

Board of Directors
Spring Meadow Homeowners Association

September 21st 2018

Most homeowners associations in Oregon are required to conduct regular studies to evaluate their capital assets and determine the amount of funds that should be collected during the lifetime of those assets to ensure adequate money is available at a projected future date to repair, refurbish, or replace the assets as they wear out. Oregon law requires the review and updating of these studies annually. It also requires preparation of a maintenance plan to ensure that the assets are well cared for during their lifetime.

WCM has prepared two documents for the Spring Meadow Homeowners Association (SPM) to inform the Board in these areas and to assist in the necessary analysis and planning for informed decision-making.

Reserve Study (Pages 2 - 9). A Reserve Study identifies the major components of an association's physical assets which are expected to require funding during a period of one to thirty years for major repair, refurbishment, or replacement. The study estimates the useful life of those components and the cost of repair/replacement of those items at the appropriate times. The study then summarizes the amount of money the Board would have to dedicate each year to have the necessary funds available without requiring special assessments.

The Reserve Study is broken out into the following sections

Reserve Study General Information	Page 2-3
Specific Spring Meadow Reserve Study Commentary	Page 4
Feature Descriptions for Spring Meadow	Page 5-7
30 year Funding summary	Page 8
Replacement Scheduling Assumptions	Page 9

Maintenance Plan (Pages 10-11). A Maintenance Plan identifies on-going inspection, repair and maintenance items that should be completed at regular intervals to optimize the expected useful life of the association's assets. The Maintenance plan is broken out into two sections: The General Maintenance Plan Information, and the Spring Meadow Maintenance Scheduling Information.

These two documents are intended to (1) comply with the applicable state law, (2) provide a means to help protect the market value of the association's capital assets, and consequently each owner's property investment, and (3) protect current owners and future buyers from unexpected costs and special assessments.

The Board should carefully review these documents to ensure they accurately reflect the policies established by the Board and the requirements described in the association's governing documents. The Board should also regularly review the reserve account bank balances to ensure the anticipated funds are being properly allocated to the reserve accounts. Failure to maintain the proper reserve balances will have compounding negative effects on future association operations.

RESERVE STUDY SUMMARY: The attached reserve study shows that the reserve accounts can be funded fully by the amount of money in the savings account. The Board has a few significant decisions to make with regard to the items funded by the study: Should the trees and sidewalks currently maintained by the City of Albany on Chinook Dr receive funding for repair and/or replacement should the City be unable to make timely repairs? (City owned property represents 25% of the assets included in the study - or \$38,335). Assuming SPM keeps in a reserve bank account the full replacement value of all listed assets as of January 1st 2019 (\$153,000), you will need to allocate \$4600 per year to replace each item according to its own schedule without fully depleting the reserve account in any given year. However, the Board may adopt a lower initial funding level in the reserves and increase the yearly allocation to pay for each item in its given schedule.

Sincerely,

Kurt Powell, Beth Powell, and Dave Stubbs Community Managers

Spring Meadow Homeowners Association

RESERVE STUDY GENERAL INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) requires homeowner associations to establish a Reserve Account and conduct a Reserve Study:

(2)(a) A reserve account shall be established to fund major maintenance, repair or replacement of all items of common property which will normally require major maintenance, repair or replacement, in whole or in part, in more than one and less than 30 years, for exterior painting if the common property includes exterior painted surfaces, for other items, whether or not involving common property, if the association has responsibility to maintain the items and for other items required by the declaration or bylaws...

(3)(a) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements...

Why does our Association need a Reserve Study?

The purpose of a reserve study is to estimate the cost to the association in future years of replacement or major repair/refurbishment of its capital assets with a useful life of one to thirty years and to calculate the funds necessary to be set aside in the current year to achieve that level of funding.

GENERAL RESERVE FUNDING DECISION ALTERNATIVES

- **Funding levels.** A very conservative approach to funding is to commit funds based on 100% of the amount computed for each reserve element for each year until replacement. A less conservative and perhaps 'lowest acceptable' funding level is to commit funds sufficient to ensure that the total reserve balance always remains positive. Because not all elements require replacement in the same year, the effect of the second strategy is to 'borrow' funds for items to be replaced in a given year from the balance reserved for other items and then 'replacing' the funds in years when the 'replaced' item is not scheduled for expense. Many intermediate funding levels are available to the Board of Directors to use.
- **Interest allocation.** Interest earned on reserve fund balances can be dedicated to the reserve fund or it can be recorded as operating income. When an association determines the necessary allocation to reserves, the transfer of funds from the assessment collections (operating account) to the reserves can either be a full transfer (interest was recorded as operating income) or a transfer amounting to the difference between the determined allocation less the interest recorded directly to the reserve account.
- **Taxes.** Homeowners associations are subject to income/excise taxes on certain taxable income which often is primarily the interest earned on investments of funds in the reserve accounts. Since much of the interest is attributable to the reserve funds (which usually exceed excess operating balances), the association must determine whether tax payments will be made from the operating budget or allocated to the respective source of income. Since this is an annual expense, it usually is appropriate to budget for this expense in the operating budget.

GENERAL ASSUMPTIONS MADE IN THIS STUDY

- The reserve study is for budget and planning purposes. Therefore, the numbers depicted are estimates and will vary continuously depending on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), change in cost factors (inflation rate) and external factors such as weather.
- The values are "best guesses" and should be adjusted at least annually to meet the local environment and observable changes in the condition of the assets.

- Calculations shown in this report for the allocation of funds to reserve accounts do not include interest earnings, and therefore, are independent of interest rates earned on existing investments.
- An inflation rate of 2% for 10 years and 3% thereafter has been used in computing future values of both replacement cost and assessment rate increases to allocate to reserve accounts. Changes in this rate may dramatically affect future cost estimates and must be updated at least annually to ensure reasonable projections.
- Life expectancies contained in this document assume that recommended maintenance on all elements will be performed by qualified personnel in a timely, consistent, complete, and professional manner to high industry standards.
- Values estimated in this report are based on (1) association cost and longevity experience with the respective element, (2) experiences of similar associations, (3) estimates from local vendors who have worked on similar projects, or (4) general industry expectations.
- The cost of regular day-to-day maintenance activities is to be included in the association's annual operating budget and is not provided for in this reserve study.
- The cost of removal and disposal of worn out components is included as part of the replacement cost.

GENERAL CAVEATS

- Although the information contained in this report is accurate and obtained from reliable sources in our opinion, we cannot guarantee nor assume liability for data, estimates, or opinions furnished by others in developing this analysis.
- We have not confirmed the ownership/title status of, nor liabilities/liens against, any of the property described in this report.
- Actual bid prices for any work to be performed in response to these plans may vary (sometimes substantially) from the planning projections contained in the study due to price levels or labor conditions existing at the time bids are obtained. In addition, the scope of work may be defined differently depending on individuals involved in the contracting process.
- State Law requires review of these documents annually. This review is critical because data influencing accuracy of the information used in decision-making changes continuously and often rapidly. The condition of the assets may be affected by harsh weather or usage conditions, costs may be affected by sudden changes in the inflation rate or stricter regulatory decisions, and member/user willingness to continue use of assets may change with economic conditions.

Spring Meadow Homeowners Association

SPRING MEADOW RESERVE STUDY COMMENTARY

The SPM Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Phase 1, requires the following maintenance responsibilities:

- Association:
 - Entry fence over all lots which abut either 53rd or Chinook for the purposes of erecting and maintaining a fence along the Phase 1 line adjacent to the road. **See footnote 1
 - Maintenance to common areas B and C in Phase 1.

RESERVE STUDY HISTORY:

No previous reserve study has been completed.

SPRING MEADOW SPECIFIC ASSUMPTIONS:

- This community was developed between 2000-2004. Most features (paths, landscaping, etc) were installed during that period. Unless more recent replacements have been documented (irrigation pump/filters), features are considered 'original' installations.
- This study uses 2019 as the base valuation year and applies an inflation rate of 2.0% for 2019-2026 (7 years) and 3.0% for the remaining years of the study.
- It isn't likely that one would replace all of the shrubs, trees, irrigation valves, or irrigation heads and valves at once. Therefore, items such as replacement of landscape shrubs and replacement of trees have a 5 year cycle where 20% of the items are replaced on each cycle. Irrigation valves have a 5 year cycle where 25% of the valves are replaced every 5 years. Irrigation heads have a single event every 5 years where miscellaneous repairs are expected (moving, straightening, or replacement of heads due to age, tree roots, etc). The exact amount of heads were not counted in the study.
- The line items for sidewalk repair assume that the HOA will pay to repair 5 locations of sidewalks every 5 years.
- The City of Albany notes that it will be taking responsibility during 2019 for the trees located within the public right of way next to the entry fence over all lots which abut either 53rd or Chinook. The City has not made any assertion that it will always be able to pay for the maintenance, repair, and replacement of the landscape shrubs and trees in the right of way. These items have been included in this study but may be removed by the Board should they not want to plan for paying for the replacement of these items.
- The price of the sealing of the bricks is based on a verbal conversation with Obrist Masonry

EXCLUSIONS: Features (assets) excluded from this study:

- Replacement of all concrete sidewalks not adjacent to trees, since their useful life should significantly exceed 30 years (scope of analysis).

Footnote 1: This reserve study includes the sprinkler heads, irrigation timers, trees, sidewalks, and backflow devices in the area between the street and the entry fence over all lots which abut either 53rd or Chinook in Phase 1 line adjacent to the road as well.

30 Year Summary

Year	Asset Value	Allocation	Expend	Balance
2019	\$153,291	\$4,600	\$5,462	\$132,583
2020	\$156,027	\$4,692	\$10,688	\$126,588
2021	\$158,817	\$4,786	\$6,423	\$124,951
2022	\$161,664	\$4,882	\$2,703	\$127,129
2023	\$164,567	\$4,979	\$4,155	\$127,954
2024	\$167,528	\$5,079	\$6,831	\$126,202
2025	\$170,549	\$5,180	\$12,732	\$118,650
2026	\$175,170	\$5,336	\$2,954	\$121,031
2027	\$179,931	\$5,496	\$5,347	\$121,180
2028	\$184,833	\$5,661		\$126,841
2029	\$189,883	\$5,831	\$6,924	\$125,748
2030	\$195,085	\$6,005	\$113,344	\$18,409
2031	\$200,442	\$6,186	\$5,804	\$18,791
2032	\$205,961	\$6,371	\$2,205	\$22,957
2033	\$211,645	\$6,562	\$4,265	\$25,255
2034	\$217,499	\$6,759	\$6,362	\$25,652
2035	\$223,529	\$6,962	\$21,196	\$11,418
2036	\$229,740	\$7,171	\$6,865	\$11,724
2037	\$236,137	\$7,386	\$7,697	\$11,413
2038	\$242,726	\$7,608		\$19,020
2039	\$249,513	\$7,836	\$12,468	\$14,388
2040	\$256,503	\$8,071	\$16,008	\$6,451
2041	\$263,703	\$8,313	\$7,800	\$6,964
2042	\$271,119	\$8,562	\$5,235	\$10,292
2043	\$278,758	\$8,819	\$2,171	\$16,940
2044	\$286,626	\$9,084	\$13,894	\$12,129
2045	\$278,229	\$9,356	\$20,813	\$673
2046	\$286,576	\$9,637	\$3,335	\$6,975
2047	\$295,174	\$9,926	\$5,879	\$11,023
2048	\$304,029	\$10,224	\$4,128	\$17,119
2049	\$313,149	\$10,531	\$5,697	\$29,164

Replacement Scheduling Assumptions sorted by year

Name	Year Next Scheduled	Replacement Cycle in Years	Number of Units	Replacement Value 2019
Fence Stone Pillars - Seal	2018	7	34	\$2,706
Irrigation Solenoids/Valves	2018	1	18	\$3,820
Irrigation System Timer	2018	15	1	\$637
Bark for Landscape	2018	3	7	\$1,857
Monument Sign - Repair	2018	10	1	\$531
Trees - Common - Structural Pruning	2019	5	7	\$631
Trees - Park Strip - Structural Pruning	2019	5	41	\$3,698
Fence - Wash	2019	1	1423	\$1,133
Irrigation Heads/Adjust/Move/replace	2020	10	1	\$1,592
Irrigation System Timer - Battery	2020	5	9	\$2,388
Sidewalk Repair	2020	8	41	\$26,106
Landscape Shrubs	2020	5	220	\$16,500
Trees - Common - Replace	2021	25	7	\$1,857
Trees - Park Strip - Replace	2021	25	41	\$10,877
Monument Sign Lights - Replace	2021	10	2	\$637
Irrigation backflow	2022	30	3	\$1,592
Fence - Replacement	2030	30	1423	\$72,485
Monument Sign - Replace	2035	30	1	\$4,245

Spring Meadow Homeowners Association

GENERAL MAINTENANCE PLAN INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) now requires homeowner associations to develop a maintenance plan “...for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility...”

(4)(a) The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration or bylaws or ORS 94.550 to 94.783. The maintenance plan shall:

- (A) Describe the maintenance, repair and replacement to be conducted;
 - (B) Include a schedule for the maintenance, repair and replacement;
 - (C) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the association; and
 - (D) Address issues that include but are not limited to warranties and the useful life of the items for which the association has maintenance, repair and replacement responsibility.
- (b) The board of directors shall review and update the maintenance plan described under this subsection as necessary.

This responsibility usually encompasses Common Elements and Limited Common Elements as defined in the governing documents, but may extend to certain other features in the community if the Association has a contractual relationship with owners for ‘common’ maintenance functions.

The principle component of such a maintenance plan addresses the valuable physical elements which an association owns and which are usually considered “capital investment” property which have a useful lifespan from one to thirty years. These properties are defined in the required reserve study and funded by the reserve account(s). However, the Board also must be cognizant of general maintenance requirements that are frequently not seen as having capital investment implications, but which occur on a repetitive day-to-day basis. For example, custodial functions and general repairs, such as removing moss from walkways, must be provided for in custodial service contracts. Mowing grass, controlling weeds, and maintaining irrigation systems must be provided for in landscape maintenance service contracts. Although many of these services do not directly affect capital replacement requirements, they contribute to the general appearance of the community and to owner satisfaction with the living environment, and likely contribute in an immeasurable way to the overall condition and lifespan of all association assets.

The purpose of any maintenance plan is to assist the Association/Board in preserving the value and life expectancy of its real assets by establishing a routine and systematic schedule of activities that will help assure longevity of those assets through proper operation and maintenance during their lifetime. The plan is a suggested sequence of events which must be regularly reviewed and adjusted based on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), and external factors such as weather. Actual procedures and specific timing of events should be governed by the manufacturer’s instruction manuals. Trained professional technicians (with proper knowledge, training, tools, and equipment) should generally be used to accomplish these services.

This plan cannot make important decisions for the Association/Board. Regular, complete, consistent maintenance activities will cost money in the present time period, but will reap benefits of significantly lower major maintenance and/or replacement costs in the future. The Association/Board must make the policy decisions which establish their tolerance for these trade-offs in risk versus cost.

Spring Meadow Homeowners Association

SPRING MEADOW MAINTENANCE SCHEDULING INFORMATION

Category	Life (yr)	Frequency	Description
Asphalt Surface	30+	Annually	Inspect all asphalt surfaces for cracking, chipping, and other wear indicators, as well as damage from improper use. Repair as needed. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
		5-7 years (vehicle) 7-10 years (pedestrian)	A seal coat should be applied to all asphalt surfaces (pathways, parking lots, private streets) to protect against failure from water penetration. If a seal is not maintained, the asphalt will age quickly for alternate drying out in summer and freezing in winter. [A longer time period for seal coating is considered for SPM, since all asphalt has foot traffic only.]
		30+ years	Asphalt surfaces may require an 'overlay' after 30 years of life depending on the adequacy of seal coat maintenance and traffic load.
Barkdust	2	2 or 3 years	Apply new layer of barkdust 1-3" thick.
		Seasonally	Inspect for thinning areas, washouts, and scattered bark. Rake/sweep to return bark to proper area and distribute evenly.
Concrete Surfaces & Stairs	30+	Annually	Inspect surfaces for appearance, continuity and proper operation. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
Irrigation Controllers & Sprinkler Heads	10-15	Monthly (Seasonal)	The landscape contractor should inspect irrigation controllers and sprinkler heads at least monthly to ensure proper operation and coverage. Maintenance should be performed by qualified technicians.
Landscape	10	Seasonal	Ensure the landscape contractor regularly inspects the condition of all elements of the landscape environment (turf, shrubs, trees, drainage, irrigation and 'natural' areas) and informs HOA about deficiencies and makes recommendations for correction. Time intervals will vary depending on weather conditions and HOA appearance standards.
Mailboxes	30	Annually	SPM should inspect mailboxes periodically to ensure functional and appearance standards. Remove graffiti immediately.

This plan is not a "Maintenance Handbook". It does not provide "how to" instructions for maintenance activities, terms of warranties, or provisions of contracts which the Board must negotiate with its service providers.