

**2021-2045 Financial
Reserves Study
Final Report**

Waterway Pines Condominium Association

Prepared: April 7, 2021

Table of Contents

<i>Section</i>	<i>Page</i>
2021-2045 Financial Reserves Study - Report Narrative	3
2021-2045 Financial Reserves Study - Spreadsheets	6
Overview of Reserves Study Spreadsheet	12
Buildings/Grounds/Landscaping Reserve Cost Study Assumptions	15
Roadway and Driveways Reserve Study Cost Assumptions	19
Financial Reserves Policy and Criteria	22

2021-2045 Financial Reserves Study

Final Report

Waterway Pines Condominium Association

Prepared: April 7, 2021

Report Narrative

Introduction

The finances of Waterway Pines Condominium Association are divided into two components. The first is an *Annual Budget* which funds ongoing operational costs (for example, water and garbage service) and repairs and maintenance (for example, porch railing replacements, door and window replacements, driveway resealing etc.). The second component is a *Financial Reserve* which is built up over time to finance major capital costs associated with major repairs, replacements, or enhancements to our buildings, street and driveways, etc. The membership dues (HOA) we pay each month are then used to fund both the Operating Budget and the Financial Reserves.

In 2012, the WWPCA Board of Directors secured a study of our Financial Reserves from a private consulting firm, Reserve Advisors. Since such studies should be conducted very five years or so, in March 2019 the Board decided to conduct another reserve study, with costs determined as of a base year of 2020 with the first year of the study period to begin in 2021. The purpose of this study, as reported in a WWPCA Newsletter over a year ago, is to examine and then project what our Association will need in financial reserves over the next twenty-five years in order to properly maintain and enhance the quality of our buildings, streets, driveways, landscaping and related infrastructure through ongoing capital replacement. This study is a reflection of the Board's commitment to maintain adequate financial reserves in order to avoid special assessments as much as possible.

Though the 2012 study was conducted by a private consulting firm, the study required considerable revision in interaction between Reserve Advisors and the Board to bring the analysis in line with the circumstances under which Waterway Pines operates. As a result, the Board decided in 2019 to conduct the next reserve analysis in-house to avoid the all-too-common approach of professional consultants to maximize projects and costs and utilize straight-line projections which can often result in inflated cost estimates. The Board determined that its on-the-ground experience at understanding the needs for operational and capital expenditures and the reality of costs for meeting those needs would be a valuable basis for conducting an in-house study more accurately reflective of our actual needs over time.

The in-house Reserve Study Committee conducting the new study included Jim Visser (Board President), Dennis Mulder (Board Member in charge of Buildings), and Doug

Hayden (Board Treasurer), with assistance from past Board Member and President Don Vanden Brink, and with input from the current Board members in charge of each service portfolio (e.g., landscaping).

The Approach to the Reserve Study

Our overall approach in structuring this study was as follows:

Timeline: 25 years

We determined that a 25-year rather than 20-year timeline would be more reflective of some of the major capital needs we will face as an aging condominium complex: chiefly the replacement of roofs, vinyl siding, roadway resurfacing, and driveway replacement.

Five-Year Updates:

To keep our understanding of our reserve fund needs as accurate and current as possible, the study should be reviewed and costs and projects updated every five years. Additionally, we decided to conduct the analysis within five-year blocks for two reasons. First, the five-year blocks also coincide with the need to update and conduct a revised analysis every five years. Second, we may not be able to pinpoint the completion of specific projects some years out in a given year, but we should be able to do so within a five-year period. This gives the Board some needed flexibility as to when certain projects are undertaken and completed.

In essence, the Reserve Study needs to be viewed almost as a living document, subject to periodic update and change. The Reserve Study serves as a guide to be used intelligently over time to keep the Board informed, and then the annual budgeting process is used to set our annual HOA in order to meet current as well as long-term needs. Additionally, the long-term sinking fund costs reflected in the Reserve Study spreadsheet are there to keep our eye on the ball as to when and to what extent these long-term costs will hit us and when, in advance, we need to act.

What the Reserve Study spreadsheet cost data represent and what they do not:

To be clear as possible, the cost data shown in the accompanying spreadsheet are estimates and projections based on reasonable assumptions about current costs, time-frames and the effects of inflation. As such, these data are subject to revision and change as life on the ground, so to speak, dictates. Consequently, these data help inform the annual budgeting process, they do *not* necessarily reflect hard and fast budget line items, especially as projections extend out over time. Consequently, the reserve study is only a guide for budgeting—it becomes one of several tools the Board uses each year to set our annual budget.

What inflation factor is built into this study?

A three percent (3%) inflation factor is used in this study. As the study is revised every five years, that size of that factor may change depending on the general inflation rate in the local and national economy and our experience with cost increases in materials and services charge to our Association.

What cost items are and should be included in the Financial Reserve?

For several years, the Board has wrestled with the question of what specific cost items should be funded by the Reserve as opposed to our annual operating budget. However, on December 14, 2020, the Board adopted a policy (see attached), per the direction given in our bylaws, that targets reserve expenditures only to those capital projects occurring with less frequency than once every five years, that are related to the common elements of our Association (building exteriors, roads, drives), and that cost \$25,000 or more in any one year, or \$75,000 or more spread over three years. Although these criteria are a bit arbitrary, they allow us to target the reserves to those truly large projects which cannot be easily absorbed into a single year's budget, e.g., systematic roof and building siding replacement, driveway replacement, and roadway resurfacing and replacement. All other expense items, including landscape replacement over time, should be handled in our annual operating budget. This approach is reflected in this Reserve analysis and will be reflected in our operating budget deliberations for 2022.

Documents in this binder:

This document includes the following sections:

Report Narrative

WPCA Reserve Study Spreadsheet—2021-2045

Overview of the Spreadsheet

Buildings/Grounds/Landscaping Reserve Cost Study Assumptions

Roadway and Driveways Reserve Study Cost Assumptions

Financial Reserves Policy and Criteria, Adopted December 14, 2020.

From: The WWPCA Board of Directors

WPCA Reserve Study Spreadsheet

April 7, 2021

Operating Budget Projects

		Inflation Rate			3%		
Building Maintenance	Notes	Cost/Unit	# of Units	Units/Year	Start Year	# of Yrs	Cost/Yr
Decks		2,000	133	5	2021	26.6	10,000
Sunroom Posts		4,000	28	5	2021	5.6	20,000
Sunroom Bandboard & Soffit Repair		1,500	88	5	2021	17.6	7,500
Front Door Replacement		900	148	9	2031	16.4	8,100
Garage Service Door Replacement		500	120	8	2022	15.0	4,000
Electric Meter Panels Replacement	46 @4 panels/year ?	3,000	23	6	2021	3.8	18,000
Gutters/Downspouts Replace.	1,000/feet/year @ \$10/ft	10,000	1	1	2021		10,000
Light Fixtures-Replacement		150	680	40	2026	17.0	6,000
Shutters, Replacement		200	148	15	2036	9.9	3,000
Windows & Patio Doors	15%/yr increase			increase/year	15%	2021	2,500
Landscaping		Cost			Start Year		
Landscaping Refresh		10,000			2021	ongoing	10,000
Roads & Driveways		Cost		Frequency: X Yrs	Start Year		
Only Crack-Fill/Patch Streets	spread cost across 4 years	5,900		4	2021	ongoing	1,475
Driveway Crack Fill and Reseal	spread cost across 3 years	37,250		3	2021	ongoing	12,417
Timber Crossing Bridge	\$5K in 2030 & 2032	5,000		2	2030	2032	

Total Operating Budget Projects

Reserve Budget Projects

Building Maintenance	Notes	Cost	Spread Across X Yrs			Cost/Yr	
Walls, Vinyl Siding, LT Sinking Fund	spread cost across 25 years	2,450,000		25	2021	25	98000
Roofs, Shingles. LT Sinking Fund	spread cost across 25 years	1,530,000		25	2021	25	61200
Roads & Driveways		Cost/Unit	# of Units	Units/Year	Start Year		Cost/Yr
Patch, CF & Micro-Surface Streets		58,000		every 8 years	2021	ongoing	58,000
Asphalt Replacement, Driveways	148 driveways & 19 parking	4,152	157	9	2021	17.4	37,368

Total Reserve Budget Projects

Cumulative Needed from Reserves at 100% Assuming 100% Replacement

Cumulative Needed from Reserves at 50% Assuming 50% Replacement

Current Reserve Funds as of 12/31/2020 we have \$756,854 in our Reserve Fund

WPCA Reserve Study Spreadsheet

April 7, 2021	2021	2022	2023	2024	2025	5 Year	Total All In
Operating Budget Projects	1.03	1.06	1.09	1.13	1.16	Total	5th Year
Building Maintenance	1	2	3	4	5		
Decks	10,300	10,609	10,927	11,255	11,593	54,684	57,964
Sunroom Posts	20,600	21,218	21,855	22,510	23,185	109,368	115,927
Sunroom Bandboard & Soffit Repair	7,725	7,957	8,195	8,441	8,695	41,013	43,473
Front Door Replacement						-	-
Garage Service Door Replacement		4,244	4,371	4,502	4,637	17,754	23,185
Electric Meter Panels Replacement	18,540	19,096	19,669	16,883		74,188	-
Gutters/Downspouts Replace.	10,300	10,609	10,927	11,255	11,593	54,684	57,964
Light Fixtures-Replacement						-	-
Shutters, Replacement						-	-
Windows & Patio Doors 15%/yr increase	2,500	2,875	3,306	3,802	4,373		
Landscaping							
Landscaping Refresh	10,300	10,609	10,927	11,255	11,593	54,684	57,964
Roads & Driveways							
Only Crack-Fill/Patch Streets		1,565	1,612	1,660	1,710	6,547	8,550
Driveway Crack Fill and Reseal		13,173	13,568	13,975	14,394	55,110	71,972
Timber Crossing Bridge						-	-
Total Operating Budget Projects	80,265	101,954	105,358	105,539	91,772	468,032	436,998
Reserve Budget Projects						5 Year	Total All In
						Total	5th Year
Building Maintenance	1	2	3	4	5		
Walls, Vinyl Siding, LT Sinking Fund	100,940	103,968	107,087	110,300	113,609	535,904	
Roofs, Shingles. LT Sinking Fund	63,036	64,927	66,875	68,881	70,948	334,667	
Roads & Driveways							
Patch, CF & Micro-Surface Streets					67,238	67,238	
Asphalt Replacement, Driveways	38,489	39,644	40,833	42,058	43,320	204,344	216,599
Total Reserve Budget Projects	202,465	208,539	214,795	221,239	295,114	1,142,152	
Cumulative Needed from Reserves at 100%	202,465	411,004	625,799	847,038	1,142,152		
Cumulative Needed from Reserves at 50%	101,233	205,502	312,900	423,519	571,076		
Current Reserve Funds	756,854						

WPCA Reserve Study Spreadsheet

April 7, 2021

Operating Budget Projects

	2026	2027	2028	2029	2030	5 Year Total	Total All In 5th Year
Operating Budget Projects	1.19	1.23	1.27	1.30	1.34		
Building Maintenance	6	7	8	9	10		
Decks	11,941	12,299	12,668	13,048	13,439	63,394	67,196
Sunroom Posts	14,329					14,329	-
Sunroom Bandboard & Soffit Repair	8,955	9,224	9,501	9,786	10,079	47,545	50,397
Front Door Replacement						-	-
Garage Service Door Replacement	4,776	4,919	5,067	5,219	5,376	25,358	26,878
Electric Meter Panels Replacement						-	-
Gutters/Downspouts Replace.	11,941	12,299	12,668	13,048	13,439	63,394	67,196
Light Fixtures-Replacement	7,164	7,379	7,601	7,829	8,063	38,036	40,317
Shutters, Replacement						-	-
Windows & Patio Doors 15%/yr increase	5,028	5,783	6,650	7,648	8,795	33,903	
Landscaping							
Landscaping Refresh	11,941	12,299	12,668	13,048	13,439	63,394	67,196
Roads & Driveways							
Only Crack-Fill/Patch Streets	1,761	1,814	1,868	1,925	1,982	9,351	9,911
Driveway Crack Fill and Reseal	14,826	15,271	15,729	16,201	16,687	78,714	83,435
Timber Crossing Bridge					6,720	6,720	6,720
Total Operating Budget Projects	92,662	81,287	84,419	87,750	98,020	444,137	419,246

Reserve Budget Projects

	6	7	8	9	10	5 Year Total	Total All In 5th Year
Building Maintenance							
Walls, Vinyl Siding, LT Sinking Fund	117,017	120,528	124,143	127,868	131,704	621,260	
Roofs, Shingles. LT Sinking Fund	73,076	75,268	77,526	79,852	82,248	387,970	
Roads & Driveways							
Patch, CF & Micro-Surface Streets						-	
Asphalt Replacement, Driveways	44,619	45,958	47,337	48,757	50,219	236,890	251,097
Total Reserve Budget Projects	234,712	241,754	249,006	256,477	264,171	1,246,120	

Cumulative Needed from Reserves at 100% **1,376,865** **1,618,619** **1,867,625** **2,124,102** **2,388,273**

Cumulative Needed from Reserves at 50% **688,432** **809,309** **933,813** **1,062,051** **1,194,136**

Current Reserve Funds

WPCA Reserve Study Spreadsheet

April 7, 2021	2031	2032	2033	2034	2035	5 Year	Total All In
Operating Budget Projects	1.38	1.43	1.47	1.51	1.56	Total	5th Year
Building Maintenance	11	12	13	14	15		
Decks	13,842	14,258	14,685	15,126	15,580	73,491	77,898
Sunroom Posts						-	-
Sunroom Bandboard & Soffit Repair	10,382	10,693	11,014	11,344	11,685	55,118	58,424
Front Door Replacement	11,212	11,549	11,895	12,252	12,620	59,528	63,098
Garage Service Door Replacement	5,537	5,703	5,874	6,050	6,232	29,396	31,159
Electric Meter Panels Replacement						-	-
Gutters/Downspouts Replace.	13,842	14,258	14,685	15,126	15,580	73,491	77,898
Light Fixtures-Replacement	8,305	8,555	8,811	9,076	9,348	44,095	46,739
Shutters, Replacement						-	-
Windows & Patio Doors 15%/yr increase	10,114	11,631	13,376	15,382	17,689	68,192	
Landscaping							
Landscaping Refresh	13,842	14,258	14,685	15,126	15,580	73,491	77,898
Roads & Driveways							
Only Crack-Fill/Patch Streets	2,042	2,103	2,166	2,231	2,298	10,840	11,490
Driveway Crack Fill and Reseal	17,188	17,703	18,234	18,781	19,345	91,251	96,724
Timber Crossing Bridge		7,129				7,129	7,790
Total Operating Budget Projects	106,307	117,838	115,426	120,494	125,955	586,021	549,119
Reserve Budget Projects						5 Year	Total All In
						Total	5th Year
Building Maintenance	11	12	13	14	15		
Walls, Vinyl Siding, LT Sinking Fund	135,655	139,725	143,916	148,234	152,681	720,210	
Roofs, Shingles. LT Sinking Fund	84,715	87,257	89,874	92,570	95,348	449,764	
Roads & Driveways							
Patch, CF & Micro-Surface Streets			85,175			85,175	
Asphalt Replacement, Driveways	51,726	53,278	54,876	56,522	58,218	274,621	291,091
Total Reserve Budget Projects	272,096	280,259	373,842	297,327	306,247	1,529,770	
Cumulative Needed from Reserves at 100%	2,660,369	2,940,628	3,314,469	3,611,796	3,918,043		
Cumulative Needed from Reserves at 50%	1,330,184	1,470,314	1,657,235	1,805,898	1,959,021		
Current Reserve Funds							

WPCA Reserve Study Spreadsheet

April 7, 2021	2036	2037	2038	2039	2040	5 Year	Total All In
Operating Budget Projects	1.60	1.65	1.70	1.75	1.81	Total	5th Year
Building Maintenance	16	17	18	19	20		
Decks	16,047	16,528	17,024	17,535	18,061	85,196	90,306
Sunroom Posts						-	-
Sunroom Bandboard & Soffit Repair	12,035	12,396	7,661			32,093	-
Front Door Replacement	12,998	13,388	13,790	14,203	14,630	69,009	73,148
Garage Service Door Replacement	6,419					6,419	-
Electric Meter Panels Replacement						-	-
Gutters/Downspouts Replace.	16,047	16,528	17,024	17,535	18,061	85,196	90,306
Light Fixtures-Replacement	9,628	9,917	10,215	10,521	10,837	51,118	54,183
Shutters, Replacement	4,814	4,959	5,107	5,261	5,418	25,559	27,092
Windows & Patio Doors 15%/yr increase	20,343	23,394	26,903	30,939	35,579	137,158	
Landscaping							
Landscaping Refresh	16,047	16,528	17,024	17,535	18,061	85,196	90,306
Roads & Driveways							
Only Crack-Fill/Patch Streets	2,367	2,438	2,511	2,586	2,664	12,566	13,320
Driveway Crack Fill and Reseal	19,925	20,523	21,139	21,773	22,426	105,785	112,129
Timber Crossing Bridge						-	-
Total Operating Budget Projects	136,670	136,600	138,398	137,888	145,737	695,294	550,789

Reserve Budget Projects						5 Year	Total All In
Building Maintenance	16	17	18	19	20	Total	5th Year
Walls, Vinyl Siding, LT Sinking Fund	157,261	161,979	166,838	171,844	176,999	834,921	
Roofs, Shingles. LT Sinking Fund	98,208	101,154	104,189	107,315	110,534	521,400	
Roads & Driveways							
Patch, CF & Micro-Surface Streets						-	
Asphalt Replacement, Driveways	59,965	61,764	20,429			142,157	157,132
Total Reserve Budget Projects	315,434	324,897	291,457	279,158	287,533	1,498,479	

Cumulative Needed from Reserves at 100%	4,233,477	4,558,374	4,849,830	5,128,988	5,416,521		
Cumulative Needed from Reserves at 50%	2,116,738	2,279,187	2,424,915	2,564,494	2,708,261		
Current Reserve Funds							

WPCA Reserve Study Spreadsheet

April 7, 2021	2041	2042	2043	2044	2045	5 Year	Total All In	25 Year
Operating Budget Projects	1.86	1.92	1.97	2.03	2.09	Total	5th Year	Total
Building Maintenance	21	22	23	24	25			
Decks	18,603	19,161	19,736	20,328	20,938	98,766	104,689	375,530
Sunroom Posts						-	-	123,697
Sunroom Bandboard & Soffit Repair						-	-	175,769
Front Door Replacement	15,068	15,520	15,986	16,466	16,960	80,000	84,798	208,536
Garage Service Door Replacement						-	-	78,926
Electric Meter Panels Replacement						-	-	74,188
Gutters/Downspouts Replace.	18,603	19,161	19,736	20,328	20,938	98,766	104,689	375,530
Light Fixtures-Replacement	11,162	11,497				22,658	-	155,907
Shutters, Replacement	5,581	5,748	5,921	6,098	5,444	28,792	27,219	54,351
Windows & Patio Doors 15%/yr increase	40,916	47,054	54,112	62,229	71,563	275,874		515,127
Landscaping								
Landscaping Refresh	18,603	19,161	19,736	20,328	20,938	98,766	104,689	375,530
Roads & Driveways								
Only Crack-Fill/Patch Streets	2,744	2,826	2,911	2,998	3,088	14,568	15,442	53,871
Driveway Crack Fill and Reseal	23,099	23,792	24,505	25,241	25,998	122,634	129,989	453,494
Timber Crossing Bridge						-	-	13,848
Total Operating Budget Projects	154,379	163,920	162,643	174,015	185,866	840,823	571,514	3,034,307

Reserve Budget Projects						5 Year	Total All In	25 Year
	21	22	23	24	25	Total	5th Year	Total
Building Maintenance								
Walls, Vinyl Siding, LT Sinking Fund	182,309	187,778	193,411	199,214	205,190	967,903		3,680,198
Roofs, Shingles. LT Sinking Fund	113,850	117,266	120,783	124,407	128,139	604,445		2,298,246
Roads & Driveways								
Patch, CF & Micro-Surface Streets	107,897					107,897		
Asphalt Replacement, Driveways						-	-	858,012
Total Reserve Budget Projects	404,056	305,044	314,195	323,621	333,329	1,680,245		7,096,766

Cumulative Needed from Reserves at 100%	5,820,577	6,125,621	6,439,816	6,763,437	7,096,766			6,836,456
Cumulative Needed from Reserves at 50%	2,910,289	3,062,810	3,219,908	3,381,718	3,548,383			3,418,228
Current Reserve Funds								

Narrative Overview of the Reserve Study Spreadsheet

April 7, 2021

The WPCA Reserve Study Spreadsheet of April 7, 2021 addresses two objectives:

1. To account for capital cost estimates for maintaining and upgrading the buildings, ground, roadway, and driveways of the common areas for which the WWPCA Board is responsible through the assessment of monthly dues (HOA) over a period of 25 years.
2. To estimate the long-term capital needs for major capital projects, particularly related to the Association's buildings and roads, that are likely to be undertaken later in the time-frame of this study, but for which the Board needs in the present (in a sinking fund) to accumulate adequate reserves to meet those costs when they come due in later years

The Spreadsheet is divided into two sections: Operating Budget Projects and Reserve Budget Projects. The first section is included to give us a reasonable estimate of capital items that can be handled within the annual operating budget and when they are likely to occur. The second section is our focus in this analysis—a projection of the probable costs and timing of major capital projects for which we must have adequate reserves over time to cover those costs when they occur over the next twenty-five years.,

In essence, the analysis provided through this spreadsheet is a tool to be used by the Board to estimate the needed size of our reserves over time, thereby giving the Board guidance as to the size of the monthly HOA needed beyond our annual operating expenses to cover our capital project needs.

The Spreadsheet: Page 1:

The first page of the spreadsheet summarizes some of the assumptions made in constructing the remainder of the spreadsheet. This page should be read in conjunction with the back-up documents also provided in this report on the assumptions and the calculations made in performing the analysis.

For example, the line-item under Roads and Driveways for asphalt replacement of the driveways indicates that 148 driveways and 19 guest parking spaces were used in calculating the per space cost of \$4,152 in 2021. The annual cost projections, therefore, for costs spread over the 2021-2045 period use this per unit cost with the cost source, timing, and pace of driveway replacement over this 25- year period as explained in the back-up document titled *Roadways and Driveways Reserve Study Cost Assumptions, March 31, 2021*.

At the bottom of page 1, are two lines indicating the cumulative reserves needed beyond the operating budget to cover reserve fund project needs, at 100% and 50%. These lines are merely tools to give the Board an understanding of what size of reserve fund we would need if we attempted to cover all long-term capital needs from the reserve fund. The 50% line indicates what we would need if we attempted to cover one-half of our needs through the reserve fund, and the remainder from other sources (e.g., special assessments). A third line indicates the size of the reserve fund presently enjoyed by Waterway Pines as of the end of 2020.

For example, in 2021, (*page 2 of the spreadsheet*) reserve fund needs including sinking funds to be put away to cover projects needed in later years totals \$202,465 if all paid from the reserve fund, and \$101,233 if 50% is paid from the reserve fund and the remainder from other sources. Since we have \$756,854 in reserves on hand as of December 2020, we have a comfortable margin in the reserve fund with which to work. However, by the year 2024, our reserve fund needs are estimated at \$847,038 at 100%. *If we do not continue to add to the reserves* over the next three to four years, this amount exceeds our current reserve fund balance. This result underscores our need to continue adding to the reserves to avoid or at least minimize special assessments in later years.

Spreadsheet: Page 2:

On the second and subsequent pages of the spreadsheet, two additional columns are provided in addition to the annual cost projections: “5 Year Total” and “Total All in 5th Year”. The first column totals the cost projections for each line item over the preceding five years, assuming each project is completed in the year for which it is targeted within that five-year block. However, to give the Board some flexibility and to account for the likelihood of some slippage in when projects get completed, the second column provides a total for the five years, including cumulative inflation, assuming all projects do not get completed until the fifth year.

General Conclusions

The following general conclusions can be drawn from the estimates and projections found in the spreadsheet.

1. In order to have sufficient resources to cover all or at least a substantial cost of replacement of building siding and roofs in the later years of this analysis, we need to build sufficient reserves in the early years through some form of sinking fund to cover these costs. This need adds considerably to the need for substantial ongoing reserves for Waterway Pines.

2. Rebuilding the roadway in this analysis assumes continued micro-surfacing of the roadway surface every eight years. At some point over the next 25 years, if we find it necessary to strip off the asphalt surface and re-asphalt the roadway, the current projections found in this analysis will be insufficient.
3. The analysis reflected in this spreadsheet indicates that by the year 2024, our financial needs (\$847,038) from the Reserves will exceed our current reserve fund balance (\$756,854) by over \$90,000, assuming no new additions to the reserve fund revenues after 2021. Again, it is imperative that we continue to increase our annual net contribution to the reserve fund.
4. The assumptions built into this analysis assume our current policy of funding our capital project needs and or operating expenses from HOAs rather than to engage in special assessment of our unit owners for capital project costs. As we get into later years and encounter the need to replace major systems—roofs, vinyl siding or the roadway, this may not be possible. This also underscores the need to reduce or slow the need for special assessments for as long as possible through annual net new contributions to the reserve fund.

WWPCA

Buildings/Grounds/Landscaping Reserve Study Cost Assumptions

(As of April 7, 2021)

Per the policy adopted by the Board of Directors in December 2020 for assigning costs to the operating budget versus reserves, all building related capital items are to be assigned to the operating budget except those entailing long-term and major capital costs to be undertaken after 2040 for which some kind of sinking fund needs to be established.

These Capital items include:

- Systematic replacement of all vinyl siding
- Replacement of all roof shingles at the end of the useful life of the current roofs.

The reserve study spreadsheet reflects these long-term costs as amortized over 25 years, assuming 2020 total cost estimates, and the inflation factor of 3 percent.

Note, that is highly likely that many windows and patio doors may be replaced as needed over the 25 years. Therefore, these costs are assigned as part of the operating budget.

BUILDINGS

General Assumptions: (Dennis Mulder)

Inflation Factor: 3% per year

Decks-Operating Budget

With life expectancy of 25 to 30 years, of 133 decks, expect to do 125 of them through 2045 at the pace of 5 per year.

Assume \$2,000 per deck/unit in 2021 dollars. Assume assigned to the Operating Budget

Sunrooms (support posts, band board, soffit)-Operating Budget

Sunroom Posts: Assume 6 posts per year, \$3,333 per post, \$9,000 per year starting in 2021. Total number of sunroom posts to be replaced= 28

Sunroom Band board and Soffits: Assume 5 band board/soffit replacements per year at \$7,500 through 2040. Total remaining as of 2021 is unknown.

Front Door Replacement-Operating Budget

Assume \$900 per unit (2020 costs), all 148 units: Begin replacement in 2031.

Assume 9 units per year. Assume Operating Budget

2031 9 units \$1,339 per unit as of 2031= \$12,051.

2032 9 units

2033 9 units

2034 9 units

2035 9 units

Subtotal = 45 units

2036 9 units

2037 9 units

2038 9 units

2039 9 units

2040 9 units

Sub-Total= 45 units

2041 9 units

2042 9 units

2043 9 units

2044 9 units

2045 9 units

Sub-Total 45 units

2046-2050 13 units

Garage Service Door Replacement

Assume \$500/door in 2020 dollars, 120 units beginning in 2022. Assume Operating Budget.

2022 10 units

2023 10 units

2024 10 units

2025 10 units

Sub-Total 40 units

2026	10 units	
2027	10 units	
2028	10 units	
2029	10 Units	
2030	10 units	
	Sub-Total	50 units
2031	10 Units	
2032	10 Units	
2033	10 units	
	Sub-total	30 units

Gutters and Downspouts Replacement: Operating Budget

Assume \$10 per lineal foot per year, 1,000 feet per year, begin 2021, end 2045.
Assume Operating Budget

External Garage Light Fixtures Replacement: Operating Budget

\$150/unit in 2020 dollars, 680 units in total. Begin replacement in 2026 at \$179/unit in 2026 (\$7,160), 40 units per year. Assume Operating Budget.

Electric Meter Panels Replacement: Operating Budget

\$3,000 per meter panel in 2020 dollars, complete 20 over 3 ½ years 2021-2026.
2021-2026: 23 panels remaining, 6 panels per year= \$18,000.

Garage Shutters Replacement: Operating Budget

@\$200/shutter in 2020; begin 2036 at 3% inflation price is \$321 in 2036. Do 74 units over five years.

2036	15 units	\$321 x 15= \$4,845
2037	15 units	
2038	15 units	
2039	15 units	
2040	15 units	
	Total	75 units

Windows and Patio Doors Replacement: Operating Budget

DM estimates 3000-3300 windows and patio doors with life expectancy of 40+ years as of 2020. If begin replacement in 2041, 3,600 units would be \$2,520,000 (assuming 2020 dollars and no further inflation over five years). In 2040 dollars, the unit cost could be \$1,262 at 3% inflation compounded, or \$4,543,200 (assuming no inflation over the five years).

Walls (Vinyl Siding Replacement): Reserve Budget

At 245,000 Sq. Ft. , and at \$10/sq. ft. in 2020 dollars, spread over five years beginning in 2041, the total cost (assuming 2020 dollars and no further inflation over five years), would be \$2,450,000. If we use 3% inflation compounded so the per sq. ft cost in 2040 is \$18.04 X 245,000 sq. ft. or \$4,419,800 (assuming no inflation over the five years).

Assume the need to set aside a portion of the Reserve Budget each year as a sinking Fund to be ready to replace this item as of 2041.

Roof Replacement: Reserve Budget

The last time we had the roofs replaced (2011), the cost was \$1,000,000. The cost was covered by insurance proceeds from State Farm insurance.

DM estimates at \$1,530,000 at \$10,333 per unit in 2020 dollars.

In 2040 dollars, it is \$16,097 at 148 units= \$2,383,356.

Assume the need to set aside a portion of the Reserve Budget each year as a Sinking Fund to be ready to replace this item as of 2041.

GROUNDS/LANDSCAPING: Operating Budget

Based on the Board policy of attempting to replace aging/dying and overgrown landscaping elements each year, we have added a plug figure of \$10,000 per year into the reserve study, but as an ongoing operational cost rather than as a capital reserve item.

The irrigation system is aging. Each year we make repairs and improvements to the system out of the operating budget. This reserve analysis assumes no systematic replacement of the irrigation system but, instead, periodic incremental improvements funded out of the operating budget.

Pond dredging, weed control and aeration will be treated as operating budget items as we go forth.

WWPCA

Roadways and Driveways Reserve Study Cost Assumptions

(As of April 7, 2021)

Definitions:

Roadway: Timberlake Drive East and West (from entrances at Lakewood Blvd and James Street, and Timber Crossing) = @1.2 Miles of 2-lane asphalt road.

Driveways: 148 driveways from the street to unit garages

16 guest parking pads scattered throughout the Association

Driveway Replacement: Tear out all drives down to the gravel base, add supplemental gravel where needed and replace with 2.5-3 inches of asphalt.

Driveway stripping: Top 2 inches of pavement and repave.

Micro-Seal: Pavement coated with ¼ inch of micro seal substance, after crack-fill/patch.

Roadway Replacement: Strip top 2 inches of asphalt and repave.

Assumptions: (Jim Visser)

Cost Basis Year: 2020

Inflation Factor: Assuming a 3% per annum compounded factor

Five-Year Blocks: Analysis assumes cost estimates in five-year blocks, showing both costs in the year planned for a project and costs if the project were not completed until year 5 of the block.

A. Sources of Cost Estimates:

Roadway Patch, Crack-Fill and Micro-Surface:

Cost Base Year: 2016

Surface Micro-Sealing (including crack fill): Strawser Inc., bid price \$48,000 in 2016. The micro-surfacing portion of the bid was \$38,700. The crack-fill and pavement patching portion of the bid was \$10,500 (\$6,950 for crack fill, \$3,550 for patching), and there were severe cracks in the pavement and some patching issues since the roadway had not been patched since it was built 20 years previously. Assume in the year of micro-surfacing, crack fill would also be needed. Crack and fill and

patching add-ons at driveway/street interface: 2016 North Shore Asphalt project costs was \$1,643. Total project cost to micro-surface, crack fill and patch was \$50,843.

Strawser and our consultant, Dennis Grylicki estimated that the micro-surfacing should be redone when cracks in the roadway exceed 1/2 inch in width. Estimated to not need crack-filling for at least every 4 years after 2016. Given current condition of the underlying roadway, this analysis assumes micro-surfacing every 8 years after 2016. Grylicki also estimated the micro-surfacing could be re-applied indefinitely as long as the underlying roadway base was in good condition and we did crack fills in a timely fashion. The streets are due to be micro-surfaced again in 2025; at a compound inflation rate of 3 percent= **\$67,238** in 2025.

Patching and crack-fill for the streets without micro-sealing was bid by MSR for 2021 at \$5,863 (rounded up to \$5,900). Since the streets will be crack-filled only every four years, beginning in 2021, the spreadsheet will show the cost spread over every four years.

Driveway Resealing

Crack-filling and resealing bid from MSR for 2021 for all driveways and guest parking spaces not replaced with asphalt is as follows:

Crack Repair:	\$16,837
Sealcoating:	<u>\$20,413</u>
Total	\$37,250.

Since driveways will be resealed every three years, the cost reflected in the spreadsheet will be spread over three years.

Source: Bids for driveway replacement received from MSR for 2021:

MSR Bid for driveway asphalt replacement as follows:

- For 9 driveways= \$37,368 (\$4,152 per driveway) –*selected*
- For 10 driveways= \$40,200 (\$4,020 per driveway)
- For 13 driveways= \$50,700 (\$3,900 per driveway)

B. Driveway Replacement Schedule (Assuming 9 driveways per year as of 2021)

Total driveways plus 16 guest parking pads. =	164
Less; driveways completed by 2020:	<u>7</u>
Net Driveways and Pads=	157

The designation of driveways to be replaced is made each year following a spring inventory of driveway conditions conducted by the Board.

2021	9 driveways
2022	9 driveways
2023	9 driveways
2024	9 driveways
2025	9 driveways
Subtotal	45 driveways
2026	9 driveways
2027	9 driveways
2028	9 driveways
2029	9 driveways
2030	9 driveways
Sub-Total	45 driveways
2031	9 driveways
2032	9 driveways
2033	9 driveways
2034	9 driveways
2035	9 driveways
Sub-Total	45 driveways
2036	9 driveways
2036	9 driveways
2037	4 driveways
Sub-Total	22 driveways

Timber Crossing Bridge:

Plug figures of \$5,000 for repairs in 2030 and 3032. This will be handled in the annual Operating Budget.



Financial Reserves Policy and Criteria

As Amended and Adopted by the Board: December 14, 2020

DATE: December 22, 2020
TO: Waterway Pines Board of Directors
FROM: Jim Visser, WWPCA Board

RE: Criteria for deciding when expenses should be budgeted to the Operating Budget verses the Reserve Accounts (Final Draft).

Colleagues, the criteria for including projects in the Reserve Fund budget as adopted at our December 14, 2020 Board meeting, are as follows:

Reserve Fund Projects:

1. Projects costing \$25,000 or more in any one year, or \$75,000 or more spread over three years, are considered Reserve Fund projects.
2. In addition to the dollar threshold of \$25,000, projects that occur with less frequency than once every five years should be considered Reserve Fund projects.
3. Projects must be related to the building exteriors and other common elements in order to be regarded as Reserve Fund expenses.
4. Projects requiring ten years or more to complete should be where possible, divided into smaller projects that meet the criteria for being placed in the operating budget.

Per our decision, we will use these criteria in all future budget deliberations.