

Level 3 Reserve Study Update

Bella Vista Homes Homeowner's Association

Medford, OR

Budget Year: 1/1/2019 – 12/31/2019

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CRC Disclosures

This reserve study should be reviewed carefully. It may not include all common and limited common element components which 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.

Period of Inquiry: This repair and replacement funding and cost analysis (reserve study) encompasses a period of thirty (30) years beginning on January 1, 2019 and ending on December 31, 2048.

Restrictions on Use: This reserve study document has been provided pursuant to an agreement containing restrictions on its use. No part of the document may be copied or distributed in any form, or disclosed to third parties, without the written permission of Capital Reserve Consultants, LLC (CRC) or the Association. The Association shall have the right to reproduce and distribute copies of this report, in whole or in part, as may be necessary in the conduct of the Association's business.

Current & Final Version: If the reader has obtained this document from anyone other than CRC or the owner of the subject property they should verify that the reserve study represents the current, final version of the report. Alterations made to this reserve study by any individual other than a representative of CRC are not authorized and do not represent the opinion of the Reserve Specialist® who prepared this Reserve study.

Statement of Qualifications: Carson M. Horton, RS, the person supervising the preparation of this reserve study, is a Community Associations Institute Certified Reserve Specialist™ (RS); recognized for expertise in the preparation and analysis of reserve funding plans. Mr. Horton has supervised the preparation of more than one thousand reserve studies for homeowner's associations; investment property owners and institutional Associations in fourteen states.

Objective Analysis: CRC and Carson M. Horton, RS, are independent, third party consultants with no actual or apparent conflict of interest which would prevent them from rendering an objective and impartial opinion regarding the appropriate level of reserve funding for the property which is the subject of this reserve study. The authors of this reserve study have no other involvement with the Association other than to prepare or update the reserve study.

Statement of Purpose: The purpose of this reserve study is to provide a planning and budgeting tool to assist in the development of a long range financial plan to pay for the maintenance and renewal of the property which is the subject of the funding analysis. Because this reserve study relies on assumptions regarding future events over which CRC has no control, the accuracy of replacement costs and scheduling cannot be guaranteed.

Assumptions: This analysis assumes that all components and equipment will be installed correctly, in a workmanlike manner, using generally accepted construction practices. It is expected routine preventive maintenance will be performed throughout the entire lifecycle of all components whether or not such maintenance expenses are provided for in this reserve funding plan. The component replacement schedules and corresponding funding projections presented in the reserve study assume all components will achieve their normal life expectancy before requiring replacement, unless otherwise noted.

Limitations of the Analysis: Information regarding the reserve fund balance was provided by the Association and has not been confirmed by an independent audit of the Association's financial records.

The authors of this reserve study have no control over whether the funds allocated for maintenance and renewal of the subject property will be consistent with the recommendations made by this reserve study.

Reliance on Third-Party Information: The reserve study is a reflection of information provided to CRC by third parties and cannot be used for the purpose of performing an audit, forensic analysis or verification of historical

**Bella Vista Homes Homeowner's Association
CRC Disclosures**

records. The information is deemed reliable, but is not based on an audit of the Association's financial records, and should not be used for purposes other than those intended in this study. An on-site inspection conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

Information which has been provided to CRC by third parties is deemed reliable for the purpose of this reserve study. Third party information which is incorrect may have a material impact on the Association's reserve funding requirements. CRC takes no responsibility for the accuracy of any such information or the impact inaccurate information may have on the findings and conclusions presented in the reserve study.

Standards of Analysis: This reserve study was prepared in accordance with the National Reserve Study Standards established by the Community Associations Institute for the preparation of reserve studies for common interest developments; the laws of various states and the rules set forth in the Audit & Accounting Guide Common Interest Realty Associations (American Institute of Certified Public Accountants-May 1, 2008).

No invasive or destructive testing has been employed in the investigative phase of this study and no environmental assessment of any kind was performed. This reserve study is not intended to address or discover construction defects and no representation is made herein that is meant to imply any such warranty.



Carson M. Horton, RS



Bella Vista Homes Homeowner's Association

CRC Introduction

1. Level of Inquiry: This reserve study is a Level 3 reserve study update of a previous reserve study that was prepared by Capital Reserve Consultants, LLC. A Level 3 reserve study update is an update of a previous study that does not include a site visit by the reserve study provider.

The reserve study is an analysis of the General and Limited Common Elements which are the responsibility of the Association to maintain and replace, according to the governing documents or as may be required by state law. Information regarding the quantity, current condition and remaining useful life of the assets and improvements which are the subject of this reserve study was obtained during a visit to the property by representatives of CRC in 2016 and 2018.

Opinions regarding the current condition and remaining life expectancy of the common area components are based on visual observations made during the inspection process. Component quantities may be based on field measurements, a physical inventory and/or Association records. This information is intended to be used for developing long term reserve funding projections, but should not be considered adequate for the purpose of ordering materials or formulating repair and replacement project costs.

2. Limitations of the Analysis: The physical condition assessment performed in conjunction with this reserve study is not intended to identify construction defects or other sub-standard conditions which may require immediate corrective action. The reserve study utilizes information obtained from the following sources to arrive at component replacement costs and useful life estimates for the common area components identified in the component inventory:

- National Construction Estimator (2018)
- Life Cycle Costing for Facilities – (Reed Construction Publishers)
- Preventive Maintenance and Building Operations Efficiency – (BOMA)
- Facility Manager’s Maintenance Handbook – (McGraw-Hill)
- RS Means Facilities Maintenance & Repair Cost Data - 16th Edition
- Condition assessment conducted by CRC

3. Statutory Requirements: The funding time frame covered in this reserve study is thirty (30) years. The study must be updated annually to be in compliance with state law. To be considered a current reserve study that complies with state law the study must contain the following information:

- The reserve fund balance as of the first day of the current budget year.
- An estimate of the remaining useful life of the common elements for which the reserves have been established from the point at which the reserve study is updated.
- An estimate of the future cost of repairing, replacing or maintaining the components for which the reserves have been established, based on the inflation rate at the time the reserve study is updated.
- An estimate of the future cost of exterior painting if the common elements include exterior surfaces that are painted.

For more details on the reserve study update requirements in Oregon please refer to the Reserve Study Updates section found in the Appendix.

SECTION I

PHYSICAL ANALYSIS

**Bella Vista Homes Homeowner's Association
CRC Property Summary**

The following details pertain to Bella Vista Homes Homeowner's Association:

1. Legal Name of Association: Bella Vista Homes Homeowner's Association

2. Physical Address: 3601 Camina Drive, Medford, OR 97504

3. Mailing Address: Crystal Lake Community Management, Inc.
P.O. Box 8550
Bend, OR 97708

4. Property Type: Planned development

5. Number of Residential Lots: 107

6. Year Constructed: 2006

7. Incorporation May 25, 2006

8. Association Responsibilities: The Association is responsible for repair and replacement of General and Limited Common Elements as described in the Declaration for the Bella Vista Homeowner's Association.

9. Owner Responsibilities: Owners are responsible for the maintenance, repair and replacement costs relating to their homes up to the boundary of their respective lot.

10. General Description: The subject property is a planned development consisting of 107 detached single-family homes in a suburban setting in Medford, OR. The Association is responsible for the maintenance repair and replacement of General and Limited Common Elements which include, but may not be limited to, the following common area improvements:

- Water features
- Perimeter fencing
- Common area landscaping & irrigation
- Common area pathways
- Asphalt paved roads
- Cluster mailboxes
- Monuments & signage

SECTION II

FINANCIAL ANALYSIS

Bella Vista Homes Homeowner's Association
CRC Current & Projected Funding Analysis

1. Current Financial Condition: The Association's fiscal year begins January 1st of each year.

- This reserve study covers the thirty-year period between **1/1/2019** and **12/31/2048**.
- The reserve fund balance as of **1/1/2019** is **\$62,997.00**.
- Based on the funding schedule set forth in this reserve study and the beginning reserve fund balance indicated above, the percent funded level as of **January 1, 2019** will be: **60%**

2. Percent Funded Level: The percent funded level resulting from this reserve study analysis is calculated using the following formula, which is mandated by the Community Associations Institute's Reserve Study Guidelines:

- Fully Funded = PV x CA / EUL.
- Where PV = present value; CA = current age; and EUL = expected useful life.

Hence the Fully Funded calculation for a component with a current age of 3 years, a present value of \$10,000 and an expected useful life of 10 years would be: $\$10,000 \times 3 / 10 = \$3,000.00$.

Therefore, the total amount of money required to be Fully Funded as of the first day of the current funding cycle would be \$3,000.00.

3. Funding Parameters & Projections: Reserve funds will be accumulated in the replacement fund based on the estimated current replacement cost of maintaining, replacing or renovating the Common Elements for which reserves have been established, adjusted by the current rate of inflation at the time this reserve study was prepared. If additional funds are required at the time replacement occurs, the Association reserves the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay repair or replacement of components until funds are available. The replacement cost estimates do not include consulting or project management fees.

Actual costs may vary from the amounts established in this reserve study. Investment income and income tax levels may affect reserve funding levels and the variances may be material. Amounts accumulated in the replacement reserve fund may not be adequate to meet future funding requirements; particularly if updates are not performed in a timely manner, or if reserve contributions are not consistent with the amounts set forth in this reserve study.

The reserve funding projections which result from this reserve study utilize the following financial parameters:

- A minimum reserve fund balance of **\$62,997.00** as of **January 1, 2019**.
- A minimum reserve fund contribution for **2019** in the amount of: **\$16,567.00**.
- A maximum annual increase in the reserve contribution of: **4%**.
- Earnings on reserve deposits: **0.59%***
- Annual inflation rate: **2.28%****
- Effective income tax rate: **30%**
- Reserve fund contingency: **3%***

Assuming a beginning reserve fund balance of **\$62,997.00** and reserve fund contingency of **3%**, the available contingency funds available as of **January 1, 2019** will be: **\$1,890.00**.

The Annual Reserve Fund Expenditure Detail indicates the next reserve expenditures scheduled to occur will be in the year **2020**. The total amount of these expenditures is estimated to be: **\$3,095.00**.

Bella Vista Homes Homeowner's Association
CRC Current & Projected Funding Analysis

4. Current Assessment Funding: The funding projection contained in this reserve study utilizes a cash flow funding method known as Current Assessment Funding. Current Assessment Funding is a reserve funding model in which the first year, or current, reserve fund contribution is established by the Board of Directors or the Reserve Specialist®. The Current Assessment Funding Projection begins with a **2019** reserve fund contribution of **\$16,567.00** which equals **\$154.83** per lot based on **107** lots.

5. Percent Funded Analysis: The percent funded level under the Current Assessment Funding Projection will be **65%** at the end of **2019** assuming the reserve fund activity is consistent with the schedule set forth in this reserve study.

- The highest percent funded level after **2019** is **72%** in **2035**.
- The lowest percent funded level after **2019** is **36%** in **2037**.

The Current Assessment Funding Projection included in this reserve study represents the contribution schedule required to meet the reserve obligations set forth in this reserve study for the next thirty years, assuming a beginning reserve fund balance of **\$62,997.00**; a **2019** contribution of **\$16,567.00** and a maximum annual increase in the reserve contribution of **4%** in any year after **2019**.

6. Total Reserve Spending: Assuming the reserve fund expenditures and contributions do not deviate from the schedule set forth in this reserve study the reserve funding and spending obligations for the thirty-year period ending on **December 31, 2048** are as follows:

- Total Reserve Spending **\$717,139.00**
- Average Annual Reserve Expenditures: **\$23,905.00**
- Total Reserve Fund Contributions: **\$795,891.00**
- Interest Earnings on Reserve Fund Deposits: **\$16,291.00**
- **December 31, 2048** Reserve Fund Balance: **\$158,041.00**

7. Minimum Reserve Fund Balance: Assuming the reserve fund contributions and expenditures do not deviate from the schedule set forth in this reserve study, the minimum year-end reserve fund balance resulting from the Current Assessment Funding Projection will be **\$52,273.00** in **2037**.

8. Funding Summary: The Current Assessment Funding Projection results in year-end percent funded levels which range from a low of **12%** to a high of **72%**. The Current Assessment Funding Projection will meet the obligations of the Association's reserve fund assuming the reserve fund activity does not deviate from the schedule set forth on this reserve study.

**Interest rate specified by the Board of Directors.*

***Due to changes in ORS 94 and 100, which went into effect on **1/1/2018** the reserve study must now include a projection of the future cost of repairing, replacing and maintaining those common elements for which the reserves were established. Under the statute future costs must be determined by applying the current annual inflation rate to the estimated cost of repairing, replacing and maintaining each component that is identified in the reserve study. The most recent inflation data available as of the date of this reserve study is for the month ending on **9/30/2018**. As of this date the inflation rate was **2.28%** based on information obtained from the website <https://inflationdata.com/>.*

Bella Vista Homes Homeowner's Association
CRC Distribution of Accumulated Reserves

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Water Feature Lighting	1	2020	2,521	2,521
Common Area Irrigation Controllers	2	2021	5,157	5,157
Water Feature Pump Motor (2)	2	2021	2,630	2,630
Water Feature Pumps (1)	2	2021	2,370	2,370
Water Feature Pumps (2)	2	2021	3,423	3,423
Asphalt Sealcoat-Camina Drive (Tract G)	3	2022	504	504
Asphalt Sealcoat-Carino Lane (Tract F)	3	2022	1,424	1,424
Asphalt Sealcoat-Lastrada Circle	3	2022	3,880	3,880
Asphalt Sealcoat-Parking Area	3	2022	576	576
Asphalt Sealcoat-Pathway-Tract B	3	2022	160	160
Asphalt Sealcoat-Pathway-Tract C	3	2022	184	184
Asphalt Sealcoat-Sorrento Lane (Tract K)	3	2022	728	728
Irrigation System Upgrade-Park Area	5	2024	2,167	2,167
Landscape Renovation-Park Area	5	2024	5,417	5,417
Water Feature Pump Motor (1)	6	2025	434	434
Irrigation System Upgrade-Entrances	7	2026	4,875	4,875
Landscape Renovation-East Entrance	7	2026	3,250	3,250
Landscape Renovation-North Entrance	7	2026	3,250	3,250
Landscape Renovation-West Entrance	7	2026	3,250	3,250
Landscape Lighting	9	2028	550	550
Common Area Sidewalks-Safety Repair	11	2030	394	394
Cluster Mailboxes	13	2032	6,600	6,600
Signs-Replacement Allowance	13	2032	420	420
Asphalt Overlay-Camina Drive (Tract G)	18	2037	2,381	2,381
Asphalt Overlay-Carino Lane (Tract F)	18	2037	* 4,562	6,728
Asphalt Overlay-Lastrada Circle	18	2037		18,333
Asphalt Overlay-Parking Area	18	2037		3,024
Asphalt Overlay-Pathway-Tract B	18	2037		840
Asphalt Overlay-Pathway-Tract C	18	2037		966
Asphalt Overlay-Sorrento Lane (Tract K)	18	2037		3,822
Chain Link Fencing-Tract B & C	23	2042		11,013

**Bella Vista Homes Homeowner's Association
CRC Distribution of Accumulated Reserves**

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
			<u>\$61,107</u>	<u>\$101,272</u>
			<u>\$1,890</u>	<u>\$3,132</u>
			\$62,997	\$104,404

'' Indicates Partially Funded*

SECTION III

RESERVE FUNDING PROJECTIONS

Bella Vista Homes Homeowner's Association
CRC Explanation of Reserve Funding Projections

1. Reserve Funding Models: The thirty-year reserve funding schedule presented in this reserve study utilizes a Cash Flow Funding Model known as Current Assessment Funding. The Current Assessment Funding projection begins with a **2019** reserve fund contribution of **\$16,567.00**.

2. Cash Flow Funding Method: Cash Flow Funding is a reserve funding approach which is designed to generate sufficient incoming cash flow into the Association's reserve account to meet the funding obligations established in the reserve study. Assuming the cost and frequency of reserve expenditures does not deviate from the schedule set forth in the reserve study; the Association's reserve fund will always contain enough money to meet its funding obligations, regardless of the percent funded level at any point in time.

All cash flow funding methods result in the pooling of reserves. Pooled reserves occur when all reserve funds are accumulated in one reserve account and the current reserves are allocated to pay for reserve expenditures based on chronological urgency or discretionary action taken by the Board of Directors. Reserves accumulated in a pooled reserve fund may only be used to pay for current or future reserve obligations and will automatically be reallocated to pay for other scheduled expenditures if 100% of the amount allocated to pay for a specific expenditure is not used to pay for the expense at the time it is scheduled to occur.

Funds collected for the purpose of providing replacement reserves to pay for repair and replacement of common elements may not be used to pay for operating expenses or any expenses which are not specifically identified as reserve expenditures in the current reserve study.

2. Reserve Funding & Disclosure Requirements: The reserve funding projections presented in this reserve study are intended to serve as a guide to help frame the minimum and maximum funding levels which should be considered by the Board of Directors. Under Oregon law the Association is not obligated to adopt any particular method of reserve funding or to maintain any minimum percent funded level. The Association is required to fund the reserve account in an amount which is determined to be adequate to meet the reserve funding requirements of the Association, in the opinion of the Board of Directors.

**Bella Vista Homes Homeowner's Association
CRC Current Assessment Funding Summary**

Report Parameters

Report Date	November 04, 2018	Inflation	2.28%
Account Number	OR-1408-0002-19	Interest Rate on Reserve Deposit	0.59%
Version	LEVEL 3	Tax Rate on Interest	30.00%
Budget Year Beginning	January 01, 2019	Contingency	3.00%
Budget Year Ending	December 31, 2019		
Total Units	107	2019 Beginning Balance	\$62,997
Phase Development	1 of 1		

Current Assessment Funding Model Summary of Calculations

Required Annual Contribution	\$16,567.00
<i>\$154.83 per unit annually</i>	
Average Net Annual Interest Earned	<u>\$328.60</u>
Total Annual Allocation to Reserves	\$16,895.60
<i>\$157.90 per unit annually</i>	

**Bella Vista Homes Homeowner's Association
CRC Current Assessment Funding Projection**

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Beginning Balance: \$62,997

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2019	271,608	16,567	329		79,893	123,581	65%
2020	277,801	17,064	388	3,095	94,250	140,316	67%
2021	284,135	17,576	389	17,664	94,551	143,298	66%
2022	290,613	18,103	383	19,944	93,092	144,363	64%
2023	297,239	18,646	461		112,200	166,912	67%
2024	304,016	19,206	494	11,753	120,147	177,952	68%
2025	310,948	19,782	564	3,475	137,018	198,420	69%
2026	318,037	20,375	488	39,140	118,742	182,207	65%
2027	325,288	20,987	485	22,324	117,890	183,822	64%
2028	332,705	21,616	533	10,455	129,584	198,469	65%
2029	340,291	22,265	627		152,476	224,963	68%
2030	348,049	22,933	719	1,297	174,830	251,209	70%
2031	355,985	23,621	777	10,354	188,873	269,017	70%
2032	364,101	24,329	664	52,416	161,450	243,432	66%
2033	372,403	25,059	770		187,280	273,071	69%
2034	380,894	25,811	880		213,971	303,934	70%
2035	389,578	26,585	976	4,353	237,178	331,472	72%
2036	398,460	27,383	1,009	20,319	245,251	343,378	71%
2037	407,545	28,204	215	221,397	52,273	144,120	36%
2038	416,837	29,050	282	13,084	68,521	160,571	43%
2039	426,341	29,922	387	4,764	94,065	186,786	50%
2040	436,062	30,819	516		125,401	219,250	57%
2041	446,004	31,744	595	12,972	144,768	239,419	60%
2042	456,173	32,696	255	115,677	62,042	152,410	41%
2043	466,574	34,004	397		96,443	186,064	52%
2044	477,211	35,364	446	23,765	108,489	196,115	55%
2045	488,092	36,779	592	1,820	144,041	230,239	63%
2046	499,220	38,250	499	61,454	121,336	202,980	60%
2047	510,603	39,780	521	35,042	126,595	203,686	62%
2048	522,244	41,371	650	10,575	158,041	230,959	68%

SECTION IV

COMPONENT INVENTORY REPORTS

Bella Vista Homes Homeowner's Association CRC Explanation of Component Inventory Reports

This section of the reserve study provides a narrative summary and tabular compilations of the common area components which are the subject of this reserve funding analysis. A brief explanation of each report contained in this section is included here for those readers who may be unfamiliar with the information provided in a reserve study.

1. Component Inventory Summary: This report provides a summary of the component inventory which is a condensed version of the information found in the Component Detail Reports which appears at the end of Section II. The components are grouped by the component category to which they have been assigned, and are listed within each category according to the remaining life expectancy of the component. Other information found in this report includes the in-service date, current cost, useful life, remaining life, future cost and current cost of each component.

2. Component Inventory by Remaining Life Expectancy: This report displays the component inventory sorted by the remaining life expectancy of each component which is included in the reserve funding schedule. Expenditures which are scheduled to recur more than one time over the 30 year period covered by the study will only appear one time in this list based on the next scheduled year of occurrence. Other information provided in this report includes the next scheduled year of replacement, useful life, current cost, assigned reserves and the amount required for each component to be fully funded as of the beginning date of the reserve study. If the assigned reserves are equal to the fully funded amount shown in the far right-hand column then the component in question is said to be fully funded.

3. Component Inventory with Current Costs: This report again displays the component inventory by category and remaining life expectancy. It also includes the component quantity based on the unit of measure (SF, SY, LF, etc.), the unit cost which has been used to arrive at the total replacement cost, and the current replacement cost as of the beginning date of the reserve study.

4. Component Detail Reports: This report, which is found in the Appendix, reflects all of the component data which has been input into the modeling database to develop the reserve funding projections contained in the reserve study. If a photographic inventory has been included in the reserve study a picture of each component will also appear in this report. Most of the information contained in this report is also displayed in one or more of the Component Inventory reports found in Section II.

**Bella Vista Homes Homeowner's Association
CRC Component Inventory Summary**

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Concrete Pavement									
Common Area Sidewalks-Safety Repair		2030	1,012	15	3	11	1,297	675 @	15.00
This component provides funding for repair of the common area sidewalks that extends around the front of the retention pond. Funding is scheduled to occur every 15 years beginning in 2030.									
Fencing & Site Walls									
Chain Link Fencing-Tract B & C		2042	47,200	30	0	23	79,274	2950 @	16.00
This component provides funding for replacement of the vinyl-coated chain link fencing that surrounds the retention pond. Funding is scheduled to occur every 30 years beginning in 2042.									
Landscaping & Irrigation									
Common Area Irrigation Controllers		2021	5,950	15	0	2	6,224	17 @	350.00
This component provides funding for replacement of the irrigation controllers that serve the common area landscaping. Funding is every 15 years beginning in 2021.									
Irrigation System Upgrade-Park Area		2024	3,000	20	-2	5	3,358	1 @	3,000.00
This component provides funding for renovation of the landscape irrigation system that waters the landscaping in the park area adjacent to Lastrada Circle. Funding is every 20 years beginning in 2024 and includes replacement valves, boxes and sprinkler heads. Replacement of buried water supply piping is not included in this reserve study.									
Landscape Renovation-Park Area		2024	7,500	20	-2	5	8,395	1 @	7,500.00
This component provides funding for renovation of common area landscaping in the park area adjacent to Lastrada Circle. Funding is scheduled to occur every 20 years beginning in 2024. Routine maintenance expenses should be included in the annual operating budget.									
Irrigation System Upgrade-Entrances		2026	7,500	20	0	7	8,782	1 @	7,500.00
This component provides funding for renovation of the landscape irrigation system that waters the landscaping at the entrance and along McAndrews Road. Funding is every 20 years beginning in 2026 and includes replacement valves, boxes and sprinkler heads. Replacement of buried water supply piping is not included in this reserve study.									
Landscape Renovation-East Entrance		2026	5,000	20	0	7	5,855	1 @	5,000.00
This component provides funding for renovation of common area landscaping at the east entrance located at McAndrews Road and Veneto Circle. Funding is scheduled to occur every 20 years beginning in 2026. Routine maintenance expenses should be included in the annual operating budget.									
Landscape Renovation-North Entrance		2026	5,000	20	0	7	5,855	1 @	5,000.00
This component provides funding for renovation of common area landscaping at the north entrance located at McAndrews Road and Sorrento Lane. Funding is scheduled to occur every 20 years beginning									

**Bella Vista Homes Homeowner's Association
CRC Component Inventory Summary**

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Landscaping & Irrigation continued...									
<i>Landscape Renovation-North Entrance continued...</i>									
in 2026. Routine maintenance expenses should be included in the annual operating budget.									
Landscape Renovation-West Entrance		2026	5,000	20	0	7	5,855	1 @	5,000.00
This component provides funding for renovation of common area landscaping at the west entrance located at McAndrews Road and Lastrada Circle. Funding is scheduled to occur every 20 years beginning in 2026. Routine maintenance expenses should be included in the annual operating budget.									
Landscape Lighting		2028	5,500	10	0	9	6,737	1 @	5,500.00
This component provides funding for replacement of the in-ground landscape lighting. Funding is scheduled to occur every 10 years beginning in 2028.									
Mailboxes & Signage									
Cluster Mailboxes		2032	13,200	25	1	13	17,695	8 @	1,650.00
This component provides funding for replacement of the pedestal-mounted cluster mailbox. Funding is scheduled to occur every 25 years beginning in 2032.									
Signs-Replacement Allowance		2032	1,200	20	0	13	1,609	1 @	1,200.00
This component provides funding for replacement of common area signage. The sign inventory includes one Stop sign; one No parking sign and one informational sign that is mounted to the fence surrounding the retention pond. Funding is scheduled to occur every 20 years beginning in 2032.									
Private Roads & Alleys									
Asphalt Sealcoat-Camina Drive (Tract G)									
		2022	1,260	5	0	3	1,348	6300 @	0.20
This component provides funding for the application of an asphalt sealcoat on Camina Drive. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Sealcoat-Carino Lane (Tract F)									
		2022	3,560	5	0	3	3,809	17800 @	0.20
This component provides funding for the application of an asphalt sealcoat on Carino Lane. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Sealcoat-Lastrada Circle									
		2022	9,700	5	0	3	10,379	48500 @	0.20
This component provides funding for the application of an asphalt sealcoat on Lastrada Circle. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Sealcoat-Parking Area									
		2022	1,440	5	0	3	1,541	7200 @	0.20
This component provides funding for the application of an asphalt sealcoat on the parking area adjacent to West Lastrada Circle. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Sealcoat-Pathway-Tract B									
		2022	400	5	0	3	428	2000 @	0.20
This component provides funding for the application of an asphalt sealcoat on the walking paths in Tract B. Funding is scheduled to occur every 5 years beginning in 2022.									

**Bella Vista Homes Homeowner's Association
CRC Component Inventory Summary**

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Private Roads & Alleys continued...									
Asphalt Sealcoat-Pathway-Tract C		2022	460	5	0	3	492	2300 @	0.20
This component provides funding for the application of an asphalt sealcoat on the walking paths in Tract C. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Sealcoat-Sorrento Lane (Tract K)		2022	1,820	5	0	3	1,947	9100 @	0.20
This component provides funding for the application of an asphalt sealcoat on Sorrento Lane. Funding is scheduled to occur every 5 years beginning in 2022.									
Asphalt Overlay-Camina Drive (Tract G)		2037	8,505	25	0	18	12,762	6300 @	1.35
This component provides funding for the application of an asphalt overlay on Camina Drive. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Carino Lane (Tract F)		2037	24,030	25	0	18	36,057	17800 @	1.35
This component provides funding for the application of an asphalt overlay on Carino Lane. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Lastrada Circle		2037	65,475	25	0	18	98,245	48500 @	1.35
This component provides funding for the application of an asphalt overlay on Lastrada Circle. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Parking Area		2037	10,800	25	0	18	16,205	7200 @	1.50
This component provides funding for the application of an asphalt overlay on the parking area adjacent to West Lastrada Circle. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Pathway-Tract B		2037	3,000	25	0	18	4,501	2000 @	1.50
This component provides funding for the application of an asphalt overlay on the walking path in Tract B. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Pathway-Tract C		2037	3,450	25	0	18	5,177	2300 @	1.50
This component provides funding for the application of an asphalt overlay on the walking path in Tract C. Funding is scheduled to occur every 25 years beginning in 2037.									
Asphalt Overlay-Sorrento Lane (Tract K)		2037	13,650	25	0	18	20,482	9100 @	1.50
This component provides funding for the application of an asphalt overlay on Sorrento Lane. Funding is scheduled to occur every 25 years beginning in 2037.									
Water Features									
Water Feature Lighting		2020	3,026	6	0	1	3,095	7 @	432.25
This component provides funding for replacement of the water feature lighting. Funding is scheduled to occur every 6 years beginning in 2020.									
Water Feature Pump Motor (2)		2021	3,035	7	8	2	3,175	1 @	3,035.00
This component provides funding for replacement of one of two water feature pump motors. Funding is scheduled to occur every 7 years beginning in 2021. Routine maintenance expenses should be included									

**Bella Vista Homes Homeowner's Association
CRC Component Inventory Summary**

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Water Features continued...									
<i>Water Feature Pump Motor (2) continued...</i> in the annual operating budget.									
Water Feature Pumps (1)		2021	3,950	5	0	2	4,132	1 @	3,950.00
This component provides funding for replacement of one of two water feature pumps. Funding is scheduled to occur every 5 years beginning in 2021. Routine maintenance expenses should be included in the annual operating budget.									
Water Feature Pumps (2)		2021	3,950	5	10	2	4,132	1 @	3,950.00
This component provides funding for replacement of one of two water feature pumps. Funding is scheduled to occur every 5 years beginning in 2021. Routine maintenance expenses should be included in the annual operating budget.									
Water Feature Pump Motor (1)		2025	3,035	7	0	6	3,475	1 @	3,035.00
This component provides funding for replacement of one of two water feature pump motors. Funding is scheduled to occur every 7 years beginning in 2025. Routine maintenance expenses should be included in the annual operating budget.									

Bella Vista Homes Homeowner's Association
CRC Component Inventory by Remaining Life Expectancy

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Water Feature Lighting	2020	6	0	1	3,026	2,521	2,521
Common Area Irrigation Controllers	2021	15	0	2	5,950	5,157	5,157
Water Feature Pump Motor (2)	2021	7	8	2	3,035	2,630	2,630
Water Feature Pumps (1)	2021	5	0	2	3,950	2,370	2,370
Water Feature Pumps (2)	2021	5	10	2	3,950	3,423	3,423
Asphalt Sealcoat-Camina Drive (Tract G)	2022	5	0	3	1,260	504	504
Asphalt Sealcoat-Carino Lane (Tract F)	2022	5	0	3	3,560	1,424	1,424
Asphalt Sealcoat-Lastrada Circle	2022	5	0	3	9,700	3,880	3,880
Asphalt Sealcoat-Parking Area	2022	5	0	3	1,440	576	576
Asphalt Sealcoat-Pathway-Tract B	2022	5	0	3	400	160	160
Asphalt Sealcoat-Pathway-Tract C	2022	5	0	3	460	184	184
Asphalt Sealcoat-Sorrento Lane (Tract K)	2022	5	0	3	1,820	728	728
Irrigation System Upgrade-Park Area	2024	20	-2	5	3,000	2,167	2,167
Landscape Renovation-Park Area	2024	20	-2	5	7,500	5,417	5,417
Water Feature Pump Motor (1)	2025	7	0	6	3,035	434	434
Irrigation System Upgrade-Entrances	2026	20	0	7	7,500	4,875	4,875
Landscape Renovation-East Entrance	2026	20	0	7	5,000	3,250	3,250
Landscape Renovation-North Entrance	2026	20	0	7	5,000	3,250	3,250
Landscape Renovation-West Entrance	2026	20	0	7	5,000	3,250	3,250
Landscape Lighting	2028	10	0	9	5,500	550	550
Common Area Sidewalks-Safety Repair	2030	15	3	11	1,012	394	394
Cluster Mailboxes	2032	25	1	13	13,200	6,600	6,600
Signs-Replacement Allowance	2032	20	0	13	1,200	420	420
Asphalt Overlay-Camina Drive (Tract G)	2037	25	0	18	8,505	2,381	2,381
Asphalt Overlay-Carino Lane (Tract F)	2037	25	0	18	24,030	4,562	6,728
Asphalt Overlay-Lastrada Circle	2037	25	0	18	65,475	0	18,333
Asphalt Overlay-Parking Area	2037	25	0	18	10,800	0	3,024
Asphalt Overlay-Pathway-Tract B	2037	25	0	18	3,000	0	840
Asphalt Overlay-Pathway-Tract C	2037	25	0	18	3,450	0	966
Asphalt Overlay-Sorrento Lane (Tract K)	2037	25	0	18	13,650	0	3,822
Chain Link Fencing-Tract B & C	2042	30	0	23	47,200	0	11,013
Total Asset Summary					\$271,608	\$61,107	\$101,272
Contingency at 3.00%						\$1,890	\$3,132
Summary Total						\$62,997	\$104,404

**Bella Vista Homes Homeowner's Association
CRC Component Inventory with Current Costs**

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Concrete Pavement								
Common Area Sidewalks-Safety Repair	2012	2030	15	3	11	67 SF	15.00	<u>1,012</u>
Concrete Pavement - Total								\$1,012
Fencing & Site Walls								
Chain Link Fencing-Tract B & C	2012	2042	30	0	23	2,950 LF	16.00	<u>47,200</u>
Fencing & Site Walls - Total								\$47,200
Landscaping & Irrigation								
Common Area Irrigation Controllers	2006	2021	15	0	2	17 EA	350.00	5,950
Irrigation System Upgrade-Park Area	2006	2024	20	-2	5	1 Total	3,000.00	3,000
Landscape Renovation-Park Area	2006	2024	20	-2	5	1 Total	7,500.00	7,500
Irrigation System Upgrade-Entrances	2006	2026	20	0	7	1 Total	7,500.00	7,500
Landscape Renovation-East Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Landscape Renovation-North Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Landscape Renovation-West Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Landscape Lighting	2018	2028	10	0	9	1 Total	5,500.00	<u>5,500</u>
Landscaping & Irrigation - Total								\$44,450
Mailboxes & Signage								
Cluster Mailboxes	2006	2032	25	1	13	8 EA	1,650.00	13,200
Signs-Replacement Allowance	2012	2032	20	0	13	1 Total	1,200.00	<u>1,200</u>
Mailboxes & Signage - Total								\$14,400
Private Roads & Alleys								
Asphalt Sealcoat-Camina Drive (Tract G)	2017	2022	5	0	3	6,300 SF	0.20	1,260
Asphalt Sealcoat-Carino Lane (Tract F)	2017	2022	5	0	3	17,800 SF	0.20	3,560
Asphalt Sealcoat-Lastrada Circle	2017	2022	5	0	3	48,500 SF	0.20	9,700
Asphalt Sealcoat-Parking Area	2017	2022	5	0	3	7,200 SF	0.20	1,440
Asphalt Sealcoat-Pathway-Tract B	2017	2022	5	0	3	2,000 SF	0.20	400
Asphalt Sealcoat-Pathway-Tract C	2017	2022	5	0	3	2,300 SF	0.20	460
Asphalt Sealcoat-Sorrento Lane (Tract K)	2017	2022	5	0	3	9,100 SF	0.20	1,820
Asphalt Overlay-Camina Drive (Tract G)	2012	2037	25	0	18	6,300 SF	1.35	8,505
Asphalt Overlay-Carino Lane (Tract F)	2012	2037	25	0	18	17,800 SF	1.35	24,030
Asphalt Overlay-Lastrada Circle	2012	2037	25	0	18	48,500 SF	1.35	65,475
Asphalt Overlay-Parking Area	2012	2037	25	0	18	7,200 SF	1.50	10,800
Asphalt Overlay-Pathway-Tract B	2012	2037	25	0	18	2,000 SF	1.50	3,000
Asphalt Overlay-Pathway-Tract C	2012	2037	25	0	18	2,300 SF	1.50	3,450
Asphalt Overlay-Sorrento Lane (Tract K)	2012	2037	25	0	18	9,100 SF	1.50	13,650

**Bella Vista Homes Homeowner's Association
CRC Component Inventory with Current Costs**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<i>Private Roads & Alleys continued...</i>								
Private Roads & Alleys - Total								\$147,550
Water Features								
Water Feature Lighting	2014	2020	6	0	1	7 Ea	432.25	3,026
Water Feature Pump Motor (2)	2006	2021	7	8	2	1 Total	3,035.00	3,035
Water Feature Pumps (1)	2016	2021	5	0	2	1 Total	3,950.00	3,950
Water Feature Pumps (2)	2006	2021	5	10	2	1 Total	3,950.00	3,950
Water Feature Pump Motor (1)	2018	2025	7	0	6	1 Total	3,035.00	3,035
Water Features - Total								\$16,996
Total Asset Summary								\$271,608

SECTION V

RESERVE EXPENDITURE REPORTS

Bella Vista Homes Homeowner's Association CRC Explanation of Reserve Expenditure Reports

This section of the reserve study includes a series of reports which detail how the Association's reserve funds will be spent over the next 30 years. A brief explanation of each report contained in this section is included here for those readers who may be unfamiliar with the information provided in a reserve study.

1. Annual Reserve Expenditure Detail: This report provides a year by year summary of the reserve fund expenditures scheduled for each year covered in the reserve study. Expenditures are listed alphabetically in each year when they are scheduled to occur. Hence, an expenditure which is scheduled to occur every 5 years beginning in 2015 will appear for the first time under the 2015 heading and again in years 2020, 2025, 2030 and so on. The projected costs listed for each year take into account the effect of inflation on future replacement costs. Therefore, the replacement cost for a recurring expenditure will be higher each time it appears in this schedule.

2. Capital & Non-Capital Expenditures: This report groups the scheduled reserve expenditures under one of two categories; Capital Expenditures or Non-Capital Expenditures. In the context of a reserve study capital expenditures are generally defined as expenditures which are for the purpose of replacing, improving or prolonging the life expectancy of a common area asset. Non-capital expenditures are expenses incurred to maintain or repair common area assets, but which are not necessarily expected to improve or extend the life expectancy of the asset.

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Description	Expenditures
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No Replacement in 2019

Replacement Year 2020

Water Features

Water Feature Lighting	3,095
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Total for 2020	\$3,095
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Replacement Year 2021

Landscaping & Irrigation

Common Area Irrigation Controllers	6,224
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Water Features

Water Feature Pumps (1)	4,132
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Water Feature Pumps (2)	4,132
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Water Feature Pump Motor (2)	3,175
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Total for 2021	\$17,664
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Replacement Year 2022

Private Roads & Alleys

Asphalt Sealcoat-Camina Drive (Tract G)	1,348
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Asphalt Sealcoat-Carino Lane (Tract F)	3,809
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Asphalt Sealcoat-Lastrada Circle	10,379
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Asphalt Sealcoat-Parking Area	1,541
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Asphalt Sealcoat-Pathway-Tract B	428
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Asphalt Sealcoat-Pathway-Tract C	492
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Asphalt Sealcoat-Sorrento Lane (Tract K)	1,947
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Total for 2022	\$19,944
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No Replacement in 2023

Replacement Year 2024

Landscaping & Irrigation

Irrigation System Upgrade-Park Area	3,358
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**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2024 continued...</i>	
Landscape Renovation-Park Area	8,395
Total for 2024	<u>\$11,753</u>
 Replacement Year 2025	
Water Features	
Water Feature Pump Motor (1)	3,475
Total for 2025	<u>\$3,475</u>
 Replacement Year 2026	
Landscaping & Irrigation	
Irrigation System Upgrade-Entrances	8,782
Landscape Renovation-East Entrance	5,855
Landscape Renovation-North Entrance	5,855
Landscape Renovation-West Entrance	5,855
Water Features	
Water Feature Pumps (1)	4,625
Water Feature Pumps (2)	4,625
Water Feature Lighting	3,543
Total for 2026	<u>\$39,140</u>
 Replacement Year 2027	
Private Roads & Alleys	
Asphalt Sealcoat-Camina Drive (Tract G)	1,509
Asphalt Sealcoat-Carino Lane (Tract F)	4,264
Asphalt Sealcoat-Lastrada Circle	11,617
Asphalt Sealcoat-Parking Area	1,725
Asphalt Sealcoat-Pathway-Tract B	479
Asphalt Sealcoat-Pathway-Tract C	551
Asphalt Sealcoat-Sorrento Lane (Tract K)	2,180
Total for 2027	<u>\$22,324</u>
 Replacement Year 2028	
Landscaping & Irrigation	
Landscape Lighting	6,737

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2028 continued...</i>	
Water Features	
Water Feature Pump Motor (2)	3,718
Total for 2028	<u>\$10,455</u>
 <i>No Replacement in 2029</i>	
Replacement Year 2030	
Concrete Pavement	
Common Area Sidewalks-Safety Repair	1,297
Total for 2030	<u>\$1,297</u>
 Replacement Year 2031	
Water Features	
Water Feature Pumps (1)	5,177
Water Feature Pumps (2)	5,177
Total for 2031	<u>\$10,354</u>
 Replacement Year 2032	
Mailboxes & Signage	
Signs-Replacement Allowance	1,609
Cluster Mailboxes	17,695
Private Roads & Alleys	
Asphalt Sealcoat-Camina Drive (Tract G)	1,689
Asphalt Sealcoat-Carino Lane (Tract F)	4,772
Asphalt Sealcoat-Lastrada Circle	13,003
Asphalt Sealcoat-Parking Area	1,930
Asphalt Sealcoat-Pathway-Tract B	536
Asphalt Sealcoat-Pathway-Tract C	617
Asphalt Sealcoat-Sorrento Lane (Tract K)	2,440
Water Features	
Water Feature Lighting	4,056
Water Feature Pump Motor (1)	4,069
Total for 2032	<u>\$52,416</u>

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2033</i>	
<i>No Replacement in 2034</i>	
Replacement Year 2035	
Water Features	
Water Feature Pump Motor (2)	4,353
Total for 2035	<u>\$4,353</u>
Replacement Year 2036	
Landscaping & Irrigation	
Common Area Irrigation Controllers	8,729
Water Features	
Water Feature Pumps (1)	5,795
Water Feature Pumps (2)	5,795
Total for 2036	<u>\$20,319</u>
Replacement Year 2037	
Private Roads & Alleys	
Asphalt Sealcoat-Camina Drive (Tract G)	1,891
Asphalt Sealcoat-Carino Lane (Tract F)	5,342
Asphalt Sealcoat-Lastrada Circle	14,555
Asphalt Sealcoat-Parking Area	2,161
Asphalt Sealcoat-Pathway-Tract B	600
Asphalt Sealcoat-Pathway-Tract C	690
Asphalt Sealcoat-Sorrento Lane (Tract K)	2,731
Asphalt Overlay-Camina Drive (Tract G)	12,762
Asphalt Overlay-Carino Lane (Tract F)	36,057
Asphalt Overlay-Lastrada Circle	98,245
Asphalt Overlay-Parking Area	16,205
Asphalt Overlay-Pathway-Tract B	4,501
Asphalt Overlay-Pathway-Tract C	5,177
Asphalt Overlay-Sorrento Lane (Tract K)	20,482
Total for 2037	<u>\$221,397</u>

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
Replacement Year 2038	
Landscaping & Irrigation	
Landscape Lighting	8,441
Water Features	
Water Feature Lighting	4,644
Total for 2038	<u>\$13,084</u>
 Replacement Year 2039	
Water Features	
Water Feature Pump Motor (1)	4,764
Total for 2039	<u>\$4,764</u>
 <i>No Replacement in 2040</i>	
 Replacement Year 2041	
Water Features	
Water Feature Pumps (1)	6,486
Water Feature Pumps (2)	6,486
Total for 2041	<u>\$12,972</u>
 Replacement Year 2042	
Fencing & Site Walls	
Chain Link Fencing-Tract B & C	79,274
Private Roads & Alleys	
Asphalt Sealcoat-Camina Drive (Tract G)	2,116
Asphalt Sealcoat-Carino Lane (Tract F)	5,979
Asphalt Sealcoat-Lastrada Circle	16,291
Asphalt Sealcoat-Parking Area	2,419
Asphalt Sealcoat-Pathway-Tract B	672
Asphalt Sealcoat-Pathway-Tract C	773
Asphalt Sealcoat-Sorrento Lane (Tract K)	3,057
Water Features	
Water Feature Pump Motor (2)	5,097
Total for 2042	<u>\$115,677</u>

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2043</i>	
Replacement Year 2044	
Landscaping & Irrigation	
Irrigation System Upgrade-Park Area	5,271
Landscape Renovation-Park Area	13,177
Water Features	
Water Feature Lighting	5,316
Total for 2044	\$23,765
Replacement Year 2045	
Concrete Pavement	
Common Area Sidewalks-Safety Repair	1,820
Total for 2045	\$1,820
Replacement Year 2046	
Landscaping & Irrigation	
Irrigation System Upgrade-Entrances	13,785
Landscape Renovation-East Entrance	9,190
Landscape Renovation-North Entrance	9,190
Landscape Renovation-West Entrance	9,190
Water Features	
Water Feature Pumps (1)	7,260
Water Feature Pumps (2)	7,260
Water Feature Pump Motor (1)	5,578
Total for 2046	\$61,454
Replacement Year 2047	
Private Roads & Alleys	
Asphalt Sealcoat-Camina Drive (Tract G)	2,369
Asphalt Sealcoat-Carino Lane (Tract F)	6,693
Asphalt Sealcoat-Lastrada Circle	18,235
Asphalt Sealcoat-Parking Area	2,707
Asphalt Sealcoat-Pathway-Tract B	752

**Bella Vista Homes Homeowner's Association
CRC Annual Reserve Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2047 continued...</i>	
Asphalt Sealcoat-Pathway-Tract C	865
Asphalt Sealcoat-Sorrento Lane (Tract K)	<u>3,421</u>
Total for 2047	<u>\$35,042</u>
Replacement Year 2048	
Landscaping & Irrigation	
Landscape Lighting	<u>10,575</u>
Total for 2048	<u>\$10,575</u>

**Bella Vista Homes Homeowner's Association
CRC Capital & Non-Capital Reserve Expenditures**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital Expenditures								
Asphalt Overlay-Camina Drive (Tract G)	2012	2037	25	0	18	6,300 SF	1.35	8,505
Asphalt Overlay-Carino Lane (Tract F)	2012	2037	25	0	18	17,800 SF	1.35	24,030
Asphalt Overlay-Lastrada Circle	2012	2037	25	0	18	48,500 SF	1.35	65,475
Asphalt Overlay-Parking Area	2012	2037	25	0	18	7,200 SF	1.50	10,800
Asphalt Overlay-Pathway-Tract B	2012	2037	25	0	18	2,000 SF	1.50	3,000
Asphalt Overlay-Pathway-Tract C	2012	2037	25	0	18	2,300 SF	1.50	3,450
Asphalt Overlay-Sorrento Lane (Tract K)	2012	2037	25	0	18	9,100 SF	1.50	13,650
Chain Link Fencing-Tract B & C	2012	2042	30	0	23	2,950 LF	16.00	47,200
Cluster Mailboxes	2006	2032	25	1	13	8 EA	1,650.00	13,200
Common Area Irrigation Controllers	2006	2021	15	0	2	17 EA	350.00	5,950
Irrigation System Upgrade-Entrances	2006	2026	20	0	7	1 Total	7,500.00	7,500
Irrigation System Upgrade-Park Area	2006	2024	20	-2	5	1 Total	3,000.00	3,000
Landscape Lighting	2018	2028	10	0	9	1 Total	5,500.00	5,500
Landscape Renovation-East Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Landscape Renovation-North Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Landscape Renovation-Park Area	2006	2024	20	-2	5	1 Total	7,500.00	7,500
Landscape Renovation-West Entrance	2006	2026	20	0	7	1 Total	5,000.00	5,000
Signs-Replacement Allowance	2012	2032	20	0	13	1 Total	1,200.00	1,200
Water Feature Lighting	2014	2020	6	0	1	7 Ea	432.25	3,026
Water Feature Pump Motor (1)	2018	2025	7	0	6	1 Total	3,035.00	3,035
Water Feature Pump Motor (2)	2006	2021	7	8	2	1 Total	3,035.00	3,035
Water Feature Pumps (1)	2016	2021	5	0	2	1 Total	3,950.00	3,950
Water Feature Pumps (2)	2006	2021	5	10	2	1 Total	3,950.00	<u>3,950</u>
Capital Expenditures - Total								\$251,956
Non-Capital Expenditures								
Asphalt Sealcoat-Camina Drive (Tract G)	2017	2022	5	0	3	6,300 SF	0.20	1,260
Asphalt Sealcoat-Carino Lane (Tract F)	2017	2022	5	0	3	17,800 SF	0.20	3,560
Asphalt Sealcoat-Lastrada Circle	2017	2022	5	0	3	48,500 SF	0.20	9,700
Asphalt Sealcoat-Parking Area	2017	2022	5	0	3	7,200 SF	0.20	1,440
Asphalt Sealcoat-Pathway-Tract B	2017	2022	5	0	3	2,000 SF	0.20	400
Asphalt Sealcoat-Pathway-Tract C	2017	2022	5	0	3	2,300 SF	0.20	460
Asphalt Sealcoat-Sorrento Lane (Tract K)	2017	2022	5	0	3	9,100 SF	0.20	1,820
Common Area Sidewalks-Safety Repair	2012	2030	15	3	11	67 SF	15.00	<u>1,012</u>
Non-Capital Expenditures - Total								\$19,652
Total Asset Summary								<u>\$271,608</u>

APPENDIX

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Report Date November 04, 2018
 Beginning Fiscal Year January 01, 2019
 Account Number OR-1408-0002-19

Version Number LEVEL 3

Water Feature Lighting - 2020

		7 Ea	@ \$432.25
Asset ID		Asset Cost	\$3,025.75
	Capital Expenditures	Percent Replacement	100%
	Water Features	Future Cost	\$3,094.74
Placed in Service	January 2014	Assigned Reserves	\$2,521.46
Useful Life	6		
Replacement Year	2020	Annual Assessment	\$369.81
Remaining Life	1	Interest Contribution	<u>\$11.94</u>
		Reserve Allocation	<u>\$381.76</u>

This component provides funding for replacement of the water feature lighting. Funding is scheduled to occur every 6 years beginning in 2020.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Common Area Irrigation Controllers - 2021		17 EA	@ \$350.00
Asset ID		Asset Cost	\$5,950.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$6,224.41
Placed in Service	July 2006	Assigned Reserves	\$5,156.67
Useful Life	15		
Replacement Year	2021	Annual Assessment	\$336.05
Remaining Life	2	Interest Contribution	<u>\$22.68</u>
		Reserve Allocation	\$358.74

This component provides funding for replacement of the irrigation controllers that serve the common area landscaping. Funding is every 15 years beginning in 2021.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Water Feature Pump Motor (2) - 2021		1 Total	@ \$3,035.00
Asset ID		Asset Cost	\$3,035.00
	Capital Expenditures	Percent Replacement	100%
	Water Features	Future Cost	\$3,174.97
Placed in Service	January 2006	Assigned Reserves	\$2,630.33
Useful Life	7		
Adjustment	8	Annual Assessment	\$171.41
Replacement Year	2021	Interest Contribution	<u>\$11.57</u>
Remaining Life	2	Reserve Allocation	\$182.99

This component provides funding for replacement of one of two water feature pump motors. Funding is scheduled to occur every 7 years beginning in 2021. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Water Feature Pumps (1) - 2021		1 Total	@ \$3,950.00
Asset ID		Asset Cost	\$3,950.00
	Capital Expenditures	Percent Replacement	100%
	Water Features	Future Cost	\$4,132.17
Placed in Service	January 2016	Assigned Reserves	\$2,370.00
Useful Life	5		
Replacement Year	2021	Annual Assessment	\$571.27
Remaining Life	2	Interest Contribution	<u>\$12.15</u>
		Reserve Allocation	\$583.42

This component provides funding for replacement of one of two water feature pumps. Funding is scheduled to occur every 5 years beginning in 2021. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Water Feature Pumps (2) - 2021		1 Total	@ \$3,950.00
Asset ID		Asset Cost	\$3,950.00
	Capital Expenditures	Percent Replacement	100%
	Water Features	Future Cost	\$4,132.17
Placed in Service	January 2006	Assigned Reserves	\$3,423.33
Useful Life	5		
Adjustment	10	Annual Assessment	\$223.09
Replacement Year	2021	Interest Contribution	<u>\$15.06</u>
Remaining Life	2	Reserve Allocation	\$238.15

This component provides funding for replacement of one of two water feature pumps. Funding is scheduled to occur every 5 years beginning in 2021. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Camina Drive (Tract G) - 2022

		6,300 SF	@ \$0.20
Asset ID		Asset Cost	\$1,260.00
Non-Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$1,348.16
Placed in Service	January 2017	Assigned Reserves	\$504.00
Useful Life	5		
Replacement Year	2022	Annual Assessment	\$182.75
Remaining Life	3	Interest Contribution	<u>\$2.84</u>
		Reserve Allocation	\$185.58

This component provides funding for the application of an asphalt sealcoat on Camina Drive. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Carino Lane (Tract F) - 2022

	17,800 SF	@ \$0.20
Asset ID	Asset Cost	\$3,560.00
Non-Capital Expenditures	Percent Replacement	100%
Private Roads & Alleys	Future Cost	\$3,809.10
Placed in Service	Assigned Reserves	\$1,424.00
January 2017		
Useful Life	5	
Replacement Year	2022	Annual Assessment \$516.34
Remaining Life	3	Interest Contribution <u>\$8.01</u>
	Reserve Allocation	\$524.35

This component provides funding for the application of an asphalt sealcoat on Carino Lane. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Lastrada Circle - 2022		48,500 SF	@ \$0.20
Asset ID		Asset Cost	\$9,700.00
Non-Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$10,378.72
Placed in Service	January 2017	Assigned Reserves	\$3,880.00
Useful Life	5		
Replacement Year	2022	Annual Assessment	\$1,406.88
Remaining Life	3	Interest Contribution	<u>\$21.83</u>
		Reserve Allocation	\$1,428.71

This component provides funding for the application of an asphalt sealcoat on Lastrada Circle. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Parking Area - 2022		7,200 SF	@ \$0.20
Asset ID		Asset Cost	\$1,440.00
Non-Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$1,540.76
Placed in Service	January 2017	Assigned Reserves	\$576.00
Useful Life	5		
Replacement Year	2022	Annual Assessment	\$208.86
Remaining Life	3	Interest Contribution	<u>\$3.24</u>
		Reserve Allocation	\$212.10

This component provides funding for the application of an asphalt sealcoat on the parking area adjacent to West Lastrada Circle. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Pathway-Tract B - 2022	2,000 SF	@ \$0.20
Asset ID	Asset Cost	\$400.00
Non-Capital Expenditures	Percent Replacement	100%
Private Roads & Alleys	Future Cost	\$427.99
Placed in Service	January 2017	Assigned Reserves
Useful Life	5	\$160.00
Replacement Year	2022	Annual Assessment
Remaining Life	3	Interest Contribution
		<u>\$0.90</u>
		Reserve Allocation
		\$58.92

This component provides funding for the application of an asphalt sealcoat on the walking paths in Tract B. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Pathway-Tract C - 2022		2,300 SF	@ \$0.20
Asset ID		Asset Cost	\$460.00
Non-Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$492.19
Placed in Service	January 2017	Assigned Reserves	\$184.00
Useful Life	5		
Replacement Year	2022	Annual Assessment	\$66.72
Remaining Life	3	Interest Contribution	<u>\$1.04</u>
		Reserve Allocation	\$67.75

This component provides funding for the application of an asphalt sealcoat on the walking paths in Tract C. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Sealcoat-Sorrento Lane (Tract K) - 2022

	9,100 SF	@ \$0.20
Asset ID	Asset Cost	\$1,820.00
Non-Capital Expenditures	Percent Replacement	100%
Private Roads & Alleys	Future Cost	\$1,947.35
Placed in Service	Assigned Reserves	\$728.00
January 2017		
Useful Life	5	
Replacement Year	2022	Annual Assessment \$263.97
Remaining Life	3	Interest Contribution <u>\$4.10</u>
	Reserve Allocation	\$268.07

This component provides funding for the application of an asphalt sealcoat on Sorrento Lane. Funding is scheduled to occur every 5 years beginning in 2022.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Irrigation System Upgrade-Park Area - 2024

	1 Total	@ \$3,000.00
Asset ID	Asset Cost	\$3,000.00
Capital Expenditures	Percent Replacement	100%
Landscaping & Irrigation	Future Cost	\$3,357.95
Placed in Service	Assigned Reserves	\$2,166.67
Useful Life	20	
Adjustment	-2	Annual Assessment
Replacement Year	2024	\$149.37
Remaining Life	5	Interest Contribution
		<u>\$9.57</u>
		Reserve Allocation
		\$158.94

This component provides funding for renovation of the landscape irrigation system that waters the landscaping in the park area adjacent to Lastrada Circle. Funding is every 20 years beginning in 2024 and includes replacement valves, boxes and sprinkler heads. Replacement of buried water supply piping is not included in this reserve study.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Landscape Renovation-Park Area - 2024		1 Total	@ \$7,500.00
Asset ID		Asset Cost	\$7,500.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$8,394.89
Placed in Service	January 2006	Assigned Reserves	\$5,416.67
Useful Life	20		
Adjustment	-2	Annual Assessment	\$373.43
Replacement Year	2024	Interest Contribution	<u>\$23.91</u>
Remaining Life	5	Reserve Allocation	\$397.35

This component provides funding for renovation of common area landscaping in th park area adjacent to Lastrada Circle. Funding is scheduled to occur every 20 years beginning in 2024. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Water Feature Pump Motor (1) - 2025		1 Total	@ \$3,035.00
Asset ID		Asset Cost	\$3,035.00
	Capital Expenditures	Percent Replacement	100%
	Water Features	Future Cost	\$3,474.59
Placed in Service	January 2018	Assigned Reserves	\$433.57
Useful Life	7		
Replacement Year	2025	Annual Assessment	\$328.40
Remaining Life	6	Interest Contribution	<u>\$3.15</u>
		Reserve Allocation	\$331.55

This component provides funding for replacement of one of two water feature pump motors. Funding is scheduled to occur every 7 years beginning in 2025. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Irrigation System Upgrade-Entrances - 2026

	1 Total	@ \$7,500.00
Asset ID	Asset Cost	\$7,500.00
Capital Expenditures	Percent Replacement	100%
Landscaping & Irrigation	Future Cost	\$8,782.06
Placed in Service	Assigned Reserves	\$4,875.00
Useful Life	20	
Replacement Year	2026	Annual Assessment
Remaining Life	7	\$348.97
	Interest Contribution	<u>\$21.57</u>
	Reserve Allocation	\$370.55

This component provides funding for renovation of the landscape irrigation system that waters the landscaping at the entrance and along McAndrews Road. Funding is every 20 years beginning in 2026 and includes replacement valves, boxes and sprinkler heads. Replacement of buried water supply piping is not included in this reserve study.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Landscape Renovation-East Entrance - 2026

		1 Total	@ \$5,000.00
Asset ID		Asset Cost	\$5,000.00
	Capital Expenditures	Percent Replacement	100%
	Landscaping & Irrigation	Future Cost	\$5,854.71
Placed in Service	January 2006	Assigned Reserves	\$3,250.00
Useful Life	20		
Replacement Year	2026	Annual Assessment	\$232.65
Remaining Life	7	Interest Contribution	<u>\$14.38</u>
		Reserve Allocation	\$247.03

This component provides funding for renovation of common area landscaping at the east entrance located at McAndrews Road and Veneto Circle. Funding is scheduled to occur every 20 years beginning in 2026. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Landscape Renovation-North Entrance - 2026

		1 Total	@ \$5,000.00
Asset ID		Asset Cost	\$5,000.00
	Capital Expenditures	Percent Replacement	100%
	Landscaping & Irrigation	Future Cost	\$5,854.71
Placed in Service	January 2006	Assigned Reserves	\$3,250.00
Useful Life	20		
Replacement Year	2026	Annual Assessment	\$232.65
Remaining Life	7	Interest Contribution	<u>\$14.38</u>
		Reserve Allocation	\$247.03

This component provides funding for renovation of common area landscaping at the north entrance located at McAndrews Road and Sorrento Lane. Funding is scheduled to occur every 20 years beginning in 2026. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Landscape Renovation-West Entrance - 2026

		1 Total	@ \$5,000.00
Asset ID		Asset Cost	\$5,000.00
	Capital Expenditures	Percent Replacement	100%
	Landscaping & Irrigation	Future Cost	\$5,854.71
Placed in Service	January 2006	Assigned Reserves	\$3,250.00
Useful Life	20		
Replacement Year	2026	Annual Assessment	\$232.65
Remaining Life	7	Interest Contribution	<u>\$14.38</u>
		Reserve Allocation	\$247.03

This component provides funding for renovation of common area landscaping at the west entrance located at McAndrews Road and Lastrada Circle. Funding is scheduled to occur every 20 years beginning in 2026. Routine maintenance expenses should be included in the annual operating budget.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Landscape Lighting - 2028		1 Total	@ \$5,500.00
Asset ID		Asset Cost	\$5,500.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$6,737.20
Placed in Service	January 2018	Assigned Reserves	\$550.00
Useful Life	10		
Replacement Year	2028	Annual Assessment	\$442.78
Remaining Life	9	Interest Contribution	<u>\$4.10</u>
		Reserve Allocation	<u>\$446.88</u>

This component provides funding for replacement of the in-ground landscape lighting. Funding is scheduled to occur every 10 years beginning in 2028.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Common Area Sidewalks-Safety Repair - 2030

		675 SF	@ \$15.00
Asset ID		Asset Cost	\$1,012.50
Non-Capital Expenditures		Percent Replacement	10%
Concrete Pavement		Future Cost	\$1,297.46
Placed in Service	January 2012	Assigned Reserves	\$393.75
Useful Life	15		
Adjustment	3	Annual Assessment	\$51.80
Replacement Year	2030	Interest Contribution	<u>\$1.84</u>
Remaining Life	11	Reserve Allocation	\$53.64

This component provides funding for repair of the common area sidewalks that extends around the front of the retention pond. Funding is scheduled to occur every 15 years beginning in 2030.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Cluster Mailboxes - 2032		8 EA	@ \$1,650.00
Asset ID		Asset Cost	\$13,200.00
	Capital Expenditures	Percent Replacement	100%
	Mailboxes & Signage	Future Cost	\$17,695.11
Placed in Service	January 2006	Assigned Reserves	\$6,600.00
Useful Life	25		
Adjustment	1	Annual Assessment	\$529.08
Replacement Year	2032	Interest Contribution	<u>\$29.44</u>
Remaining Life	13	Reserve Allocation	\$558.52

This component provides funding for replacement of the pedestal-mounted cluster mailbox. Funding is scheduled to occur every 25 years beginning in 2032.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Signs-Replacement Allowance - 2032		1 Total	@ \$1,200.00
Asset ID		Asset Cost	\$1,200.00
	Capital Expenditures	Percent Replacement	100%
	Mailboxes & Signage	Future Cost	\$1,608.65
Placed in Service	January 2012	Assigned Reserves	\$420.00
Useful Life	20		
Replacement Year	2032	Annual Assessment	\$57.46
Remaining Life	13	Interest Contribution	<u>\$1.97</u>
		Reserve Allocation	<u>\$59.43</u>

This component provides funding for replacement of common area signage. The sign inventory includes one Stop sign; one No parking sign and one informational sign that is mounted to the fence surrounding the retention pond. Funding is scheduled to occur every 20 years beginning in 2032.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Camina Drive (Tract G) - 2037

		6,300 SF	@ \$1.35
Asset ID		Asset Cost	\$8,505.00
	Capital Expenditures	Percent Replacement	100%
	Private Roads & Alleys	Future Cost	\$12,761.66
Placed in Service	January 2012	Assigned Reserves	\$2,381.40
Useful Life	25		
Replacement Year	2037	Annual Assessment	\$359.30
Remaining Life	18	Interest Contribution	<u>\$11.32</u>
		Reserve Allocation	\$370.62

This component provides funding for the application of an asphalt overlay on Camina Drive. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Carino Lane (Tract F) - 2037

		17,800 SF	@ \$1.35
Asset ID		Asset Cost	\$24,030.00
	Capital Expenditures	Percent Replacement	100%
	Private Roads & Alleys	Future Cost	\$36,056.76
Placed in Service	January 2012	Assigned Reserves	\$4,562.24
Useful Life	25		
Replacement Year	2037	Annual Assessment	\$1,097.38
Remaining Life	18	Interest Contribution	<u>\$23.37</u>
		Reserve Allocation	\$1,120.75

This component provides funding for the application of an asphalt overlay on Carino Lane. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Lastrada Circle - 2037		48,500 SF	@ \$1.35
Asset ID		Asset Cost	\$65,475.00
Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$98,244.55
Placed in Service	January 2012	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2037	Annual Assessment	\$3,461.80
Remaining Life	18	Interest Contribution	<u>\$14.30</u>
		Reserve Allocation	\$3,476.10

This component provides funding for the application of an asphalt overlay on Lastrada Circle. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Parking Area - 2037		7,200 SF	@ \$1.50
Asset ID		Asset Cost	\$10,800.00
Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$16,205.29
Placed in Service	January 2012	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2037	Annual Assessment	\$571.02
Remaining Life	18	Interest Contribution	<u>\$2.36</u>
		Reserve Allocation	\$573.38

This component provides funding for the application of an asphalt overlay on the parking area adjacent to West Lastrada Circle. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Pathway-Tract B - 2037	2,000 SF	@ \$1.50
Asset ID	Asset Cost	\$3,000.00
Capital Expenditures	Percent Replacement	100%
Private Roads & Alleys	Future Cost	\$4,501.47
Placed in Service	January 2012	Assigned Reserves
Useful Life	25	<i>none</i>
Replacement Year	2037	Annual Assessment
Remaining Life	18	Interest Contribution
		Reserve Allocation
		\$158.62
		<u>\$0.65</u>
		\$159.27

This component provides funding for the application of an asphalt overlay on the walking path in Tract B. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Pathway-Tract C - 2037		2,300 SF	@ \$1.50
Asset ID		Asset Cost	\$3,450.00
Capital Expenditures		Percent Replacement	100%
Private Roads & Alleys		Future Cost	\$5,176.69
Placed in Service	January 2012	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2037	Annual Assessment	\$182.41
Remaining Life	18	Interest Contribution	<u>\$0.75</u>
		Reserve Allocation	<u>\$183.16</u>

This component provides funding for the application of an asphalt overlay on the walking path in Tract C. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Asphalt Overlay-Sorrento Lane (Tract K) - 2037

		9,100 SF	@ \$1.50
Asset ID	Capital Expenditures	Asset Cost	\$13,650.00
	Private Roads & Alleys	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,481.68
Useful Life	25	Assigned Reserves	<i>none</i>
Replacement Year	2037	Annual Assessment	\$721.70
Remaining Life	18	Interest Contribution	<u>\$2.98</u>
		Reserve Allocation	\$724.68

This component provides funding for the application of an asphalt overlay on Sorrento Lane. Funding is scheduled to occur every 25 years beginning in 2037.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Chain Link Fencing-Tract B & C - 2042	2,950 LF	@ \$16.00
Asset ID	Asset Cost	\$47,200.00
Capital Expenditures	Percent Replacement	100%
Fencing & Site Walls	Future Cost	\$79,273.59
Placed in Service	January 2012	Assigned Reserves
Useful Life	30	<i>none</i>
Replacement Year	2042	Annual Assessment
Remaining Life	23	\$2,163.36
	Interest Contribution	<u>\$8.93</u>
	Reserve Allocation	\$2,172.29

This component provides funding for replacement of the vinyl-coated chain link fencing that surrounds the retention pond. Funding is scheduled to occur every 30 years beginning in 2042.

**Bella Vista Homes Homeowner's Association
CRC Component Detail Reports**

Detail Report Summary

Total of All Assets

Assigned Reserves	\$61,107.09
Annual Contribution	\$16,069.99
Annual Interest	\$318.74
Annual Allocation	\$16,388.73

Contingency at 3.00%

Assigned Reserves	\$1,889.91
Annual Contribution	\$497.01
Annual Interest	\$9.86
Annual Allocation	\$506.87

Grand Total

Assigned Reserves	\$62,997.00
Annual Contribution	\$16,567.00
Annual Interest	\$328.60
Annual Allocation	\$16,895.60

Bella Vista Homes Homeowner's Association
CRC Glossary

Abbreviations

Btu – British thermal unit
CFM – Cubic feet per minute
CY – Cubic yard
EA – Each
FYE – Fiscal year end or fiscal year ending
GPM – Gallons per minute
LBS – Pounds
LF – Lineal foot
MBH – Thousand Btu per hour
NCE – National Construction Estimator CostBooks® construction cost estimating database
RSM – RS Means CostWorks® construction cost estimating database
SF – Square foot
SQ – 100 square feet (commonly used unit of measure for shingle roofing)
SY – Square yard
TSF – Total square feet
YR – Year

Definition of Reserve Study Terms

Accumulated Reserves -The accumulated reserves are the funds available to pay for reserve expenditures as of the first day of the current budget cycle. The accumulated reserve balance may or may not include the reserve contribution for the current year depending on whether the reserve contribution is made at the beginning of the budget year or throughout the course of the year. The terms beginning balance and starting balance are also used in some reserve studies.

Capital Expense – For the purposes of this reserve funding analysis The AICPA definition of capital expense shall apply, as follows: Funds expended for improvements, or major repairs or replacements or improvements of property components that extend their useful lives or service periods.

Cash Flow Funding – Cash flow funding is a reserve funding model which is designed to generate sufficient cash flow to pay for the reserve expenditures set forth in the reserve study as opposed to a funding schedule that accumulates reserves in correlation with the rate at which the capital assets are losing value due to depreciation. Under a cash flow funding model the accumulated reserves at any point in time may or may not offset the asset value that has been lost to depreciation. When the accumulated reserve fund balance is equal to or greater than the value that has been lost to depreciation the reserves are said to be fully funded or 100% funded.

Common Elements - Common Elements are the assets and improvements that are commonly owned by the members of the Association and which are maintained, repaired and replaced at the Association's expense. Common elements may be *limited common elements* meaning they are used by some but not all association members or they may be a *general common element*, which means they are intended for the use and benefit of all association members.

Component – In the context of reserve planning a component is an expense identified in the reserve study that will be paid for with funds from the reserve account.

Component Funding – Component Funding is a funding method which allocates reserves to each component

Bella Vista Homes Homeowner's Association
CRC Glossary

based on the projected replacement cost and remaining life expectancy as of the beginning date of the current fiscal reporting period. The projected replacement cost is then amortized over the remaining life expectancy of the component and the accumulated reserves are allocated by dividing the future replacement cost by the number of years remaining until replacement is scheduled to occur.

Component Funding utilizes a different math model from that which is used to calculate Cash Flow Funding Projections and is therefore considered an alternative reserve funding methodology to Cash Flow Funding. Component Funding is typically utilized when the goal is to generate annual reserve contributions which offset the loss in value associated with the depreciation of the components which are the subject of the funding analysis.

Component Inventory – A list of all components included in the replacement reserve funding schedule.

Current Assessment Funding Model - Current Assessment Funding is a cash flow funding method which begins with a first year reserve contribution equal to the current annual reserve contribution which has been scheduled by the Association or an amount specified by the Board of Directors or the Reserve Specialist®.

Current Assessment Funding is often used when an Association has already approved the annual reserve contribution for the upcoming budget year; or when it is necessary to specify the reserve fund contribution rather than allowing the reserve study software to calculate the contribution.

Effective Age – The effective age is the difference between *useful life expectancy* and the *remaining useful life* of a component. The effective age is not always equivalent to the chronological age of the component due to the tendency for similar components to age at differing rates because of unique characteristics of the individual components.

Expected Useful Life (EUL) - The generally accepted life expectancy of a component from the time it is placed into service as a new component until the time when major renovation, renewal or replacement of the component is required in order to maintain the quality, performance and usefulness of the component.

Financial Analysis – The section of the reserve study which analyzes the current and future financial implications of the reserve funding obligations set forth in the study. The current analysis provides information regarding the current reserve fund status as of the first day of the current reporting period. The future analysis addresses the financial obligations established by the reserve study based on the future component expenditures and replacement schedules set forth in the study.

Fiscal Year – An accounting term used to describe a one year reporting cycle other than a January 1-December 31 cycle (calendar year); although the term “fiscal year” is often used to describe any one year financial reporting cycle, including a calendar year reporting cycle. The fiscal year is identified by the year when the reporting cycle *ends*. Hence, if the fiscal year ends on June 30th then the fiscal year ending on June 30, 2017 is referred to as the 2017 fiscal year or fiscal year 2017.

Fully Funded Balance – The term Fully Funded means that the amount of money allocated to pay for each funded reserve expense is equal to the amount derived from the following formula:

$$\text{Fully Funded} = \text{PV} \times \text{CA} / \text{EUL}$$

Where PV = present value; CA = current age; and EUL = expected useful life.

The Fully Funded balance is the cumulative amount required to achieve Full Funding for all of the components

Bella Vista Homes Homeowner's Association
CRC Glossary

included in the replacement reserve funding schedule. The present value is always the future replacement cost adjusted for inflation as of the beginning date of the current reserve study. This concept is explained in more detail under the definition of Percent Funded.

It is important to note that full funding does not mean that 100% of the projected replacement cost is available to pay for the expense in question at any particular point in time. Rather it means the current level of funding is equal to the value of the component or components that has been lost to depreciation. If a component is projected to cost \$20,000 to replace and it has a 20 year life expectancy then it will depreciate at the rate of \$1,000 per year. At year 10, the component will have lost \$10,000 of its economic value and hence the allocated reserves at the end of the 10th year would need to be \$10,000 in order for the component to be Fully Funded.

Funding Projection – A schedule which projects the annual reserve funding contributions required to meet the reserve funding requirements set forth in the reserve study. When the reserve funding projection begins with the first day of the current reporting period the reserve study is said to be *current*. The reserve funding projections contained in most studies encompass a period of thirty years but can encompass any number of years.

Financial Analysis – The section of the reserve funding study which analyzes the current and future financial implications of the reserve funding obligations presented in the study. The current analysis provides information regarding the current reserve fund status as of the first day of the current reporting period. The future analysis discusses the financial obligations implied by the reserve funding study based on the future component expenditures and replacement schedules set forth in the study.

Funding Velocity – Funding Velocity is a dynamic value utilized when Component Funding is used to generate the annual reserve funding projection. The Funding Velocity influences the percent funded level and determines how quickly the reserve fund will reach Fully Funded status; with 100% used as a baseline. If a Funding Velocity greater than 100% is required to achieve a Fully Funded reserve fund balance, the current funding levels would be considered low. If a Funding Velocity less than 100% is sufficient to accomplish full funding of the reserve account then the current funding levels are considered strong. The degree to which the Funding Velocity deviates from 100% is considered a relative measurement of the strength of an Association's reserve funding plan.

Percent Funded Level - The percent funded level measures the relationship between the accumulated reserves and amount of money required to achieve a Fully Funded reserve account at a given point in time. A Fully Funded reserve account occurs when the accumulated reserves are equal to the value of the value of the components that has been lost to depreciation.

When the reserve account is Fully Funded the percent funded level is 100%. Therefore, if 100% represents a Fully Funded level of reserves, then a reserve fund which is 60% funded would contain actual cash reserves equal to 60% of the amount necessary to be 100% funded.

To calculate the percent funded level for a reserve fund containing more than one component expenditure this calculation is performed for each component and the sum total is the amount required to achieve Full Funding. Hence, the percent funded level for a typical reserve fund represents an average of the percent funded level for all of the components that are included in the reserve funding analysis.

Physical Analysis – The physical analysis includes four elements: development of the component inventory; conducting the condition assessment; determining the remaining useful life of the components and preparing a replacement cost analysis. The information obtained while conducting the physical analysis is the primary data

Bella Vista Homes Homeowner's Association CRC Glossary

that determines the reserve funding schedule established in the reserve funding study.

Property Condition Assessment – A property condition assessment (PCA) is a walk-through survey conducted for the purpose of establishing the current physical condition and remaining life expectancy of the assets and improvements which are the subject of the inspection. The written report that results from a PCA is known as a Property Condition Report or PCR.

A Baseline Property Condition Assessment that meets the ASTM E2018-08 standard will also identify physical deficiencies in the subject property and includes an examination of construction documents and interviews with property managers, maintenance personnel and other individuals who possess specific knowledge about the subject property for the purpose of gaining additional insight into the physical condition and maintenance requirements for the property. The document is referred to as a Baseline Property Condition Assessment report.

Remaining Useful Life (RUL) - The remaining life is the number of years that remain until a component reaches the end of its service life or until major renovation or renewal of the component is expected to be required. The remaining useful life analysis is used to develop the schedule of reserve fund expenditures that appears in the reserve study.

Replacement Reserves - Replacement reserves are funds collected from Association members that will be used to pay for repair and replacement of common area components according to the repair and replacement schedules contained in the reserve study. These funds should be held in a separate account and not co-mingled with operating funds.

Statutory Funding – Funding of the reserve account at a level required by local or state statutes. As of 2017 the only state with a statutory funding requirement for homeowners associations is Hawaii.

Threshold Funding Method – Threshold funding is a cash flow funding model that allows the Reserve Specialist® to specify a minimum balance for the Association’s reserve account and creates a funding projection which results in the fund balance never dropping below the predetermined minimum balance. The minimum fund balance established for the fund is known as the funding *threshold*.

Transition Inspection – The inspection of Association property at or near the time period when control of the Board of Directors passes from the Declarant to a board comprised of unit owners other than the original declarant. The transition inspection is an extremely important process which should be undertaken by a qualified architect or engineer to ensure the interests of the community are protected.

The statute of limitations concerning construction defects varies from one jurisdiction to another. The Association’s right to legal recourse for defective products and installations may be compromised if they fail to document the current condition of their property during this transitional period. In addition, warranties in effect could be impacted by the failure to perform timely inspections of components under warranty.

Bella Vista Homes Homeowner's Association
CRC Reserve Study Updates

1. Annual Updates: Oregon law requires all homeowner associations and condominiums created after October 23, 1999, or any Association formed prior to this date that has previously conducted a reserve study, to conduct a reserve study or to update an existing reserve study each year.

Failure to update the reserve study may result in an underfunded reserve account if an Association relies on information contained in an outdated reserve study as the basis for its reserve funding plan.

The annual update does not necessarily require a physical inspection. However, changes to ORS 94 and 100 which became effective on **1/1/2018** have resulted in several new requirements that will impact the procedures for updating a reserve study moving forward. Three significant changes to the statute that must now be considered every time the reserve study is updated are as follows:

1. The reserve study must include the reserve fund balance as of the first day of the current budget year.
2. The reserve study must include an estimate of the remaining life expectancy of the components that will be repaired, replaced or maintained with the reserve funds, *from the date the update is performed*.
3. The reserve study must include an estimate of the future cost of repair, replacement and maintenance of the common elements for which the reserves were established based on the *annual inflation rate at the time the reserve study is updated*.

The need for a physical inspection of the property will depend on the age, complexity and current condition of the common area components which are the subject of the reserve study. The annual update must also include a review of the funding parameters, component replacement costs and verification of the current reserve fund balance as of the beginning date of the updated reserve funding projection.

The industry standard for estimating future replacements has historically been to estimate the current replacement cost and to then subject the current cost to a global inflation rate that affects all of the component costs in the reserve study equally.

2. Current Reserve Study: Oregon and Washington statutes require that the reserve study include a schedule of reserve fund contributions and expenditures that covers a minimum period of thirty (30) years into the future. In order for a reserve study to be considered current, and in compliance with state law, the thirty (30) year projection must begin on the first day of the current budget year.

3. Level 2 Reserve Study Update: A level 2 reserve study update is an update of an existing reserve study which includes a physical assessment of the common area components. Most industry experts, and the majority of states which do require reserve studies for common interest developments, recommend that a level 2 update be performed every three (3) years.

4. CRC Update Requirements: In light of the recent changes to ORS 94 and 100 CRC has revised its policy regarding update requirements for Oregon homeowner associations. CRC requires that all of its clients update their reserve study each year and that level 2 updates be performed at least once every two (2) years. Depending on when the Association's last level 1 or level 2 reserve study was performed a level 2 update may be required in 2019 or 2020.

CRC will honor all reserve study update contracts that cover multiple years and will not require that a level 2 update be performed if the contract does not call for a level 2 update but all future renewals of the agreement will include the a level 2 update every other year.

If an Association who has engaged CRC to prepare a reserve study chooses not to update the reserve study in any year after the study is initially published, or does not agree to have CRC perform a level 2 update every two

Bella Vista Homes Homeowner's Association
CRC Reserve Study Updates

(2) years, CRC will not update the reserve study in future years and will require that a new reserve study be performed if at any point in the future the Association decides to have CRC conduct a reserve study.

In other states with statutory requirements for reserve study updates CRC requires that all of its clients update their reserve study in accordance with the requirements of the statute in order to be eligible for updates in future years.

Bella Vista Homes Homeowner's Association CRC Funding Parameters & Assumptions

1. Parameters: This reserve study was prepared using information provided by the Association and its representatives. Any such information is assumed to be true for the purposes of this reserve study. Representations of fact are assumed to be true and made in good faith by all parties associated with the development of this study.

Opinions and conclusions stated herein are based solely on the representations made in the information described in the previous paragraph. Capital Reserve Consultants, LLC (CRC) reserves the right to conduct a field evaluation of the property subsequent to completion of construction to verify as-built conditions. Changes made to this reserve study as a result of such an inspection are at the sole discretion of CRC.

Inflation: State law requires that future replacement costs be determined by applying an inflation factor to current replacement costs that is equal to the rate of inflation at the time the reserve study is updated. The inflation rate used in this reserve study is based on the most recent inflation data reported by the website **inflationdata.com** at the time the study was updated. The inflation rate as of **9/30/2018** was **2.28%**.
<https://inflationdata.com/>

Interest Earnings: Investment income and income tax levels may affect reserve funding levels. The funding parameters established for this reserve study assume all reserve funds will be held in FDIC insured interest-bearing accounts. Interest earnings of **.59%** are assumed in this reserve study.

Income Taxes: This funding analysis assumes the Association will file IRS Form 1120-H which will result in an income tax rate on interest earnings of **30%**.

Reserve Fund Contingency: A reserve fund contingency of **3%** has been established for this reserve study. The contingency funding is available as of the first day of the budget year and may be used to pay for reserve expenditures which exceed the amount budgeted in the reserve study, or to pay for expenses which are not scheduled to occur until future years. Contingency funds should not be used to pay for expenses other than those identified in the study as reserve fund expenditures. Contingency funds available as of **1/1/2019** are **\$1,890.00**.

2. Methodology: The authors of this reserve study have attempted to maintain an equitable approach to developing the replacement reserve funding schedule for the Association by establishing reasonable expectations for the expected useful life and replacement schedule of common area components. This reserve study assumes any product or service warranties for common area components will be maintained through the efforts of the association and all specialty trade work will be performed by qualified, duly licensed personnel.

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CRC Component Detail Report Index**

Asset ID	Description	Replacement	Page
Concrete Pavement			
	Common Area Sidewalks-Safety Repair	2030	A-21
Fencing & Site Walls			
	Chain Link Fencing-Tract B & C	2042	A-31
Landscaping & Irrigation			
	Common Area Irrigation Controllers	2021	A-2
	Irrigation System Upgrade-Park Area	2024	A-13
	Landscape Renovation-Park Area	2024	A-14
	Irrigation System Upgrade-Entrances	2026	A-16
	Landscape Renovation-East Entrance	2026	A-17
	Landscape Renovation-North Entrance	2026	A-18
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	Cluster Mailboxes	2032	A-22
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	Asphalt Sealcoat-Camina Drive (Tract G)	2022	A-6
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	Asphalt Sealcoat-Pathway-Tract B	2022	A-10
	Asphalt Sealcoat-Pathway-Tract C	2022	A-11
	Asphalt Sealcoat-Sorrento Lane (Tract K)	2022	A-12
	Asphalt Overlay-Camina Drive (Tract G)	2037	A-24
	Asphalt Overlay-Carino Lane (Tract F)	2037	A-25
	Asphalt Overlay-Lastrada Circle	2037	A-26
	Asphalt Overlay-Parking Area	2037	A-27
	Asphalt Overlay-Pathway-Tract B	2037	A-28
	Asphalt Overlay-Pathway-Tract C	2037	A-29
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Water Features			
	Water Feature Lighting	2020	A-1

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CRC Component Detail Report Index

Asset ID Description	Replacement	Page
<i>Water Features Continued...</i>		
Water Feature Pump Motor (2)	2021	A-3
Water Feature Pumps (1)	2021	A-4
Water Feature Pumps (2)	2021	A-5
Water Feature Pump Motor (1)	2025	A-15
Total Funded Assets	31	
Total Unfunded Assets	<u>0</u>	
Total Assets	31	



Reserve Planning Tutorial

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Reserve Planning Tutorial

Introduction: The following tutorial was prepared by CRC to provide an introduction to the concept of reserve planning for homeowner associations. The tutorial may be used by Association Boards and the general membership to gain a better understanding of the basic principles of reserve planning, the statutory environment in those states that require HOAs to conduct a reserve study, and how the reserve planning process is supposed to work. Effective reserve planning and funding of the replacement reserve account is the cornerstone of a financially stable homeowner association over the long-term, and is critical to the financial success of every HOA.

Failure to plan for the future renewal and replacement spending that is required to maintain the common areas of the community will inevitably lead to a financially unstable organization. Associations that underfund their reserve account are more likely to experience financial hardship and declining property values once the community reaches the tipping point of thirty to forty years, at which time most of the commonly-owned improvements which date to the original construction of the community will have reached the end of their useful service life.

As the old sayings goes, failure to plan is planning to fail. If the Board of Directors fails to plan for the future reserve spending needs of the Association it is not demonstrating responsible stewardship of the organization. Regardless of whether state laws require any specific level of reserve planning or funding, it is the fiduciary duty of the Board to ensure that the Association is governed in a fiscally responsible manner. Among those obligations imposed on the Board is the requirement that adequate replacement reserves be accumulated over the life of the assets that will be renovated or replaced with the reserve funds.

1. Replacement Reserve Fund: The purpose of this reserve study is to identify predictable and determinant expenditures that will be required to modernize, renew or replace common area improvements within the community. Certain maintenance expenditures may also be included in the reserve spending analysis if the maintenance activity is generally acknowledged to extend the useful life of an asset; if the maintenance is required to prevent premature deterioration of the asset; or if state law requires that the expenditure be included in the replacement reserve budget.

The term *replacement reserves* is used to identify those funds that are being accumulated for the purpose of renewing, modernizing or replacing commonly owned assets within the community. State laws in Oregon and some other states require that the replacement reserves be sequestered in one or more bank accounts that are clearly identified as the replacement reserve fund. All Association funds, including the replacement reserves, should be warehoused in bank accounts that are FDIC-insured or in investments that are backed by the full faith and credit of the U.S. Government.

In addition to providing a ready source of cash to pay for maintaining the common areas of the community, the replacement reserves also serve to offset the value of the commonly-owned assets that is lost through depreciation. If the Association fails to accumulate replacement reserves at a rate that significantly offsets the loss in economic value of commonly-owned assets due to depreciation, then the value of the individual homes within the community may be compromised.

Many communities that were developed prior to 1990 are only now being confronted with the

impact of underfunded reserves as they reach the tipping point of 30-35 years in the lifecycle of the community. It is becoming more and more common for these communities to levy special assessments to pay for renewal or replacement of various common-area improvements. These special assessments may often be used to secure financing from a bank, with the proceeds from the bank loan being used to pay for renewal and replacement expenses while the revenue generated by the special assessment is used to service the loan.

2. Predictable & Determinant Expenses: The terms *predictable* and *determinant* are qualifiers that are used to establish whether an expense will be included in the replacement reserve budget. Expenses that cannot be reasonably and reliably *predicted* in advance are not appropriate for inclusion in the replacement reserve budget. This includes expenditures that may or may not ever occur, such as insurance deductibles. To qualify as a *determinant* expenditure the current cost must be able to be determined with a reasonable degree of certainty by a qualified individual.

The determinant qualifier is intended to limit the inclusion of random amounts of money in the reserve budget for expenses that are not clearly defined. For example, if the Board of Directors elects to include funding in the reserve budget for renovation or renewal of a clubhouse or community facility of some sort, it should have a clearly stated vision of what the current cost of any such work will be and when the expense is expected to occur. It is not appropriate for the Board of Directors to use the reserve funding process to accumulate a slush fund for purposes that are not clearly set forth in a plan (reserve study) that details how and when the funds will be used.

3. Renewal, Modernization & Replacement Spending: Maintenance expenditures that are not classified as *renewal*, *modernization* or *replacement* of capital assets are more properly classified as operational maintenance expenses and are generally not included in a reserve study.

Renewal is a term that is sometimes used interchangeably with the term renovation. Renewal spending refers to expenditures that may not result in outright replacement of an asset but will substantially extend or *renew* the useful life of the asset.

Modernization is a term that is used to describe expenditures that may be required when an asset has not yet reached the end of its useful service life, but may be in need of technological updates as a result of existing components becoming obsolete. Elevators are a common example of a system that may require modernization rather than outright replacement.

4. Limitation on the Use of Reserve Funds: The replacement reserve fund should only be used to accumulate funds that will be used to pay for those expenses that are identified in the reserve study as reserve fund expenditures. The reserve study itself is a long-term budget that attempts to capture expenditures related to renewal, modernization or replacement of assets that are commonly owned by the members of the Association. As with any budgeting process, if the funds required to finance the expenditures established in the budget are instead used to pay for unbudgeted expenditures, then there will be a shortage of funds to pay for the budgeted expenses.

Oregon, Washington and some other states allow the Board of Directors to borrow from the reserve fund subject to various restrictions and reporting requirements. Funds borrowed from the replacement reserve account are reported on the balance sheet as a liability, typically under

the classification of *Interfund Borrowing*. In those instances where reserve funds are borrowed, the borrowing activity should be documented in writing and should include a schedule for repayment of the funds. Even though the Association is, in effect, borrowing from itself when it borrows from the reserve fund, it is still a liability that must be repaid, and as a result it is generally advisable to avoid borrowing from the reserve fund if at all possible. (For a more detailed discussion of the subject of borrowing from the reserve fund please refer to section 12 of this tutorial)

5. Replacement Reserves vs. Savings: The bank account or accounts that are used to warehouse the replacement reserves should not be viewed as a normal savings account, nor should the funds be considered available for spending on any expenses that are not clearly identified as reserve fund expenditures. Otherwise, the Association runs the risk of not having adequate funds to pay for the expenses for which the funds are intended.

If the Board of Directors believes that a general savings account is warranted or that a separate reserve fund should be established to warehouse funds for expenses such as insurance deductibles, capital improvements or acquisitions, or emergency or contingency spending, then they should consult with a tax planning adviser to determine the limitations and appropriate level of funding for any such accounts.

6. Operational Maintenance Expenditures: Routine, recurring expenditures related to inspection, assessment, monitoring and testing of various common area improvements are *operational maintenance* expenses and are generally not included in the reserve spending analysis. There are exceptions to this rule, such as when the Association's governing documents require that a particular type of inspection or assessment expense be included in the reserve budget or when the Board of Directors has simply chosen to override the industry's standard practices for reasons that they believe warrant such action.

Expenditures related to the hiring of consultants to advise the Board of Directors on matters pertaining to maintenance, renewal or replacement of common property are also considered operational in nature and are not included in reserve studies prepared by most responsible reserve planning professionals. Maintenance expenditures that occur at least once each year are not appropriate for inclusion in a reserve study under any circumstances, nor is it appropriate to include an expenditure that is expected to occur annually by scheduling the expense to occur every two years at a cost that is twice the projected annual cost.

All such operational maintenance expenditures should be included in the Association's annual operating budget, which should also include funding for unforeseen maintenance spending in the form of a budget contingency. If contingency funds are not needed during the course of the current budget cycle, they may be rolled into the budget for the following year so that there is always a surplus of funds available to pay for maintenance expenses that cannot be predicted in advance. The amount of money that is set aside for maintenance contingencies should be established by the Board of Directors based on advice from tax advisers, and should be set forth in a policy directive that results in adequate operational maintenance and contingency funds being included in the annual operating budget each year.

For many large communities with a complex array of assets and improvements that must be maintained, the operational maintenance planning and budgeting process is likely to be as complicated and time-consuming as the replacement reserve planning process. Consultants that offer technical advice related to maintaining complex building systems and equipment may be a

well-advised addition to the maintenance planning effort, but these consultants should not be engaged for the purpose of conducting a reserve study. (See Sections 7 and 8)

7. The Reserve Specialist™: For the most part, reserve planning and the work of a reserve planning consultant is not fully understood by the industry. The industry standards for establishing the qualifications and professional conduct code for reserve planning professionals are very low relative to many other professions, including the home inspection industry, architecture and engineering disciplines. The Community Associations Institute (CAI) has established a set of standards that are supposed to be followed by practitioners who have been awarded the **Reserve Specialist™** certificationⁱ by the CAI.

The **National Reserve Study Standards**ⁱⁱ published by the CAI are specifically designed to address the format and requirements for a reserve study that is being conducted on behalf of a common interest development such as a planned development or condominium. Whereas other forms of capital budgeting and long-term financial planning forecasts may be similar to a reserve study prepared for an HOA, there are certain requirements of a reserve study prepared for a common interest development that are unique. Hence, it is important to choose a reserve planning professional who has a comprehensive working knowledge of reserve planning for HOAs rather than a firm that offers reserve planning services as an adjunct to its primary business.

A CAI-certified Reserve Specialist™ is someone who has demonstrated a specific level of education and/or work experience directly related to conducting reserve studies for common interest developments, whether they are condominiums or planned developments. In practice, the qualifications and experience of individuals who conduct reserve studies is wide-ranging, including those that carry the CAI Reserve Specialist™ certification or some other form of industry certification.

Most reserve study providers, regardless of any certification they may hold, receive the bulk of their training in the form of work-related, on-the-job training. There is no formal curriculum that is specifically designed to educate reserve study providers at the university level, nor are there any internships or formally supervised training programs operated by the industry that are directly related to the field of reserve planning.

8. Impartial & Objective Provider: The importance of having a reserve study prepared by a consultant that is an *impartial* and *objective* third-party cannot be overstated. Many professional codes of conduct preclude the practitioner from receiving any future financial benefits from the advice that the professional provides to the client in the course of carrying out their duties under a professional services engagement.

Among those industries that restrict practitioners from receiving additional revenues as a result of the recommendations they might make to a client is the home inspection industry. The laws of some states also prevent home inspectors from receiving financial benefits from the recommendations they make to a client who engages them to inspect a property.

Whereas the American Society of Home Inspectors (ASHI) **Professional Code of Ethics**ⁱⁱⁱ prevents home inspectors from receiving compensation for work on components or building systems that are the subject of an inspection by the inspector for a period of one year after the date of the inspection, the reserve study industry imposes no such standard on reserve study practitioners, nor do the laws of any state.

The reason for the strict ethical standard imposed by the ASHI Code of Ethics should be obvious

to anyone with a rudimentary understanding of business ethics, but for reasons that are not fully understood the reserve study profession, and to some extent the larger network of service providers that has evolved to serve the needs of HOAs, do not seem to be concerned with the need for any such ethical restrictions.

As a result there are some reserve study providers that use the reserve planning process as a means of establishing an ongoing business relationship with the Association for the purpose of generating additional revenues by providing maintenance or inspection services that are included in the reserve spending budget, and which happen to be services that the firm preparing the reserve study also provides. In its role as a reserve planning adviser, CRC maintains a strict policy that precludes our firm from providing any downline services to the Association other than those services that are typically associated with conducting a reserve study. Inspectors and technical consultants who may be hired by CRC or referred to CRC clients for a direct engagement by the Association are required to maintain a similarly strict code of ethics and to maintain an impartial and objective relationship with the Association.

9. Insurance Reserves: The FHA mortgage insurance underwriting guidelines require that a condominium association which is seeking approval for the FHA mortgage insurance program must have sufficient reserves set aside to cover all of the insurance deductibles that are required by the policies maintained by the Association. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are purported to impose similar insurance reserve requirements on Associations in order for mortgages on the homes in the community to be eligible for purchase in the secondary mortgage market (conforming loan).

In those instances where the Association may seek approval for FHA mortgage insurance, or to ensure that the mortgages secured by homes in the community will qualify as conforming loans, the Board of Directors should establish a separate bank account that is used for the exclusive purpose of sequestering sufficient funds to cover the deductibles required by all of the insurance policies that are maintained by the Association, rather than using the replacement reserve fund to warehouse the funds that will be used to pay insurance deductibles.

It should be noted that the FHA underwriting guidelines require that reserves sufficient to pay *all* of the deductibles required by the Association's insurance policies must be set aside in a reserve account. This includes deductibles for flood and earthquake insurance which may be considerably higher than the traditional \$2,500 to \$10,000 deductible associated with most Casualty insurance policies. Many flood insurance policies require deductibles as high as \$100,000 to \$500,000, whereas a typical earthquake insurance policy can require a deductible that ranges from 5% to as much as 25% of the value of the claim. So, if there is an underwriting requirement that results in the need to set aside sufficient reserves to pay for all insurance deductibles, then the amount that must be sequestered in an insurance reserve account may end up being substantially more than \$10,000.

10. Minimum Levels of Reserve Funding: There are two principal methods for measuring the adequacy of the Association's accumulated reserves. One is a long-standing industry technique that is known as *percent funded* or the *percent funded level*. The other is a methodology that was developed by CRC, which we refer to as the *reserve equity calculation*. The percent funded level is a ratio which measures the relationship between the money that has been accumulated in the replacement reserve fund and the value of the commonly-owned property that will be renewed or replaced with the reserves, which has been lost due to depreciation. In theory, the

most equitable distribution of the reserve funding obligations will spread the funding burden over the entire service life of every asset with all owners who receive any use and benefit from the asset contributing to the eventual replacement cost at a rate that is equal to the rate at which the asset is depreciating. In practice, this is rarely what happens.

The calculation of the percent funded level is flawed due to the fact that the number that is derived from the typical reserve study represents an average of the percent funded levels for every asset or component that has been included in the replacement reserve budget. An expenditure that is scheduled to occur in the current year will almost always be fully funded, but an expense that may not be scheduled to occur for many years into the future may not be allocated any of the accumulated reserves at all. The percent funded figures derived from the reserve study therefore represent an average of the fully funded, partially funded and unfunded expenditures unless the reserves are 100% funded throughout the period of time covered by the reserve study.

The *reserve equity calculation* is a much simpler and more direct way to measure the relationship of accumulated reserves to the reserve spending obligations that are established by the reserve spending analysis. Reserve equity refers to the amount of money already accumulated in the replacement reserve fund, while the future reserve spending obligations are referred to as the *reserve spending liability*.

This future reserve spending liability may be *funded* or *unfunded*. The accumulated replacement reserves represent the funded portion of the future reserve spending liability. By dividing the reserve equity (current reserve fund balance) by the projected future reserve spending, we can determine the degree to which future reserve spending obligations are funded vs. unfunded. The funded reserve spending liability is the portion of future reserve spending that is offset by the reserves which have already been accumulated, while the unfunded reserve spending liability represents the percentage of total reserve spending that will be paid for by all owners who contribute to the reserve fund moving forward, beginning with the date that the reserve equity calculation is performed.

For example, if the total reserve spending obligations of the Association over the period of years covered by the study is \$1,000,000 and the accumulated reserve fund balance is \$200,000, then the funded portion of the reserve spending liability is 20% ($\$200,000 / \$1,000,000 = .20$). This means that 80% of the money needed to pay for the future reserve spending obligations of the Association has yet to be contributed to the reserve fund and therefore it is a future, or *forward liability*, that must be paid by future generations of owners.

There are no hard and fast rules for determining what the appropriate percent funded level should be except to say that in theory the reserves should always be 100% or *fully funded* in order for the reserve funding obligations to be equitably distributed among *all* owners who receive the use and benefit of the assets over the life of the asset.

However, a funding strategy that results in a fully funded reserve account in every year covered by a typical thirty year reserve spending analysis will often result in a needlessly large residual fund balance that remains in the reserve account throughout the study period without ever being spent. Similarly, the funded and unfunded reserve equity calculations are not subject to hard and fast rules that may be used to determine whether the reserve fund balance is appropriate at any particular point in time. What the reserve equity calculation is most useful for is to help prospective buyers and lenders determine the degree to which future reserve

spending obligations will be paid for with reserves that have already been collected vs. future revenues that are yet to be generated.

For a prospective buyer this may be of particular importance when comparing a property in one HOA to a property in a different HOA. All other things being equal, most prudent buyers are likely to invest in a property that is located in an HOA with an unfunded reserve spending liability that is as low as possible, because it means they will be responsible for a smaller share of the reserve funding burden in the years ahead. Lenders may also be uncomfortable loaning money to an HOA with an extremely high unfunded reserve spending obligation because of the added financial burden it places on the organization in the future, which can have an adverse impact on the Association's ability to service its debts and remain a fiscally stable organization if a loan were to be extended.

11. Minimum Reserve Fund Expenditure Level: The purpose of the reserve fund is to accumulate funds that will be used to pay for major expenses pertaining to the maintenance, renovation and replacement of The Association's commonly owned assets. In some instances these assets may be General Common Elements or they may be Limited Common Elements. The reserve fund and the budgeting process that is used to determine how much money should be contributed to the reserve fund each year is not intended to be an extension of the Association's operational spending obligations. In order to prevent the reserve "budget" from becoming an extension of the Association's operational spending, the Board of Directors may elect to establish a minimum reserve fund expenditure level or threshold.

This minimum threshold is most often defined as a dollar amount, although in some instances it may make sense to establish the minimum expenditure threshold as a percentage of the Association's annual operating revenue. When determining what the minimum reserve spending threshold should be the Board of Directors may want to consider the impact of an unexpected expense on the Association's operational cash flow.

For example, if an Association has elected to expense costs related to maintaining the landscape irrigation system, as many HOAs do, then it makes sense to decide how large of an unexpected operating expense the Association can absorb if it is an expense that is likely to occur randomly rather than on a regularly scheduled basis throughout the year. If the Association is planning to pay for the cost of replacing irrigation timers out of the operating budget, and a \$300 timer were to suddenly require replacement, then it may be reasonable for an Association with a sizable annual cash flow to include the expense in the operating budget each year. On the other hand, if the timer is a \$3,000 computerized controller that is may be monitored over the Internet using a Wi-Fi connection; it might make more sense to include the \$3,000 expense in the reserve budget.

Each Association will have a different threshold that best suits the needs of the organization. Some Associations use the percentage of total annual revenue method to determine a minimum reserve fund expenditure threshold with a range of 1% to 2% being typical. However, smaller HOAs with a modest annual cash flow may find it difficult to manage an unexpected expense that is 2% of the anticipated revenue for the year and hence it may be advisable to use a fixed dollar amount for the minimum reserve fund expenditure and to then maintain an operational spending contingency that is sufficient to cover some multiple of the minimum reserve expenditure amount. So, if the Board of Directors has decided that the minimum reserve expenditure threshold should be \$500 and any expense which is less than this amount will be paid for out of the operating fund, they it may want to establish an operating budget

contingency of perhaps \$1,500-\$2,500 so that there will be sufficient funds to pay for as many as three to five such expenditures throughout the course of each budget cycle.

12. Borrowing from the Reserve Account: Simply put, borrowing from the reserve fund should be avoided at all costs. However, many Associations do in fact borrow from their reserve fund either to meet high seasonal spending demands or to pay for unexpected and therefore unbudgeted expenses. In states where borrowing from the reserve fund is allowed under state law it is customary to require that the Board of Directors adopt a written repayment plan within a specified period of time.

Oregon requires that the Board adopt a plan for repaying the borrowed funds no later than the date on which the annual operation budget for the upcoming fiscal year is approved. In theory this means that the Board should have adopted a plan for repayment no later than the end of the fiscal year in which the resolution authorizing the borrowing of funds from the reserve account was approved since the operating budget for each fiscal year is supposed to be approved prior to the start of the fiscal year for which the budget is established.

Recent changes in the Washington statutes have resulted in two “classes” of HOAs for purposes of determining what laws apply to an HOA in Washington. Associations formed prior to July 1, 2018 are subject to RCW 64.34 and 64.38, which govern condominiums and planned communities respectively. All types of common interest developments formed after this date, including timeshares and cooperatives, are subject to the *Washington Uniform Common Interest Ownership Act*. For details regarding the laws that apply to a specific HOA with respect to borrowing from the reserve fund Associations should consult with their attorney.

When an Association borrows from the reserve fund it is reducing the pool of *liquid* funds that are supposed to be available to pay for major maintenance, renovation and replacement expenses required to maintain the commonly owned assets of the community. If reserves have been borrowed and are yet to be repaid this *interfund borrowing* activity must be listed as a liability on the balance sheet. So, even though the Association is technically borrowing its own money, it still results in a liability, and for good reason.

When funds are borrowed from the reserve account and are not available to pay for the expenditures for which the funds were collected, the inevitable outcome is that the *planned* reserve fund expenditure must be deferred. Deferred expenditures pertaining to the renovation or replacement of major assets like a roof on a building, or an HVAC system, are a future liability for the Association. An accurate accounting of the Association’s liabilities and the degree to which any future liabilities diminish the value of the community’s asset base must take into account maintenance expenditures that have been deferred due to interfund borrowing or for other reasons.

13. Borrowing to Pay Annual Insurance Premiums: Many Associations routinely borrow from the replacement reserve fund to pay the annual insurance premiums in a single lump sum payment and thereby avoid having to pay interest if the premiums are paid in monthly installments. While such a strategy may be preferable to paying interest to an insurance company, a better solution would be to borrow from the working capital fund or to establish an insurance reserve account and to fund the account with a one-time special assessment that generates enough money to pay the annual insurance premiums and any deductibles that may be required by any of the policies maintained by the Association. The insurance reserve may then be replenished each year by making periodic installment payments to the insurance

reserve account in the same manner as payments to the insurance carrier or the replacement reserve would otherwise be made.

14. Levels of Service: The National Reserve Study Standards set forth three levels of service which define how comprehensive the analysis must be for each of the three service levels. A *level 1 reserve study* is the most in-depth analysis in the hierarchy. In essence, a level 1 study is a new reserve study rather than an update of a previous reserve study. A level 1 reserve study is based on information obtained during a site visit by the reserve study provider, in addition to data that may be supplied by the Association in the form of historical records, surveys, plat maps, etc.

A *level 2 reserve study* is an update of a previous reserve study that involves a site visit by the reserve study provider who is performing the level 2 update. The provider who conducts the level 2 update may or may not be the same provider that conducted the initial reserve study. A *level 3 reserve study* is an update of a previous reserve study that does not involve a site visit. As with a level 2 reserve study, the level 3 update may or may not be performed by the same provider who conducted the previous reserve study.

15. State Statutory Requirements: According to the CAI there are only seven (7) states^{iv} that require HOAs to conduct a formal reserve study. Florida requires that the Board of Directors establish a replacement reserve fund and to fund the account in an amount that is sufficient to meet the reserve spending obligations with respect to replacing roofing, pavement and exterior paint, but the statute stops short of requiring that an actual reserve study be conducted. There are a handful of other states with statutes that require some form of reserve account to be established and funded, but which do not require the Association to conduct a reserve study.

The states that do require a formal reserve study are **CA, OR, HI, NV, UT, DE** and **VA**. The state of Washington requires that an Association formed prior to July 1, 2018 with “significant assets” must conduct a reserve study unless doing so would impose an “unreasonable hardship” on the organization. The statute does not define the terms “significant assets” or “unreasonable hardship.” Homeowner associations formed prior to July 1, 2018 with fewer than ten (10) members are not required to conduct a reserve study.

All common interest developments formed in Washington after July 1, 2018 must conduct a reserve study and must update the reserve study each year unless the cost of preparing or updating a reserve study exceeds 10% of the Association’s annual revenue.

In most states that do require a reserve study, the statute may or may not require that the Association actually fund the reserve account according to the recommendations of the reserve study provider or anyone else. States that require reserve studies generally require that the reserve study be updated periodically, although most of the statutes do not specifically state what constitutes an “update” of the reserve study. With the exception of Hawaii and Delaware, the Board is granted a wide range of latitude with respect to interpreting and using the information presented in the reserve study as a basis for developing a reserve funding plan.

A reserve study that conforms to generally accepted industry standards will include a reserve spending and funding projection that covers a period of thirty (30) years. The laws in those states that do require reserve studies typically impose a similar thirty (30) year requirement with the exception of Hawaii, which requires a twenty (20) year spending and funding projection. The statutes in Delaware and Virginia do not specify what the required number of

years covered by the reserve study must be.

The frequency at which the reserve study must be updated varies from state to state. Virginia requires that a reserve study be performed once every five (5) years and must be reviewed annually by the “executive organ.” In states where the statute requires that the reserve study include a spending and funding projection that captures a specified number of years into the future, the reserve study must be updated *every* year it will contain a spending and funding projection that meets the statutory requirement of the state.

The states that require annual updates are CA, OR, HI, NV and WA. Utah requires an update every three (3) years. The Delaware statute requires *condominiums* and *cooperatives* to conduct a reserve study and to fund the reserve account at a level that results in a fully funded reserve based on a “current reserve study,” which would seem to suggest that the reserve study must be updated annually.

16. Oregon Update Requirement: The laws in Oregon were amended in 2018 and now require that an estimate of the future replacement cost must be included in the reserve study based on the rate of inflation *during the current fiscal year*. Since the “current” inflation rate is calculated at the end of every month throughout the year, it must be assumed that the inflation rate which is used when updating a reserve study for an Oregon HOA must be the inflation rate at the end of the most recent month for which the current inflation rate has been calculated.

The study must also include an estimate of the remaining life of the assets and improvements that will be repaired, maintained or replaced with the reserve funds, from the point in time when the reserve study is conducted or updated. When combined with the requirement that the study include a 30-year funding and spending projection, the new statutory requirements mean that the reserve study must be updated every year in order for the Association to remain in compliance with state law. Oregon does not require that a level 2 update ever be performed.

The Oregon statute which establishes the reserve study requirements for condominiums is **ORS 100.175**.^v

The Oregon statute which establishes the reserve study requirements for planned unit developments is **ORS 94.595**.^{vi}

17. Washington Update Requirement: Homeowner associations formed prior to July 1, 2018 that have conducted a reserve study are required to update the reserve study annually unless doing so would impose the requisite unreasonable hardship. The annual update may be a level 3 update, but the statute does require that a level 2 update be performed every three (3) years.

The Washington statute that sets forth the reserve study requirements for condominiums formed prior to July 1, 2018 is **64.34.380 RCW**.^{vii}

The Washington statute which establishes the reserve study requirements for planned unit developments formed prior to July 1, 2018 is **64.38.065 RCW**.^{viii}

All common interest developments formed *after* July 1, 2018 are subject to the *Washington Uniform Common Interest Ownership Act* (The Act) in its entirety.

Except for a nonresidential common interest community sections **120** and **326** of The Act apply to common interest developments created prior to 7/1/2018. The Act also nullifies any inconsistent provisions of chapter **59.18, 64.32, 64.34, or 64.38 RCW**. As a result, any provisions

of the old statutes that are inconsistent with the Washington Uniform Common Interest Ownership Act no apply to a common interest community created before 7/1/2018.

A homeowner association formed prior to 7/1/2018 may, by a majority vote of the membership of the Association elects to be governed by The Act.

17. Requirements of Other States: The update requirements of other states vary. Almost all of the state statutes lack defining language that specifically establishes what constitutes an update of the reserve study or what qualifies as a current reserve study. With the exception of Nevada and Washington, all of the states that require or “recommend” reserve studies for homeowner associations allow almost anyone to conduct the reserve study, regardless of the relationship of the reserve study preparer to the Association.

Laws are similarly vague with respect to what the qualifications must be for individuals who conduct reserve studies with the exceptions of Nevada, which is the only state that actually licenses reserve study providers, and Washington, which requires that the initial reserve study and any subsequent level 2 updates must be performed by a “reserve study professional.”

California requires only that the study be based on a *reasonably competent and diligent visual inspection* that must be performed every three (3) years. The CA statute does not define the term “reasonably competent and diligent inspection”. Utah allows the management committee or a *reliable person or organization* to conduct the reserve study, but stops short of establishing what qualifies as a “reliable person or organization.”

Four states (OR, HI, VA, DE) do not require that the reserve study be performed by an individual with any particular level of expertise or prerequisite qualifications. Except for Nevada, there are no states that require reserve study providers to obtain any special licensing, certification or registration other than the normal business registration and licensing that may be required by any business operating within the state.

There are no states (including Nevada) that require reserve study providers to undergo any type of formal education, training or testing in order to work as a reserve planning professional. The “licensing” process in Nevada is more of a registration that appears to be designed to keep track of the reserve study businesses operating in the state and to generate revenue from registration fees.

Reference Sources

ⁱ <https://www.caionline.org/LearningCenter/credentials/Pages/RS.aspx>

ⁱⁱ <https://www.caionline.org/LearningCenter/credentials/Documents/RS%20Designation%20National%20Reserve%20Study%20Standards.pdf>

ⁱⁱⁱ <http://www.homeinspector.org/Code-of-Ethics>

^{iv} <https://www.caionline.org/Advocacy/StateAdvocacy/PriorityIssues/ReserveStudy/Pages/default.aspx>

^v <https://www.oregonlaws.org/ors/100.175>

^{vi} <https://www.oregonlaws.org/ors/94.595>

^{vii} <http://app.leg.wa.gov/RCW/default.aspx?cite=64.34.380>

^{viii} <http://app.leg.wa.gov/RCW/default.aspx?cite=64.38.065>