



PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



Scatchet Head Community Club

3742 Driftwood Drive, Clinton, WA 98236

For:

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1.0 EXECUTIVE SUMMARY

1.1 REQUIRED STATEMENT PER STATE OF WASHINGTON SENATE BILL 6215

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

1.2 GENERAL DESCRIPTION OF PROPERTY

The Scatchet Head Community Club contains 488 individual lots. The community assets include a clubhouse, a swimming pool, a tennis court, private roads, 2 boat launch ramps, and a sea wall.

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

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

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

Table 1.3: Summary of Immediate Necessary Capital Expenditures

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

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 3 RESERVE STUDY

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

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

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

2.2 WASHINGTON STATE SENATE BILL (SB) 6215

On March 8, 2008, the Washington Legislature passed Senate Bill 6215 regarding reserve studies for condominiums, which became effective June 12, 2008 and was codified into RCW 64.38.065 to 64.38.090. This Reserve Study meets the requirements of preparing a reserve study presented by the State. According to the State of Washington, SB 6215, "...an Association shall prepare and update a reserve study..." According to the State, the terminology for this Scope of Work is "Level I: Full reserve study funding analysis and plan."

Components from this law include:

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

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

This reserve study meets the qualifications of WA State SB 6215

2.3 WASHINGTON STATE HOUSE BILL (HB) 1309

On April 29, 2011, the Washington Legislature passed House Bill 1309 that expands the minimum criteria that reserve studies in Washington are required to meet. This law has been codified within RCW 64.34.3.80-64.34.392 for condominiums and codified within RCW 64.38.065-64.38.090 for homeowners associations. This law became effective January 1, 2012. The expanded required elements of Reserve Studies include the following:

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

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

This Reserve Study meets the reporting qualifications of Reserve Studies per House Bill 1309.

2.4 SCOPE AND METHODOLOGY

Our initial Level 1 Reserve Study was finalized on September 21, 2016 at this property. We provided the Board a subsequent Level 3 Reserve Study on November 13, 2016.

This report is an off-site update of that report based solely on the information provided to us by Eric Cooper on November 14, 2017. The updated information that we received is attached in the appendices.

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

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

2.6 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

2.7 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

What is a reserve study?

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

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

What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State Senate Bill 6215).

Level 1: A full reserve study – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.

Level 2: An update with site visit (on-site review) -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.

Level 3: An update with no site visit (off-site review) -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

When should associations obtain reserve studies?

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

If you follow Washington State Senate Bill (SB) 6215 (which we recommend that you do), your reserve study schedule would look like this:

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

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary according to SB 6215 after year 1.

What are the benefits of a Reserve Study?

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

Complying with Washington State law

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

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

View the full law at:

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

Fulfilling lender requirements (such as FHA)

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

Help maintain the property's value and appearance

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

Establishing sound financial planning and budget direction

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

Reducing the need for special assessments

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

Fulfilling the board of directors' fiduciary responsibility

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

3.0 PHYSICAL ANALYSIS

3.1 COMPONENT ASSESSMENT AND VALUATION

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

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

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

Table 3.1A Key:

Quantity - The total quantity of each component.

Units - SF = Square Feet SY = Square Yards LF = Lineal Feet
EA = Each LS = Lump Sum SQ = Roofing Square (10 ft X 10 ft)

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

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

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

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2017 dollars. Exact numbers may vary.

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2	SITE								
	Resurface George Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs	14,760	SF	\$3.80	17	30	\$56,157	\$115	\$3.84
	Resurface East Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs	14,400	SF	\$3.80	16	30	\$54,788	\$112	\$3.74
	Resurface Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs	21,600	SF	\$3.80	15	30	\$82,182	\$168	\$5.61
	Resurface West Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs	27,000	SF	\$3.80	30	30	\$102,727	\$211	\$7.02
	Install French drain in clubhouse parking lot	1	LS	\$20,000	1	30	\$20,000	\$41	\$1.37
	Rock buttress repair allotment	1	LS	\$25,000	8	10	\$25,000	\$51	\$5.12
	Replace west parcel stairway	1	LS	\$3,500	18	20	\$3,500	\$7	\$0.36
	Replace main entrance sign	1	LS	\$3,000	12	20	\$3,000	\$6	\$0.31
	Picnic assets replacement allotment	1	LS	\$2,500	3	10	\$2,500	\$5	\$0.51
	Replace playground structure	1	LS	\$25,000	11	25	\$25,000	\$51	\$2.05
	Replace the fuel tanks	2	EA	\$1,400	9	10	\$2,800	\$6	\$0.57
3.3	STRUCTURE								
	<i>No structural expenditures budgeted</i>								
3.4	ROOFING								
	Resurface roof of clubhouse and sheds	48	SQ	\$575	24	30	\$27,600	\$57	\$1.89
	Replace gutters and downspouts on clubhouse	220	LF	\$6.50	24	30	\$1,430	\$3	\$0.10
	Replace skylights on clubhouse	2	EA	\$450	9	15	\$900	\$2	\$0.12
	Resurface roof of picnic shelter	8	SQ	\$650	3	30	\$5,200	\$11	\$0.36
3.5	EXTERIOR								
	Re-clad exterior of clubhouse	4,452	SF	\$18	19	50	\$80,136	\$164	\$3.28
	Exterior siding and trim repair allotment prior to painting	1	LS	\$2,000	3	8	\$2,000	\$4	\$0.51
	Paint exterior of clubhouse, picnic structure, and both sheds	4,452	SF	\$2.35	3	8	\$10,462	\$21	\$2.68

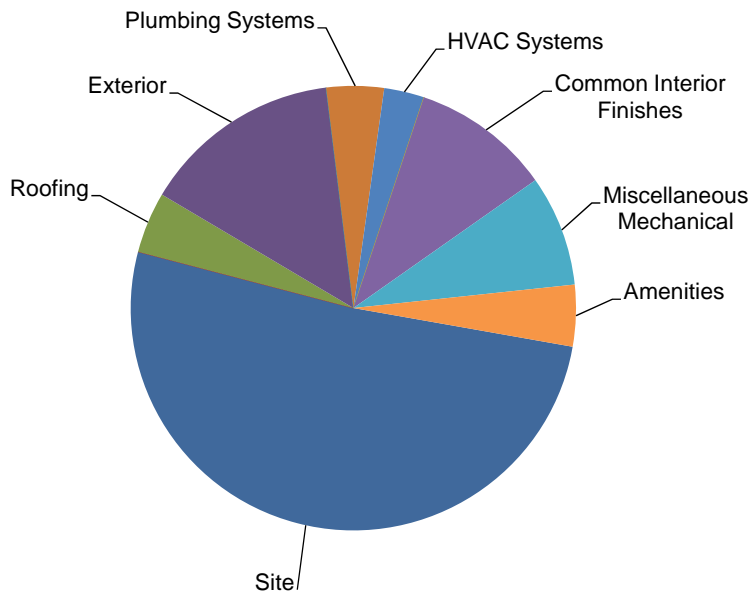
Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.6 ELECTRICAL SYSTEMS								
<i>All lighting expenditures assumed to be addressed via the operating budget</i>								
3.7 PLUMBING SYSTEMS								
Replace clubhouse 80-gallon water heater	1	EA	\$2,000	1	15	\$2,000	\$4	\$0.27
Replace apartment 50-gallon water heater	1	EA	\$900	11	15	\$900	\$2	\$0.12
Septic system replacement	1	LS	\$28,000	23	25	\$28,000	\$57	\$2.30
<i>Septic system pumps assumed to be replaced via the operating budget</i>								
3.8 HVAC SYSTEMS								
Replace the clubhouse boiler	1	EA	\$35,000	8	30	\$35,000	\$72	\$2.39
3.9 ELEVATORS								
<i>There are no common elevators in this community</i>								
3.10 FIRE DETECTION & SUPPRESSION								
<i>There are no common comprehensive fire detection systems or fire suppression systems</i>								
3.11 COMMON INTERIOR FINISHES								
Repaint clubhouse	6,500	SF	\$1.35	4	16	\$8,775	\$18	\$1.12
Recarpet clubhouse	280	SY	\$45	4	16	\$12,600	\$26	\$1.61
Clubhouse furnishings allotment	1	LS	\$2,000	4	16	\$2,000	\$4	\$0.26
Renovate locker rooms	2	EA	\$12,000	8	20	\$24,000	\$49	\$2.46
<i>Facilities manager's apartment has been traditionally maintained via the facilities manager and all materials for this paid for via the operating budget</i>								
3.12 MISCELLANEOUS MECHANICAL								
Clubhouse key card upgrade allotment	1	LS	\$8,000	1	15	\$8,000	\$16	\$1.09
Replace riding lawnmower	1	EA	\$5,000	3	10	\$5,000	\$10	\$1.02
Office computer/electronics allotment	1	LS	\$5,000	1	3	\$5,000	\$10	\$3.42

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.13	AMENITIES								
	Repair and resurface the tennis court and basketball court	1	LS	\$17,073	15	15	\$17,073	\$35	\$2.33
	Replace the tennis court fence with a vinyl coated chain link fence	458	LF	\$42	30	30	\$19,023	\$39	\$1.30
	Replace glass & repair metal framing of pool house (minus gables)	1	LS	\$120,000	24	30	\$120,000	\$246	\$8.20
	Replace glass & repair metal framing of pool house gables	1	LS	\$7,500	1	30	\$7,500	\$15	\$0.51
	Re-plaster and re-tile the swimming pool	1	LS	\$32,000	16	18	\$32,000	\$66	\$3.64
	Replace the swimming pool filter	1	EA	\$3,500	3	10	\$3,500	\$7	\$0.72
	Replace the swimming pool pump	1	EA	\$1,200	4	10	\$1,200	\$2	\$0.25
	Replace the swimming pool cover	1	EA	\$5,000	6	10	\$5,000	\$10	\$1.02
	Swimming pool furniture allotment	1	LS	\$2,000	3	10	\$2,000	\$4	\$0.41
Average Cost Per Unit Per Year									\$74

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

Category	Total Expenditure over 30 Years	Percentage
Site	\$781,488	51.3%
Structure	\$0	0.0%
Roofing	\$67,698	4.4%
Exterior	\$220,922	14.5%
Electrical Systems	\$0	0.0%
Plumbing Systems	\$63,717	4.2%
HVAC Systems	\$44,337	2.9%
Elevators	\$0	0.0%
Fire Detection & Suppresion	\$0	0.0%
Common Interior Finishes	\$153,839	10.1%
Miscellaneous Mechanical	\$123,021	8.1%
Amenities	\$68,041	4.5%
TOTAL	\$1,523,063	

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



3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

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

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
3.2	SITE													
	Resurface George Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs													
	Resurface East Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs													
	Resurface Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs													
	Resurface West Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs													
	Install French drain in clubhouse parking lot		\$20,600											
	Rock buttress repair allotment									\$31,669				
	Replace west parcel stairway													
	Replace main entrance sign													\$4,277
	Picnic assets replacement allotment				\$2,732									
	Replace playground structure												\$34,606	
	Replace the fuel tanks										\$3,653			
3.3	STRUCTURE													
	<i>No structural expenditures budgeted</i>													
3.4	ROOFING													
	Resurface roof of clubhouse and sheds													
	Replace gutters and downspouts on clubhouse													
	Replace skylights on clubhouse										\$1,174			
	Resurface roof of picnic shelter				\$5,682									
3.5	EXTERIOR													
	Re-clad exterior of clubhouse													
	Exterior siding and trim repair allotment prior to painting				\$2,185								\$2,768	
	Paint exterior of clubhouse, picnic structure, and both sheds				\$11,432								\$14,482	

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
3.6	ELECTRICAL SYSTEMS													
	<i>All lighting expenditures assumed to be addressed via the operating budget</i>													
3.7	PLUMBING SYSTEMS													
	Replace clubhouse 80-gallon water heater		\$2,060											
	Replace apartment 50-gallon water heater												\$1,246	
	Septic system replacement													
3.8	HVAC SYSTEMS													
	Replace the clubhouse boiler									\$44,337				
3.9	ELEVATORS													
	<i>There are no common elevators in this community</i>													
3.10	FIRE DETECTION & SUPPRESSION													
	<i>There are no common comprehensive fire detection systems or fire suppression systems</i>													
3.11	COMMON INTERIOR FINISHES													
	Repaint clubhouse					\$9,876								
	Recarpet clubhouse					\$14,181								
	Clubhouse furnishings allotment					\$2,251								
	Facilities manager's apartment has been traditionally maintained via the facilities manager and all materials for this paid for via the operating budget									\$30,402				
3.12	MISCELLANEOUS MECHANICAL													
	Clubhouse key card upgrade allotment		\$8,240											
	Replace riding lawnmower				\$5,464									
	Office computer/electronics allotment		\$5,150			\$5,628			\$6,149			\$6,720		

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
3.13	AMENITIES													
	Repair and resurface the tennis court and basketball court													
	Replace the tennis court fence with a vinyl coated chain link fence													
	Replace glass & repair metal framing of pool house (minus gables)													
	Replace glass & repair metal framing of pool house gables		\$7,725											
	Re-plaster and re-tile the swimming pool													
	Replace the swimming pool filter				\$3,825									
	Replace the swimming pool pump					\$1,351								
	Replace the swimming pool cover							\$5,970						
	Swimming pool furniture allotment				\$2,185									
ANNUAL EXPENSES BY YEAR		\$0	\$36,050	\$0	\$27,495	\$31,936	\$0	\$0	\$6,149	\$106,409	\$4,828	\$6,720	\$53,102	\$4,277

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
3.2	SITE													
	Resurface George Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs					\$92,820								
	Resurface East Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs				\$87,918									
	Resurface Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs			\$128,036										
	Resurface West Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs													
	Install French drain in clubhouse parking lot													
	Rock buttress repair allotment						\$42,561							
	Replace west parcel stairway						\$5,959							
	Replace main entrance sign													
	Picnic assets replacement allotment	\$3,671										\$4,934		
	Replace playground structure													
	Replace the fuel tanks							\$4,910						
3.3	STRUCTURE													
	<i>No structural expenditures budgeted</i>													
3.4	ROOFING													
	Resurface roof of clubhouse and sheds												\$56,105	
	Replace gutters and downspouts on clubhouse												\$2,907	
	Replace skylights on clubhouse												\$1,830	
	Resurface roof of picnic shelter													
3.5	EXTERIOR													
	Re-clad exterior of clubhouse							\$140,519						
	Exterior siding and trim repair allotment prior to painting							\$3,507						
	Paint exterior of clubhouse, picnic structure, and both sheds							\$18,346						

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
3.6	ELECTRICAL SYSTEMS													
	<i>All lighting expenditures assumed to be addressed via the operating budget</i>													
3.7	PLUMBING SYSTEMS													
	Replace clubhouse 80-gallon water heater				\$3,209									
	Replace apartment 50-gallon water heater													
	Septic system replacement											\$55,260		
3.8	HVAC SYSTEMS													
	Replace the clubhouse boiler													
3.9	ELEVATORS													
	<i>There are no common elevators in this community</i>													
3.10	FIRE DETECTION & SUPPRESSION													
	<i>There are no common comprehensive fire detection systems or fire suppression systems</i>													
3.11	COMMON INTERIOR FINISHES													
	Repaint clubhouse								\$15,849					
	Recarpet clubhouse								\$22,757					
	Clubhouse furnishings allotment								\$3,612					
	Facilities manager's apartment has been traditionally maintained via the facilities manager and all materials for this paid for via the operating budget													
3.12	MISCELLANEOUS MECHANICAL													
	Clubhouse key card upgrade allotment				\$12,838									
	Replace riding lawnmower	\$7,343										\$9,868		
	Office computer/electronics allotment	\$7,343			\$8,024			\$8,768			\$9,581			\$10,469

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
3.13	AMENITIES													
	Repair and resurface the tennis court and basketball court			\$26,600										
	Replace the tennis court fence with a vinyl coated chain link fence													
	Replace glass & repair metal framing of pool house (minus gables)												\$243,935	
	Replace glass & repair metal framing of pool house gables													
	Re-plaster and re-tile the swimming pool				\$51,351									
	Replace the swimming pool filter	\$5,140										\$6,908		
	Replace the swimming pool pump		\$1,815										\$2,439	
	Replace the swimming pool cover				\$8,024									
	Swimming pool furniture allotment	\$2,937										\$3,947		
ANNUAL EXPENSES BY YEAR		\$18,357	\$0	\$154,636	\$111,989	\$92,820	\$48,519	\$176,049	\$42,218	\$0	\$9,581	\$70,062	\$60,842	\$10,469

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2043	2044	2045	2046	2047
3.2	SITE					
	Resurface George Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs					
	Resurface East Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs					
	Resurface Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs					
	Resurface West Driftwood Drive with a 1-1/2 inch asphalt overlay and perform associated asphalt repairs					\$249,345
	Install French drain in clubhouse parking lot					
	Rock buttress repair allotment			\$57,198		
	Replace west parcel stairway					
	Replace main entrance sign					
	Picnic assets replacement allotment					
	Replace playground structure					
	Replace the fuel tanks				\$6,598	
3.3	STRUCTURE					
	<i>No structural expenditures budgeted</i>					
3.4	ROOFING					
	Resurface roof of clubhouse and sheds					
	Replace gutters and downspouts on clubhouse					
	Replace skylights on clubhouse					
	Resurface roof of picnic shelter					
3.5	EXTERIOR					
	Re-clad exterior of clubhouse					
	Exterior siding and trim repair allotment prior to painting		\$4,443			
	Paint exterior of clubhouse, picnic structure, and both sheds		\$23,240			

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2043	2044	2045	2046	2047
3.6	ELECTRICAL SYSTEMS					
	<i>All lighting expenditures assumed to be addressed via the operating budget</i>					
3.7	PLUMBING SYSTEMS					
	Replace clubhouse 80-gallon water heater					
	Replace apartment 50-gallon water heater	\$1,941				
	Septic system replacement					
3.8	HVAC SYSTEMS					
	Replace the clubhouse boiler					
3.9	ELEVATORS					
	<i>There are no common elevators in this community</i>					
3.10	FIRE DETECTION & SUPPRESSION					
	<i>There are no common comprehensive fire detection systems or fire suppression systems</i>					
3.11	COMMON INTERIOR FINISHES					
	Repaint clubhouse					
	Recarpet clubhouse					
	Clubhouse furnishings allotment					
	Facilities manager's apartment has been traditionally maintained via the facilities manager and all materials for this paid for via the operating budget			\$54,910		
3.12	MISCELLANEOUS MECHANICAL					
	Clubhouse key card upgrade allotment					
	Replace riding lawnmower					
	Office computer/electronics allotment			\$11,440		

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2043	2044	2045	2046	2047
3.13	AMENITIES					
	Repair and resurface the tennis court and basketball court					\$41,441
	Replace the tennis court fence with a vinyl coated chain link fence					\$46,174
	Replace glass & repair metal framing of pool house (minus gables)					
	Replace glass & repair metal framing of pool house gables					
	Re-plaster and re-tile the swimming pool					
	Replace the swimming pool filter					
	Replace the swimming pool pump					
	Replace the swimming pool cover	\$10,783				
	Swimming pool furniture allotment					
ANNUAL EXPENSES BY YEAR		\$1,941	\$27,682	\$123,548	\$6,598	\$290,787

4.0 FINANCIAL ANALYSIS

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

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance was \$158,559 as of November 11, 2017 (Balance provided by Eric Cooper). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is \$318,846. Therefore, the property is 49.7% funded.

The current annual contribution to the reserve fund is \$33,092, which averages \$5.65 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
49.7% funded.

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

4.2 RECOMMENDED RESERVE FUNDING PLAN

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

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

Our funding recommendations are as follows:

Option One: Immediate Full Funding

If the Association desires to be Fully Funded immediately, then based on the anticipated expenditures the Association will need to immediately contribute a total of \$160,287 to the Reserve Fund. This translates to an average of \$328 per unit. Following this initial contribution, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of \$37,138 per year in the initial year, which translates to \$6.34 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

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

-OR-

Option One

Average Immediate
Contribution Per Unit:

\$328

Avg. Contribution
Thereafter Per Unit Per
Month:

2018 \$6.34

(with 3% annual
increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a “full funding” deficiency of \$160,287. This option makes up this deficiency over the next five years. Starting in 2018 for five years through 2022, the Association will make up their Reserve Fund deficiency by contributing \$71,118 annually (which includes \$33,980 in make-up funds and \$37,138 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$12.14 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2023. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$43,053 in 2023, which translates to \$7.35 per unit per month. This 2023 annual contribution will need to be increased 3% each subsequent year (to account for inflation) for the duration of this 30 year study to maintain Full Funding and to account for inflation.

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

-OR-

Option Three: Full Funding Within Ten Years

There is currently a “full funding” deficiency of \$160,287. This option makes up this deficiency over the next ten years. Starting in 2018 for ten years through 2027, the Association will make up their Reserve Fund deficiency by contributing \$55,381 annually (which includes \$18,243 in make-up funds and \$37,138 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$9.46 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2028. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$49,910 in 2028, which translates to \$8.52 per unit per month. This 2028 annual contribution will need to be increased 3% each subsequent year for the duration of this 30 year study to maintain Full Funding and to account for inflation.

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

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

Option Two

Average Contributions Per Unit Per Month:

2018 \$12.14

Increasing at 3% per year through:

2022 \$12.94

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

2023 \$7.35

(with 3% annual increase thereafter)

Option Three

Average Contributions Per Unit Per Month:

2018 \$9.46

Increasing at 3% per year through:

2027 \$11.39

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

2028 \$8.52

(plus 3% annual increase thereafter)

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

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

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

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

These required options are as follows:

Option Four: Full Funding in 30 Years

There is currently a “full funding” deficiency of \$160,287. This option makes up this deficiency over the next thirty years. Starting in 2018 for thirty years through 2047, the Association will make up their Reserve Fund deficiency by contributing \$45,077 annually (which includes \$7,940 in make-up funds and \$37,138 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$7.70 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2048.

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

-OR-

Option Five: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of \$24,777 per year in the initial year, which translates to \$4.23 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

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

Option Four	
Average Contributions Per Unit Per Month:	
2018	\$7.70
Increasing at 3% per year through:	
2047	\$16.30

Option Five	
Average Contributions Per Unit Per Month:	
\$4.23	
(with 3% annual increase thereafter)	

4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason why this Reserve Study should be updated annually per Washington State SB 6215, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

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

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

4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

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

- Table 4.5: “Reserve Fund Balance Sheet”. This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.
- Figure 4.5A-1: “Comparison of Funding Plans -- Reserve Fund Balances Through 2047”. This line graph depicts the funding balances of the proposed funding options vs. the current. Note the current plan, in dotted red, falls below zero in several places. This represents insufficient funding for repairs needed in these years.
- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2027”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.
- Figure 4.5B: “Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year”
- Figure 4.5C: “Comparison of Funding Plans – Percentage of Full Funding by Year”

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FULL FUNDING WITHIN 5 YEARS											
Beginning Reserve Balance	158,559	163,753	204,260	283,702	338,786	392,213	480,895	539,021	593,959	550,133	609,487
Full Funding Annual Maintenance Funding	4,533	37,138	38,252	39,399	40,581	41,799	43,053	44,344	45,675	47,045	48,456
Planned Special Assessments / Make up Funds		33,980	33,980	33,980	33,980	33,980					
Annual Total Property Contribution to The Reserve Fund	4,533	71,118	72,232	73,379	74,561	75,779	43,053	44,344	45,675	47,045	48,456
Annual Capital Expenses	-	36,050	-	27,495	31,936	-	-	6,149	106,409	4,828	6,720
Interest Income	661	5,439	7,211	9,199	10,803	12,903	15,073	16,744	16,908	17,137	18,911
Ending Reserve Balance	163,753	204,260	283,702	338,786	392,213	480,895	539,021	593,959	550,133	609,487	670,135
Percentage of Full Funding	51.4%	61.4%	74.4%	83.7%	92.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
FULL FUNDING WITHIN 10 YEARS											
Beginning Reserve Balance	158,559	163,753	188,287	251,278	289,415	325,389	396,094	470,192	541,582	514,701	591,510
Full Funding Annual Maintenance Funding	4,533	37,138	38,252	39,399	40,581	41,799	43,053	44,344	45,675	47,045	48,456
Planned Special Assessments / Make up Funds		18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243
Annual Total Property Contribution to The Reserve Fund	4,533	55,381	56,495	57,642	58,824	60,042	61,296	62,587	63,918	65,288	66,699
Annual Capital Expenses	-	36,050	-	27,495	31,936	-	-	6,149	106,409	4,828	6,720
Interest Income	661	5,203	6,496	7,991	9,086	10,662	12,802	14,952	15,610	16,348	18,645
Ending Reserve Balance	163,753	188,287	251,278	289,415	325,389	396,094	470,192	541,582	514,701	591,510	670,134
Percentage of Full Funding	51.4%	56.6%	65.9%	71.5%	76.4%	82.4%	87.2%	91.2%	93.6%	97.1%	100.0%

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	158,559	163,753	177,829	230,048	257,090	281,636	340,570	402,544	461,447	421,703	485,264
Full Funding Annual Maintenance Funding	4,533	37,138	38,252	39,399	40,581	41,799	43,053	44,344	45,675	47,045	48,456
Planned Special Assessments / Make up Funds		7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940
Annual Total Property Contribution to The Reserve Fund	4,533	45,077	46,191	47,339	48,521	49,738	50,992	52,284	53,614	54,984	56,396
Annual Capital Expenses	-	36,050	-	27,495	31,936	-	-	6,149	106,409	4,828	6,720
Interest Income	661	5,048	6,028	7,199	7,961	9,195	10,982	12,768	13,051	13,403	15,303
Ending Reserve Balance	163,753	177,829	230,048	257,090	281,636	340,570	402,544	461,447	421,703	485,264	550,243
Percentage of Full Funding	51.4%	53.5%	60.3%	63.5%	66.2%	70.8%	74.7%	77.7%	76.7%	79.6%	82.1%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
BASELINE FUNDING											
Beginning Reserve Balance	158,559	163,753	157,224	187,844	192,251	193,084	227,182	263,151	294,833	226,603	260,359
Full Funding Annual Maintenance Funding	4,533	24,777	25,520	26,286	27,074	27,887	28,723	29,585	30,473	31,387	32,328
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	4,533	24,777	25,520	26,286	27,074	27,887	28,723	29,585	30,473	31,387	32,328
Annual Capital Expenses	-	36,050	-	27,495	31,936	-	-	6,149	106,409	4,828	6,720
Interest Income	661	4,744	5,100	5,617	5,695	6,211	7,246	8,246	7,706	7,196	8,195
Ending Reserve Balance	163,753	157,224	187,844	192,251	193,084	227,182	263,151	294,833	226,603	260,359	294,162
Percentage of Full Funding	51.4%	47.3%	49.3%	47.5%	45.4%	47.2%	48.8%	49.6%	41.2%	42.7%	43.9%

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	550,243	571,569	644,611	707,120	791,748	723,620	698,446	693,735	735,662	651,274	702,118
Full Funding Annual Maintenance Funding	49,910	51,407	52,949	54,538	56,174	57,859	59,595	61,383	63,224	65,121	67,075
Planned Special Assessments / Make up Funds	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940
Annual Total Property Contribution to The Reserve Fund	57,849	59,347	60,889	62,477	64,114	65,799	67,535	69,322	71,164	73,061	75,014
Annual Capital Expenses	53,102	4,277	18,357	-	154,636	111,989	92,820	48,519	176,049	42,218	-
Interest Income	16,578	17,973	19,976	22,151	22,395	21,016	20,574	21,124	20,497	20,001	22,189
Ending Reserve Balance	571,569	644,611	707,120	791,748	723,620	698,446	693,735	735,662	651,274	702,118	799,321
Percentage of Full Funding	83.2%	85.3%	87.0%	88.7%	88.3%	88.5%	89.0%	90.2%	89.7%	91.1%	92.7%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
BASELINE FUNDING											
Beginning Reserve Balance	294,162	282,886	321,843	348,722	396,115	289,083	223,268	176,110	173,713	43,049	45,588
Full Funding Annual Maintenance Funding	33,298	34,297	35,326	36,386	37,477	38,602	39,760	40,953	42,181	43,447	44,750
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	33,298	34,297	35,326	36,386	37,477	38,602	39,760	40,953	42,181	43,447	44,750
Annual Capital Expenses	53,102	4,277	18,357	-	154,636	111,989	92,820	48,519	176,049	42,218	-
Interest Income	8,528	8,937	9,910	11,007	10,126	7,572	5,902	5,170	3,203	1,310	2,039
Ending Reserve Balance	282,886	321,843	348,722	396,115	289,083	223,268	176,110	173,713	43,049	45,588	92,376
Percentage of Full Funding	41.2%	42.6%	42.9%	44.4%	35.3%	28.3%	22.6%	21.3%	5.9%	5.9%	10.7%

LEVEL 3 RESERVE STUDY FOR SCATCHET HEAD COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2039	2040	2041	2042	2043	2044	2045	2046	2047
FULL FUNDING WITHIN 30 YEARS									
Beginning Reserve Balance	799,321	891,758	927,683	976,212	1,079,556	1,196,956	1,294,118	1,299,330	1,425,914
Full Funding Annual Maintenance Funding	69,087	71,160	73,294	75,493	77,758	80,091	82,493	84,968	87,517
Planned Special Assessments / Make up Funds	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940	7,940
Annual Total Property Contribution to The Reserve Fund	77,027	79,099	81,234	83,433	85,698	88,030	90,433	92,908	95,457
Annual Capital Expenses	9,581	70,062	60,842	10,469	1,941	27,682	123,548	6,598	290,787
Interest Income	24,991	26,888	28,136	30,381	33,643	36,814	38,327	40,275	39,847
Ending Reserve Balance	891,758	927,683	976,212	1,079,556	1,196,956	1,294,118	1,299,330	1,425,914	1,270,432
Percentage of Full Funding	94.0%	94.9%	95.7%	96.7%	97.6%	98.3%	98.8%	99.5%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>									
BASELINE FUNDING									
Beginning Reserve Balance	92,376	132,207	113,248	104,524	148,156	203,286	235,523	173,050	229,082
Full Funding Annual Maintenance Funding	46,093	47,475	48,900	50,367	51,878	53,434	55,037	56,688	58,389
Planned Special Assessments / Make up Funds									
Annual Total Property Contribution to The Reserve Fund	46,093	47,475	48,900	50,367	51,878	53,434	55,037	56,688	58,389
Annual Capital Expenses	9,581	70,062	60,842	10,469	1,941	27,682	123,548	6,598	290,787
Interest Income	3,319	3,627	3,218	3,734	5,194	6,485	6,038	5,943	3,386
Ending Reserve Balance	132,207	113,248	104,524	148,156	203,286	235,523	173,050	229,082	71
Percentage of Full Funding	13.9%	11.6%	10.2%	13.3%	16.6%	17.9%	13.2%	16.0%	0.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2047

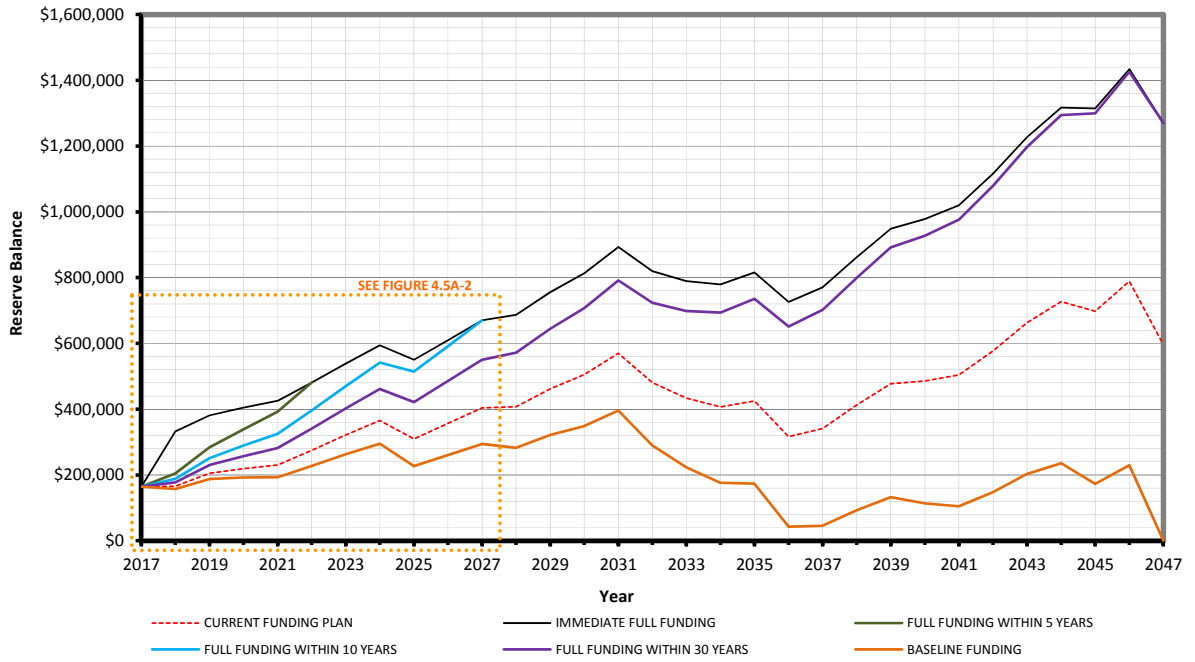


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2027

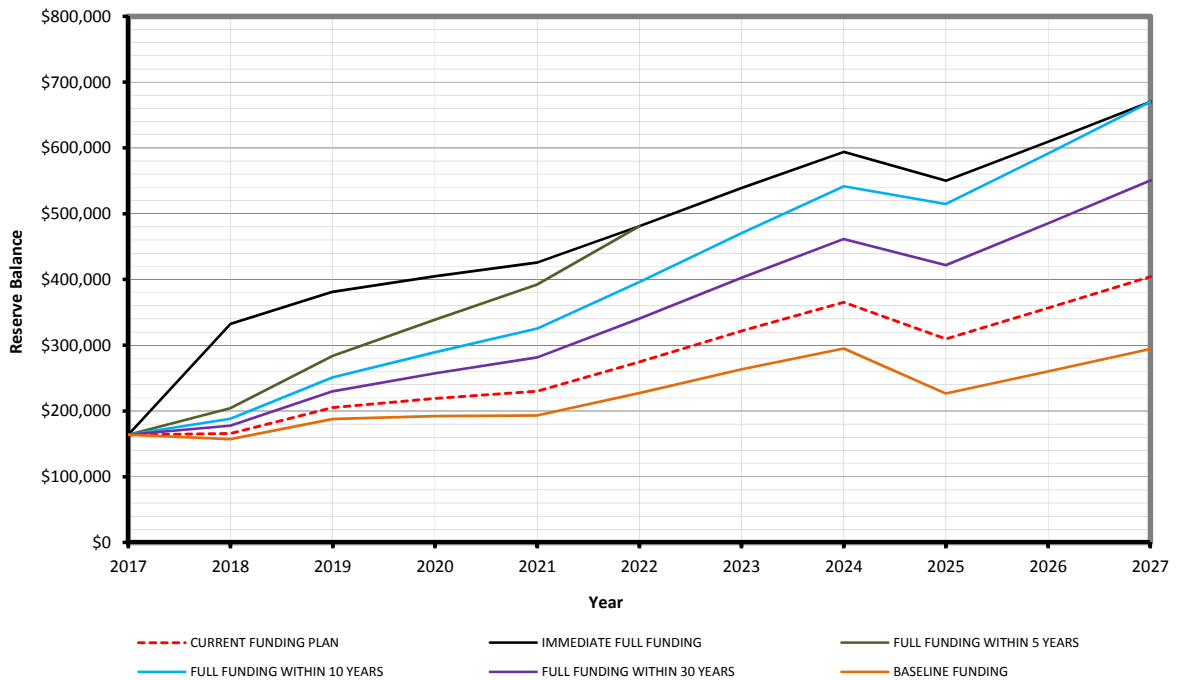


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

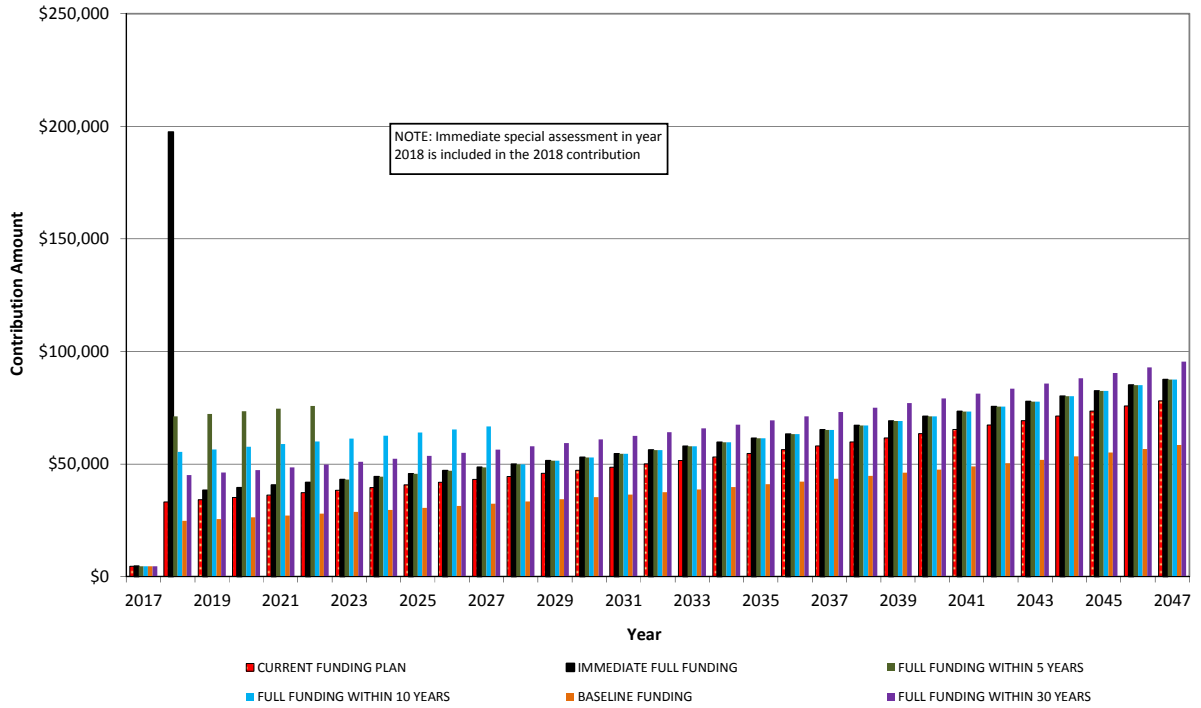
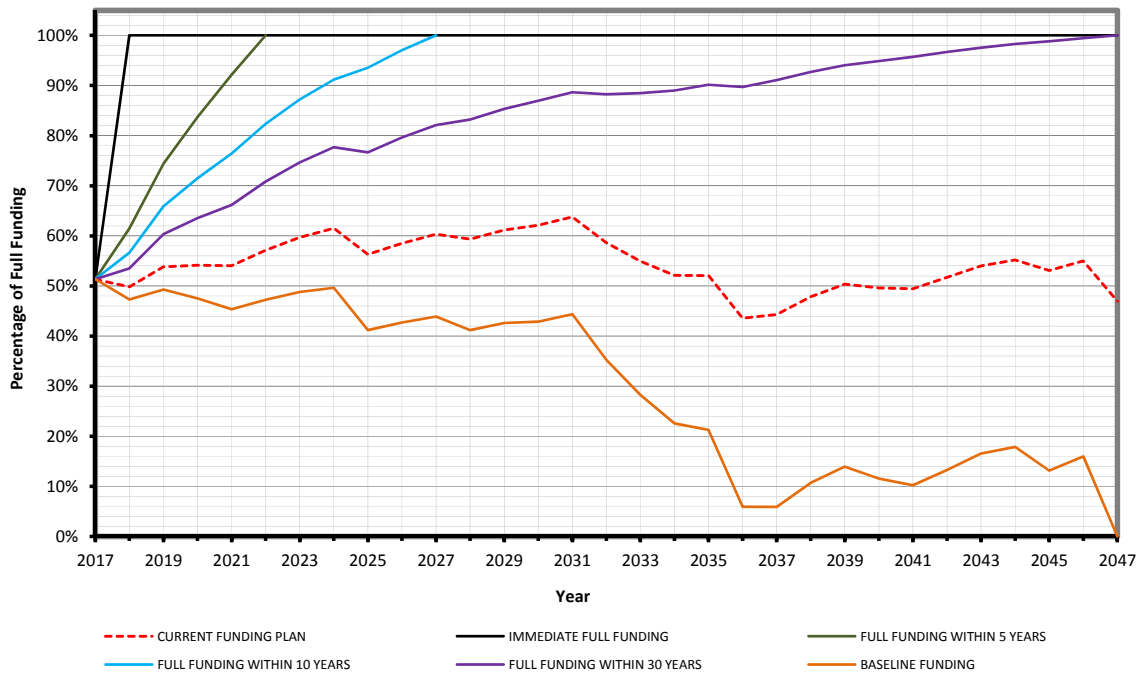


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



4.6 OTHER COMMON FUNDING METHODS

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

Cash Flow Method

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

Component Method

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

Baseline Funding

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

Full Funding

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

Statutory Funding

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

Threshold Funding

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

5.0 LIMITATIONS

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

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

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

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

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

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

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

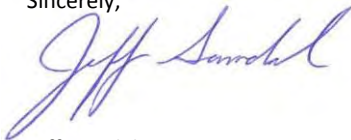
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact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

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

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

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

Sincerely,



Jeff Samdal, PE, RS, PRA

APPENDIX

Resume of Engineer Performing Study

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

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

Capabilities

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

- Property Condition Assessments (PCAs)
- Owner's Representative Construction Management
- Building Envelope Design and Construction Monitoring
- Capital Needs Assessments and Facilities Surveys
- Condominium/Homeowner's Association Reserve Studies
- Condominium Conversion Studies

Relevant Work History

Mr. Samdal has been owner and operator of Jeff Samdal & Associates / Samdal Engineering since 2005. Before concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

Education

BS in Mechanical Engineering, University of Washington

Licenses and Certifications

- *Licensed Professional Engineer (PE)*, Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer (PE)*, Civil Engineering, State of Washington, #40985
- *Reserve Specialist (RS)*, Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA)*, Association of Professional Reserve Analysts
- *Building Inspection Engineer (BIE)*, National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763
- *Licensed Home Inspector*, State of Washington, #349

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

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