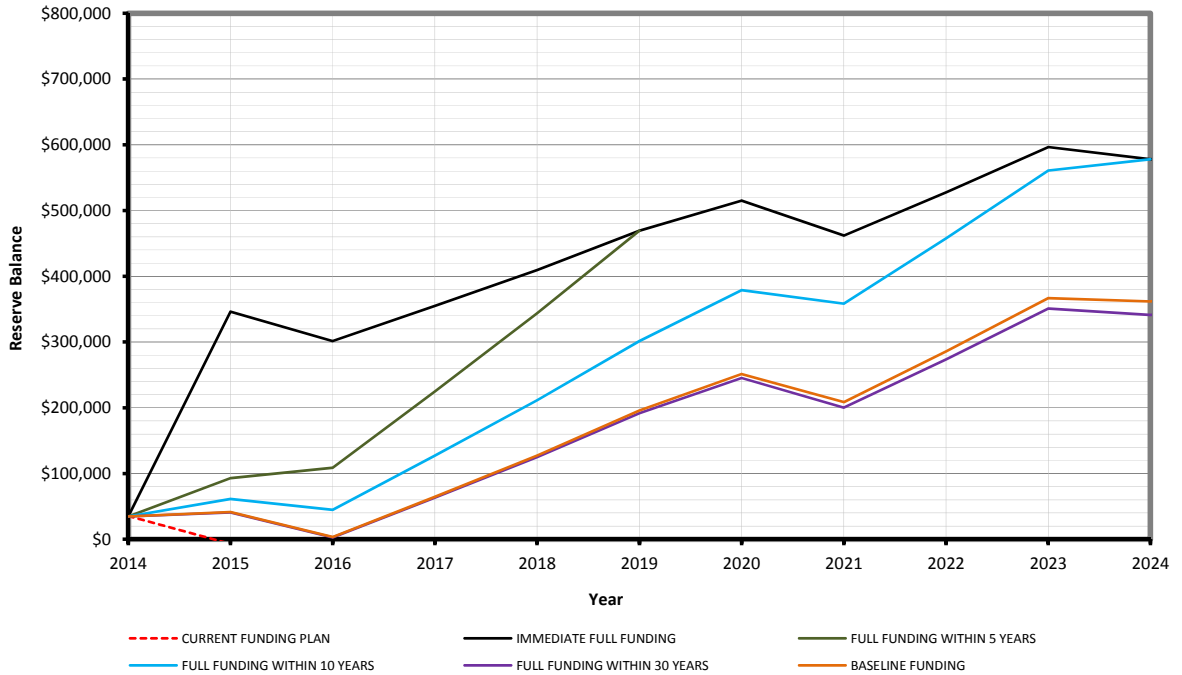


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

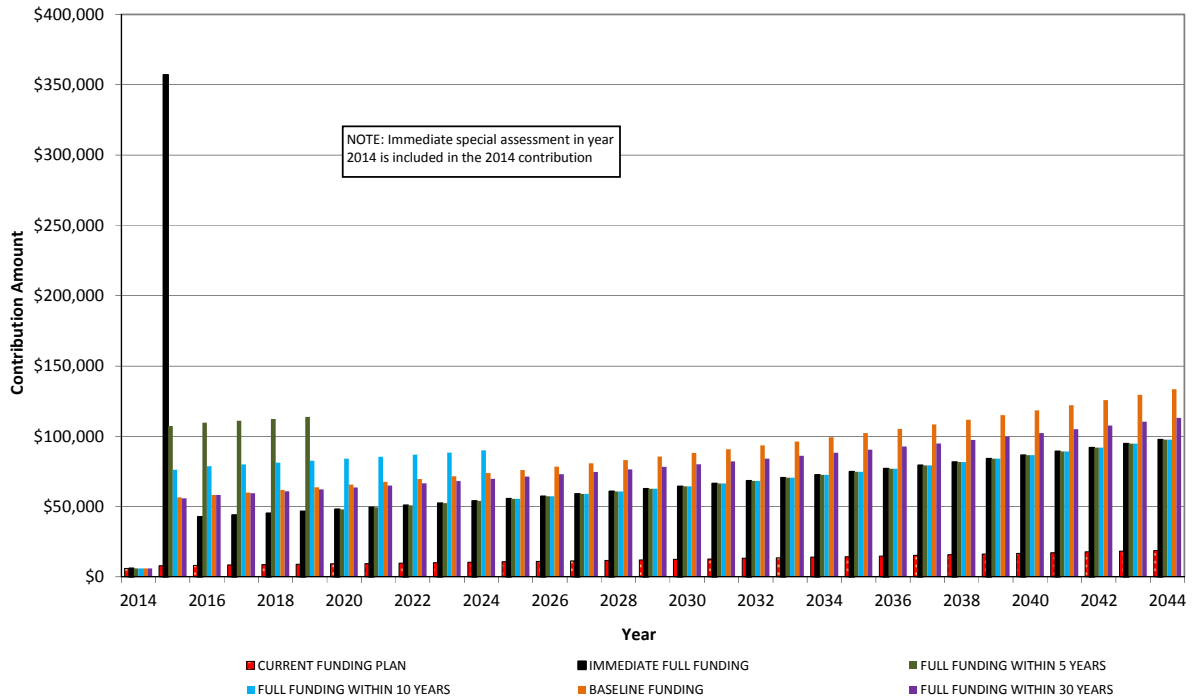
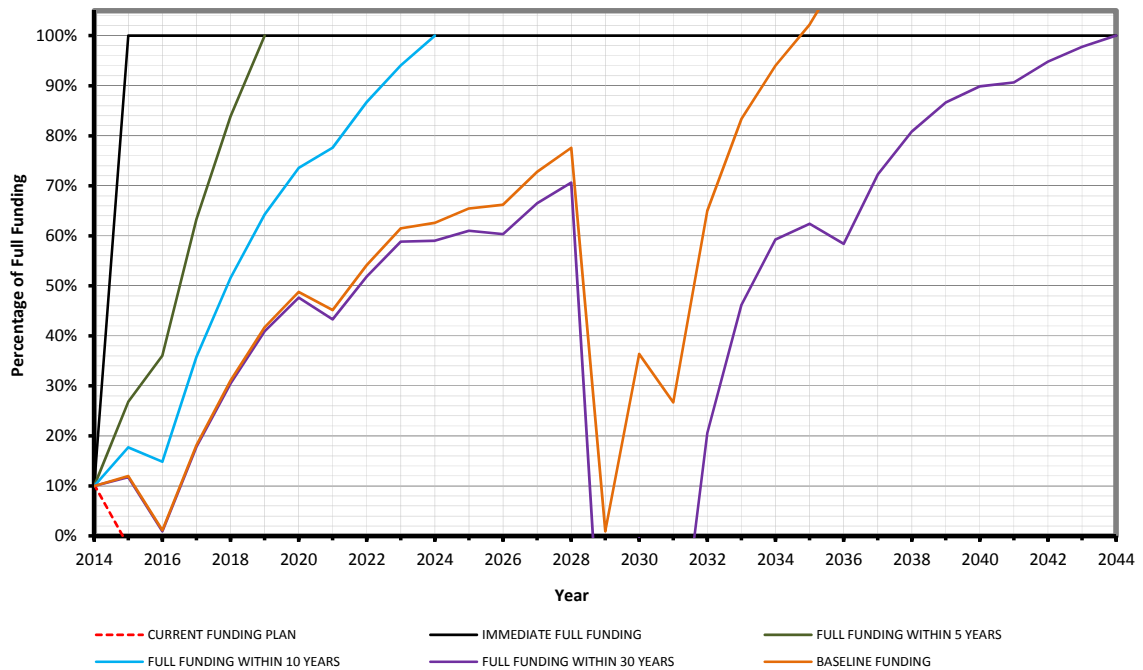


Figure 4.5C Comparison of Funding Plans -- Percentage of Full Funding by Year



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 Jeff 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 Bridgewood Homeowners Association and their property management company. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Jeff Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 3 Reserve Study is a reflection of the information provided to us. This report has been prepared for Bridgewood Homeowners Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

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

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

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

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

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

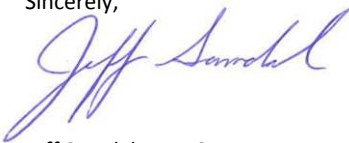
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact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

Please ensure that you have read and understand the entire proposal to perform this Level 3 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

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

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

Sincerely,

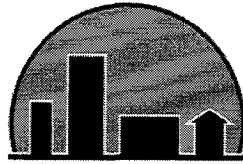


Jeff Samdal, PE, RS, PRA

APPENDIX

Level 3 Property Input Sheet

Resume of Engineer Performing Study



**JEFF SAMDAL
& ASSOCIATES**

Level 3 Reserve Study Input Page

The purpose of this input page is to find out what has changed since the previous Reserve Study that we intend to update. As we are not performing a site visit, all changes to the previous Reserve Study will be a result of the information that you provide us on this sheet.

Current Reserve Fund Balance \$ 30,032.90 as of 3/31/14
Current Monthly Funding Contribution (Total Property) \$ 8,000 ÷ 12 = 666.67

To answer the questions below, please have copy of our most recent Reserve Study available and specifically turn to the Component Assessment and Valuation Table. Please review this table in conjunction with this questionnaire.

Which items on the Component Assessment and Valuation Table have been completed and what was the actual cost of completion of each item?

Replaced mail box kiosks (3) # 3962.42
asphalt patch \$ 686.00 Replaced street + stop signs \$ 4000.00
Have any other items been complete? within the past year that are not listed on the Component Assessment and Valuation Table?

No

Have any other projects been scheduled and if so, have cost estimates been obtained? Please list cost estimate for each task scheduled.

No

Are there any other items that the board would like to change/add/delete in the Component Assessment and Valuation Table or otherwise change in their current Reserve Study?

No

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

Mr. Samdal is the owner of Jeff Samdal & Associates, Inc. (formerly Samdal Engineering), 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). 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)
- Owner's Representative Construction Management
- Building Envelope Design and Construction Monitoring
- Capital Needs Assessments and Facilities Surveys
- Condominium/Homeowner's Association Reserve Studies
- Condominium Conversion Studies

Relevant Work History

Mr. Samdal has been owner and operator of Jeff Samdal & Associates / Samdal Engineering since 2005. Before 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
- *Licensed Home Inspector*, State of Washington, #349

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

Mr. Samdal is married with two elementary aged children in Woodinville. He has volunteered as a Little League coach since 2009 starting with tee-ball. He also plays a key role in supporting his wife's volunteer involvement in their school; where she is an active part of pioneering the district's first "STEM" program, chair of their annual science fair, and classroom art docent.