Level III Reserve Study

East Village Homeowners Association

Ashland, OR

Budget Year: 1/1/2022 – 12/31/2022

Reserve Specialist®: Carson M. Horton, RS®

Report Date: 2/27/2022

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PREFACE

East Village Homeowners Association
Disclosures

Period of Inquiry: This replacement reserve spending analysis (reserve study) encompasses a thirty (30) year period beginning on 1/1/2022 and ending on 12/31/20251. The 30-year planning horizon meets the requirements of Oregon reserve study statutes.

Level of Reserve Study Service: This reserve study is a Level III update of a previous reserve study which has been updated for the 2022 budget year. The most recent site visit of the subject property was conducted by CRC in 2020

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

Statement of Qualifications: Carson M. Horton, RS®, the person supervising the preparation of this reserve study, is a Community Associations Institute Certified Reserve Specialist® (RS®); recognized for expertise in the preparation and analysis of reserve funding plans. Mr. Horton has supervised the preparation reserve studies for homeowner's associations; investment property owners and institutional Associations in fourteen states and has been a CAI-certified Reserve Specialist® since 2006.

Mr. Horton's list of reserve study clients includes the U.S. Military Based Housing Program; Portland State University; Pacific Grove University in Forest Grove, OR; 1000 Broadway Building, Portland, OR; WestStar Tower, El Paso, TX; Cinco Ranch Residential Property Association, Katy, TX; Desert Mountain Homeowner Association, Scottsdale, AZ; Wapato Point Resort, Chelan, WA; Island Club Timeshare Resort, Hilton Head, SC; Midtown Crossing Condominiums, Omaha, NE and numerous planned communities and condominiums throughout the United States.

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

Statement of Purpose: The purpose of this reserve study is to provide a planning and budgeting tool to assist in the development of a long-range financial plan to pay for the major repair, maintenance and replacement of the Common Elements for which reserves are established by the analysis. Because this reserve study relies on assumptions regarding future events over which CRC has no control, the accuracy of replacement costs and scheduling cannot be guaranteed.

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

Limitations of the Analysis: Information regarding the reserve fund balance was provided by the Association and has not been confirmed by an independent audit of the Association's financial records. The authors of this reserve study have no control over whether the funds allocated for maintenance and renewal of the subject property will be consistent with the recommendations made by this reserve study.

East Village Homeowners Association
Disclosures

Legacy Systems: Unless otherwise noted, this reserve study does not include funding for replacement, renewal or modernization of legacy systems. The authors of this study recognize the need for funding legacy systems in certain circumstances but due to the uncertainty over the life expectancy and/or the degree of replacement that may be required, funding for legacy system, when they exist, is not included in the reserve spending analysis. (See Glossary for an explanation of the term "legacy systems.")

Reliance on Third-Party Information: The reserve study is a reflection of information provided to CRC by third parties and cannot be used for the purpose of performing an audit, forensic analysis or verification of historical records. The information is deemed reliable, but is not based on an audit of the Association's financial records, and should not be used for purposes other than those intended in this study. An on-site inspection conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection. CRC takes no responsibility for the accuracy of any such information or the impact inaccurate information may have on the findings and conclusions presented in the reserve study.

Client Acknowledgement: The Client hereby acknowledges the limitations regarding this reserve study and the reserve planning efforts of the Capital Reserve Consultants, LLC (CRC), the managing agent and any vendors that may have been have been engaged to assist in the development of this reserve study, either in the past, at the current time or that may be enlisted at any point in the future.

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

Carson M. Horton, RS®

East Village Homeowners Association
Reserve Study Level of Service

1. National Reserve Study Standards: Reserve study guidelines and reserve study update requirements for common interest developments are set forth in National Reserve Study Standards (NRSS) established by the Community Associations Institute (CAI). State laws in certain states, including Oregon and Washington, require the reserve study to be updated each year. State law may or may not require a site visit by the reserve study provider, during the update process. The standards of service established by the NRSS include four distinct levels of inquiry as follows:

2. Pre-Construction: Reserve studies which are conducted prior to completion of a new development are referred to as a pre-construction reserve study. Reserve studies conducted prior to completion of the construction of the Common Elements are subject to verification by the Reserve Specialist® after to completion of all construction. The pre-construction reserve study is not an update of a previous reserve study and is deemed to be Level I reserve study after completion of the post-construction site visit by the Reserve Specialist®.

3. Level I Reserve Study: A level I reserve study is based on information obtained during a site visit to the subject property by the Reserve Specialist®. Information regarding the component inventory, current condition and remaining useful life of the common area components may include data which was provided by the client, including property condition assessments, inspections and forensic reports prepared by independent experts. The physical assessment activities performed by the Reserve Specialist® during the course of a Level I reserve study engagement is not intended to satisfy the inspection requirements of state laws which govern homeowner associations, and is not performed in accordance with technical standards for conducting property inspections or condition assessments.

4. Level II Reserve Study: The level II reserve study process includes a site visit by the Reserve Specialist®. The NRSS *recommends* that a Level II update be performed every three years as a "Best Practices" guideline. The laws in some states *require* a site visit/physical examination of the common elements as part of the update process. Washington and California require a Level II update every three years. The state of Oregon does not require a Level II reserve study update as of 11/1/2021.

5. Level III Reserve Study Update: A Level III reserve study update is an update of a previous study that *does not* include a site visit by the reserve study provider. State laws in Oregon require most homeowner associations and condominiums to conduct a Level III reserve study update every year.

6. Download the NRSS: The NRSS may be downloaded from the CAI website at the following link:

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

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

- National Construction Estimator (2021) **
- Life Cycle Costing for Facilities – (Reed Construction Publishers)
- Preventive Maintenance and Building Operations Efficiency – (BOMA)
- Facility Manager's Maintenance Handbook – (McGraw-Hill)
- RS Means Facilities Maintenance & Repair Cost Data - 16th Edition

** The use of commercially available construction cost estimating data sources such as RS Means and the

National Construction Estimator may result in future replacement cost projections which are less than the actual costs charged by local area contractors due to market conditions in some area of the U.S. which have resulted in above-average inflation in construction, repair and renovations costs.

East Village Homeowners Association
Percent Funded Explanation

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

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

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

- $10,000 x 3 / 10 = $3,000.00.

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

The percent funded formula calculates the relationship between the accumulated reserves at the end of each budget year and the value of the common elements identified in the component inventory, which has been lost due to depreciation.

2. Straight-Line Depreciation: The percent funded formula makes use of the straight-line depreciation method in which replacement cost is divided by the expected service life of the asset, expressed in years. The present value (PV) of the asset, used in the percent funded calculation is the current replacement cost subject to inflation, in those instances where the reserve study includes an inflation factor among one of the economic parameters.

3. The Use of Averages: The year-end percent funded projections that appear in this 30-Year Reserve Funding Projection represent an average of the percent funded level of each funded reserve asset listed in the reserve study component inventory. Under a cash flow funding model that does not result in a fully funded (100% funded) reserve account, the percent funded level of the individual components may be less than 100% funded at any point in time.

SECTION I

PHYSICAL ANALYSIS

East Village Homeowners Association
Property Description

The following details pertain to the East Village Homeowners Association:

1. Legal Name of Association: East Village Homeowners Association
2. Physical Address: Abbott Avenue & Dollarhide Way, Ashland, OR
3. Mailing Address: 258 A Street Suite 1, PMB 59, Ashland, OR 97520
4. Property Type: Planned Development
5. Total Number of Residential Lots: 39
6. Year Constructed: 2004-2006
7. Conversion Condominium: No
8. Incorporation Date: 9/1/2004

9. Association Responsibilities: The Association is responsible for repair and replacement of General and Limited Common Elements as described in the Declaration for the Association.

10. Owner Responsibilities: Owners are responsible for the maintenance, repair and replacement costs relating to the interiors of their respective condominium units up to the boundaries of the unit in the case of a condominium development or up to the boundaries of their respective lots in the case of a planned development; the boundary of each unit or lot being that which is described in the Declaration for the Association.

11. General Description: The subject property is a residential planned development consisting of thirty-nine attached homes in seven buildings. The Association is responsible for maintaining the various site improvements including front yard landscaping; landscape irrigation equipment; sidewalks and driveway approaches. This Reserve Study includes expenditures pertaining to the following improvements:

- Concrete curbing & sidewalks
- Landscaping & irrigation

Common area improvements that are not included in this reserve funding analysis are paid for with funds from the operating account according to the Board of Directors.

SECTION II

FINANCIAL ANALYSIS

East Village Homeowners Association
Inflation Parameters

1. Inflation-Statutory Requirements: This reserve study includes an inflation factor as required by ORS § 94). The statute requires that the cost of estimated cost of maintenance, repair and replacement at the end of the useful life of each item for which reserves are or will be established, must take into account the rate of inflation for the current fiscal year.

2. U.S. Inflation Rate: The inflation rate in the United States changes every month when the inflation rate for the previous 12-month period is published by the Bureau of Labor Statistics.

- The average annual inflation rate for the 30-year period ending 12/31/2021 was 6.49%.
- The average annual inflation rate for the ending 12/31/2021 was 4.70%.
- The inflation rate as of the report date of this reserve study was 7.48%.
- The inflation rate used in this reserve study is 3.5%.
- Historical inflation data was obtained from: https://inflationdata.com/

The actual inflation rate may vary from the inflation rate used in this analysis. Particularly in urban areas where the demand for goods and services is higher than it may be for the country overall. Areas that are geographically isolated or where labor and materials may not be readily available may also experience above-average inflationary pressure, particularly during periods of high demand when the economy is expanding.

3. Hyperinflation: Hyperinflation of repair and replacement has become commonplace throughout the U.S. The litigious atmosphere that surrounds homeowner associations in general and in particular, the high frequency of construction defect claims by HOAs contribute to inflationary pressure. Added litigation risk combined with the current shortage of manpower throughout the construction industry is have led to price increases for many types of replacement and repair projects that are many multiples of the current inflation rate or the higher, long-term averages used in many reserve studies.

East Village Homeowners Association
Executive Summary

1. Current Financial Condition: The Association's fiscal year begins on January 1st of each year. The This reserve study is an analysis of the replacement and renewal costs pertaining to the common element asset inventory of the Willamette Towers Condominiums (subject property). The study contains a projection of the reserve fund expenditures based on the current estimated cost of major maintenance, repair and replacement of the common elements for the 30-year period beginning on 1/1/2022. An annual inflation factor of **3.5%** has been used to determine the amount of future reserve fund expenditures.

The estimate of future expenditures is a good-faith estimate of current costs which is not based on a statement or work or other project specifications and as such, cannot be used for development of project budgets or other estimating purposes. The reserve spending projections are intended to assist in the long-term planning efforts of the owners and should be revised in advance of scheduled expenditures using project cost estimated obtained by local vendors.

1. Reference Sources: The reserve study utilizes information obtained from the following sources:

- Representatives of the subject property
- National Construction Estimator (2021)
- Life Cycle Costing for Facilities – (Reed Construction Publishers)
- Preventive Maintenance and Building Operations Efficiency – (BOMA)
- Facility Manager's Maintenance Handbook – (McGraw-Hill)
- RS Means Facilities Maintenance & Repair Cost Data - 16th Edition
- Site visit conducted by CRC

2. Financial Reporting Period: The financial reporting period utilized by the facility owners is a calendar year (January 1 - December 31).

3. Period of Analysis: The reserve study includes a projection of reserve fund expenditures which are expected to occur between 1/1/2022 and 12/31/2051. The period of analysis or *planning horizon,* may be extended beyond 30 years at the request of the client. State law in requires a minimum period of analysis of 30-years from the beginning day of the current budget year.

4. Cash Flow Funding Model: The reserve funding projection contained in this reserve study utilizes a cash flow funding model to determine the annual funding allocation. The distinguishing feature of a cash flow funding model as compared to a depreciation-based model is that the funding stream under a cash flow model is intended to provide sufficient funds (cash flow) to pay for annual expenditures in the years when they are scheduled to occur, without regard to the economic loss (depreciation) of the asset inventory.

5. Depreciation-Based Funding Model: When using a depreciation-based funding model to calculate the annual reserve allocations the fund balance at any particular point in time is designed to offset the value of the asset inventory that has been lost through depreciation.

6. Financial Parameters: The reserve spending analysis assumes funds will be accumulated in the replacement fund which will generate annual interest earnings with earnings subject to an effective income tax rate of 15%. CRC is not a tax planning expert and does not provide tax planning advice. The financial parameters established for this reserve study include the following and mat be revised at the discretion of the client:

- 1/1/2022 beginning reserve fund balance: **$35,163.00**
- 2022 reserve fund contribution: **$2,000.00**

- Earnings on reserve deposits: .50%
- Annual inflation rate: 3.5%
- Annual percentage increase: 7% - 2023 through 2038
- Reserve fund contingency: 0%
- Income tax rate on investment earrings: 15%

7. Average Reserve Expenditures: The Annual Expenditure Detail contained in the reserve study indicates the next reserve expenditures which are scheduled to occur will be in the year 2023. The average annual reserve fund expenditures for the next 30-years and the 2023 reserve fund expenditures are as follows:

- 2023 expenditures are projected to be: **$1,652.00**
- Average annual reserve expenditures - 2022 through 2051: **$5,568.00**

8. Minimum Year-End Reserve Fund Balance: The minimum reserve fund balance over the next 30 years is projected to be **$13,669.00** at the end of 2026, assuming reserve fund activity do not deviate from the schedule set forth in this reserve study.

9. Total Reserve Spending: Assuming the expenditures and contributions do not deviate from the schedule set forth in this Reserve Study the reserve funding and spending obligations for the 30-year period ending on 12/31/2051 are as follows:

- Total replacement reserve spending **$167,053.00**
- Total reserve fund contributions: **$156,244.00**
- Interest earnings on reserve fund deposits: **$3,256.00**
- Closing reserve fund balance - 12/31/2051: **$27,607.00**

10. Updating the Reserve Study: The reserve study should be updated periodically to ensure that the future spending projections are as accurate as possible. Depending on the asset array which is established by the reserve study the update process may be required annually. A less frequent update scheduled may be prudent depending on the level of reserve spending activity, the age of the asset array and other factors which are unique to each situation.

10. Baseline Property Condition Assessment: All owners of significant real estate assets should consider the need for a baseline property condition assessment (PCA) performed by an independent architectural/engineering expert.

A PCA performed in accordance with the ASTM Standard Guide for Property Condition Assessments – E2018-15 will provide a baseline understanding of the current physical condition of the major building assets and will include recommendation for immediate repair and replacement spending which, in the opinion of the consulting technical experts, is required at the time of the assessment (immediate need).

More information regarding the PCA process and the ASTM Standard E2018 may be found at the following web page: https://webstore.ansi.org/Standards/ASTM/ASTME201801

SECTION III

RESERVE FUNDING PROJECTIONS

East Village Homeowners Association
Current Reserve Funding Status

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

Reserves accumulated under a cash flow funding strategy are pooled. Pooling of reserves refers to the fact that all funds are treated a single "pool" of funds that are allocated based on the annual cash flow required to meet the reserve funding obligations of the Association; rather than being allocated according to the rate at which each asset for which the reserves have been established, are depreciating.

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

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

Cash flow funding models may or may not result in the accumulation of reserves at a rate which is sufficient to offset the loss in economic value of the assets for which the reserves have been established, when the loss in value is determined by the straight-line deprecation formula:

Depreciation = Economic Value (EV) / Expected Useful Life (EUL)

Note that salvage value of is not considered in the calculation of depreciation when using the cash flow funding model. In order for the accumulated reserves to fully offset the loss in value that results from depreciation, the percent funded level at the end of the budget year must be 100% or more.

2. Current Assessment Funding Model: This reserve funding projection utilizes a cash flow funding method known as Current Assessment Funding to generate the reserve funding schedule in Section III. Current Assessment Funding is a cash flow funding method which allows the Reserve Specialist® or the Board of Directors to specify the amount of the annual reserve fund contribution in one or more of the years covered by the reserve study. The Current Assessment Funding projection begins with a 2022 reserve fund contribution of **$10,000.00.**

3. Current Reserve Funding Status: The Association's replacement reserve fund will be 120% funded as of 1/1/2022 assuming the reserve fund balance is **$35,163.00.** The beginning reserve fund balance required to achieve a fully funded reserve account as of 1/1/2022 is **$25,311.00**.

The reserve fund status report is provided for the benefit of the Association. Oregon statute does not require a specific level of reserve funding as of 1/1/2022.

East Village Homeowners Association
30-Year Funding Model Summary

Report Parameters

Report Date	February 27, 2022	Inflation	3.50%
Account Number	OR-1601-000		
Version	Level III	Interest Rate on Reserve Deposit	0.50%
Budget Year Beginning	January 1, 2022	Tax Rate on Interest	15.00%
Budget Year Ending	December 31, 2022		
Total Units	39	2022 Beginning Balance	$35,163
Phase Development	1 of 1		

Percent Funded Analysis: The percent funded levels under the 30-Year Reserve Funding Projection assume that reserve spending/funding activity will be consistent with the schedule set forth in the reserve study. The beginning reserve fund balance indicated above, will result in the following percent funded levels as of 1/1/2022:

- Current percent funded level: 120%.
- Highest percent funded level after 2022: 168% in 2026.
- Lowest percent funded level after 2022: 13% in 2046.

The 30-Year Reserve Funding Projection included in this reserve study represents the contribution schedule required to meet the reserve obligations set forth in this reserve study for the next 30 years, while maintaining a minimum percent funded level of 10% in the out-years after 2040.

Cash Flow Funding & Depreciation: Cash flowing funding models may or may not result in the accumulation of reserves at a rate which is sufficient to offset the loss in value of the common elements due to depreciation. In order for the reserves to offset 100% of the economic value that is lost through depreciation, the percent funded level at the end of the fiscal year must be 100% or more.

Non-Scheduled Spending: The reserve funding analysis assumes reserve funds will only be spent to pay for expenditures that are identified in the reserve study as reserve fund expenditures. If funds are borrowed from the reserve fund, they must be repaid with interest that is equal to or greater than the interest rate assumed in the reserve study. If funds are used to pay for expenditures that are not identified as reserve fund expenditures, the Association may not have sufficient reserves to pay for expenditures when they are scheduled to occur.

Current Assessment Funding Model Summary of Calculations

Required Month Contribution	$166.67
Average Net Month Interest Earned	$12.86
Total Month Allocation to Reserves	$179.53

East Village Homeowners Association
Current Assessment Funding Projection

Report Date	February 27, 2022
Beginning Fiscal Year	January 01, 2022
Account Number	OR-1601-000

Version Number Level III

Beginning Balance: $35,163

Beginning Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	30,417	2,000	154		37,317	28,079	133%
2023	31,482	2,060	157	1,652	37,882	29,300	129%
2024	32,584	2,122	115	11,971	28,148	20,563	137%
2025	33,724	2,185	88	8,778	21,643	15,164	143%
2026	34,904	2,251	50	11,164	12,780	7,595	168%
2027	36,126	2,319	60		15,158	11,436	133%
2028	37,390	2,388	67	732	16,881	14,778	114%
2029	38,699	2,555	58	4,676	14,818	14,286	104%
2030	40,054	2,734	61	1,867	15,747	16,818	94%
2031	41,455	2,926	55	4,400	14,327	16,955	85%
2032	42,906	3,130	68		17,526	21,794	80%
2033	44,408	3,381	73	2,330	18,649	24,540	76%
2034	45,962	3,651	64	5,553	16,811	24,200	69%
2035	47,571	3,943	71	2,217	18,609	27,461	68%
2036	49,236	4,259	67	5,226	17,708	27,885	64%
2037	50,959	4,599	86		22,394	33,904	66%
2038	52,743	4,967	102	1,033	26,430	39,241	67%
2039	54,589	5,365	97	6,595	25,297	39,191	65%
2040	56,499	5,794	110	2,633	28,567	43,429	66%
2041	58,477	6,258	110	6,207	28,727	44,311	65%
2042	60,524	6,758	138		35,623	51,852	69%
2043	62,642	7,299	155	3,287	39,790	56,465	70%
2044	64,834	7,883	86	23,820	23,939	40,204	60%
2045	67,104	8,513	47	17,467	15,033	30,174	50%
2046	69,452	9,194		22,214	2,013	15,112	13%
2047	71,883	9,930	31		11,975	22,754	53%
2048	74,399	9,930	68	1,457	20,515	29,405	70%
2049	77,003	9,930	71	9,304	21,212	28,426	75%
2050	79,698	9,930	97	3,714	27,525	33,464	82%
2051	82,488	9,930	103	8,756	28,802	33,736	85%

SECTION IV

COMPONENT INVENTORY REPORTS

East Village Homeowners Association
Explanation of Component Inventory Reports

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

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

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

3. Component Report Details: This report is found in the Appendix. It contains all of the component data which has been input into the modeling database to develop the reserve funding projections contained in the reserve study. Most of the information contained in this report is also displayed in one or more of the component reports found in Section II.

East Village Homeowners Association
Component Report by Remaining Life Expectancy

Report Date	February 27, 2022		
Beginning Fiscal Year	January 01, 2022		
Account Number	OR-1601-000	Version Number	Level III

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Concrete Sidewalks-Repair (Clay St)	2023	5	0	1	596	596	477
Landscape Irrigation-Timers	2023	10	0	1	1,000	1,000	900
Concrete Sidewalks-Repair (Abbott Ave)	2024	5	15	2	3,675	3,675	3,307
Front Yard Landscape Renovation (1)	2024	20	0	2	6,500	6,500	5,850
Landscape Irrigation-Double-Check Valve (2")	2024	20	0	2	1,000	1,000	900
Concrete Sidewalks-Repair (Engle St)	2025	5	16	3	1,417	1,417	1,215
Front Yard Landscape Renovation (2)	2025	20	0	3	6,500	6,500	5,525
Concrete Sidewalks-Repair (Dollarhide Way)	2026	5	5	4	3,229	3,229	1,937
Front Yard Landscape Renovation (3)	2026	20	0	4	6,500	6,500	5,200
Total Asset Summary					$30,417	$35,163	$25,311

Excess Funds:

East Village Homeowners Association
Component Report with Current Costs

Report Date	February 27, 2022
Beginning Fiscal Year	January 01, 2022
Account Number	OR-1601-000

Version Number Level III

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Fencing								
Front Yard Landscape Renovation (1)	2004	2024	20	0	2	13 Units	500.00	6,500
Front Yard Landscape Renovation (3)	2006	2026	20	0	4	13 Units	500.00	6,500
Fencing - Total								$13,000
Landscaping & Irrigation								
Landscape Irrigation-Timers	2013	2023	10	0	1	2 Each	500.00	1,000
Landscape Irrigation-Double-Check Valve (2")	2004	2024	20	0	2	1 Total	1,000.00	1,000
Front Yard Landscape Renovation (2)	2005	2025	20	0	3	13 Units	500.00	6,500
Landscaping & Irrigation - Total								$8,500
Pavement								
Concrete Sidewalks-Repair (Clay St)	2018	2023	5	0	1	1,135 SF	10.50@ 5%	596
Concrete Sidewalks-Repair (Abbott Ave)	2004	2024	5	15	2	7,000 SF	10.50@ 5%	3,675
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	3	2,700 SF	10.50@ 5%	1,417
Concrete Sidewalks-Repair (Dollarhide Way)	2016	2026	5	5	4	6,150 SF	10.50@ 5%	3,229
Pavement - Total								$8,917
Total Asset Summary								$30,417

SECTION V

RESERVE EXPENDITURE REPORTS

East Village Homeowners Association
Explanation of Reserve Expenditure Reports

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

1. Annual Reserve Expenditure Detail: This report provides a year by year summary of the reserve fund expenditures scheduled for each year covered in the reserve study. Expenditures are listed alphabetically in each year when they are scheduled to occur. Hence, an expenditure which is scheduled to occur every 5 years beginning in 2017 will appear for the first time under the 2017 heading and again in years 2022, 2027, 2032 and so on. The projected costs listed for each year take into account the effect of inflation on future replacement costs. Therefore, the replacement cost for a recurring expenditure will be higher each time it appears in this schedule.

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

East Village Homeowners Association
Annual Expenditure Detail

Report Date	February 27, 2022	
Beginning Fiscal Year	January 01, 2022	
Account Number	OR-1601-000	Version Number Level III

Description	Expenditures
No Replacement in 2022	
Replacement Year 2023	
Landscaping & Irrigation	
Landscape Irrigation-Timers	1,035
Pavement	
Concrete Sidewalks-Repair (Clay St)	617
Total for 2023	**$1,652**
Replacement Year 2024	
Fencing	
Front Yard Landscape Renovation (1)	6,963
Landscaping & Irrigation	
Landscape Irrigation-Double-Check Valve (2")	1,071
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	3,937
Total for 2024	**$11,971**
Replacement Year 2025	
Landscaping & Irrigation	
Front Yard Landscape Renovation (2)	7,207
Pavement	
Concrete Sidewalks-Repair (Engle St)	1,572
Total for 2025	**$8,778**
Replacement Year 2026	
Fencing	
Front Yard Landscape Renovation (3)	7,459
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	3,705
Total for 2026	**$11,164**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
No Replacement in 2027	
Replacement Year 2028	
Pavement	
Concrete Sidewalks-Repair (Clay St)	732
Total for 2028	**$732**
Replacement Year 2029	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	4,676
Total for 2029	**$4,676**
Replacement Year 2030	
Pavement	
Concrete Sidewalks-Repair (Engle St)	1,867
Total for 2030	**$1,867**
Replacement Year 2031	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	4,400
Total for 2031	**$4,400**
No Replacement in 2032	
Replacement Year 2033	
Landscaping & Irrigation	
Landscape Irrigation-Timers	1,460
Pavement	
Concrete Sidewalks-Repair (Clay St)	870
Total for 2033	**$2,330**
Replacement Year 2034	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	5,553
Total for 2034	**$5,553**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2035	
Pavement	
Concrete Sidewalks-Repair (Engle St)	2,217
Total for 2035	**$2,217**
Replacement Year 2036	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	5,226
Total for 2036	**$5,226**
No Replacement in 2037	
Replacement Year 2038	
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,033
Total for 2038	**$1,033**
Replacement Year 2039	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	6,595
Total for 2039	**$6,595**
Replacement Year 2040	
Pavement	
Concrete Sidewalks-Repair (Engle St)	2,633
Total for 2040	**$2,633**
Replacement Year 2041	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	6,207
Total for 2041	**$6,207**
No Replacement in 2042	

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2043	
Landscaping & Irrigation	
Landscape Irrigation-Timers	2,059
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,227
Total for 2043	**$3,287**
Replacement Year 2044	
Fencing	
Front Yard Landscape Renovation (1)	13,855
Landscaping & Irrigation	
Landscape Irrigation-Double-Check Valve (2")	2,132
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	7,833
Total for 2044	**$23,820**
Replacement Year 2045	
Landscaping & Irrigation	
Front Yard Landscape Renovation (2)	14,340
Pavement	
Concrete Sidewalks-Repair (Engle St)	3,127
Total for 2045	**$17,467**
Replacement Year 2046	
Fencing	
Front Yard Landscape Renovation (3)	14,842
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	7,372
Total for 2046	**$22,214**
No Replacement in 2047	
Replacement Year 2048	
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,457
Total for 2048	**$1,457**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2049	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	9,304
Total for 2049	**$9,304**
Replacement Year 2050	
Pavement	
Concrete Sidewalks-Repair (Engle St)	3,714
Total for 2050	**$3,714**
Replacement Year 2051	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	8,756
Total for 2051	**$8,756**

East Village Homeowners Association
Expenditures by Group

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
Front Yard Landscape Renovation (1)	2004	2024	20	0	2	13 Units	500.00	6,500
Front Yard Landscape Renovation (2)	2005	2025	20	0	3	13 Units	500.00	6,500
Front Yard Landscape Renovation (3)	2006	2026	20	0	4	13 Units	500.00	6,500
Landscape Irrigation-Double-Check Valve (2")	2004	2024	20	0	2	1 Total	1,000.00	1,000
Landscape Irrigation-Timers	2013	2023	10	0	1	2 Each	500.00	1,000
Capital - Total								$21,500
Non-Capital								
Concrete Sidewalks-Repair (Abbott Ave)	2004	2024	5	15	2	7,000 SF	10.50@ 5%	3,675
Concrete Sidewalks-Repair (Clay St)	2018	2023	5	0	1	1,135 SF	10.50@ 5%	596
Concrete Sidewalks-Repair (Dollarhide Way)	2016	2026	5	5	4	6,150 SF	10.50@ 5%	3,229
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	3	2,700 SF	10.50@ 5%	1,417
Non-Capital - Total								$8,917
Total Asset Summary								$30,417

APPENDIX

East Village Homeowners Association
Distribution of Accumulated Reserves

Report Date	February 27, 2022
Beginning Fiscal Year	January 01, 2022
Account Number	OR-1601-000

Version Number Level III

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Concrete Sidewalks-Repair (Clay St)	1	2023	596	477
Landscape Irrigation-Timers	1	2023	1,000	900
Landscape Irrigation-Double-Check Valve (2")	2	2024	1,000	900
Concrete Sidewalks-Repair (Abbott Ave)	2	2024	3,675	3,307
Front Yard Landscape Renovation (1)	2	2024	6,500	5,850
Concrete Sidewalks-Repair (Engle St)	3	2025	1,417	1,215
Front Yard Landscape Renovation (2)	3	2025	6,500	5,525
Concrete Sidewalks-Repair (Dollarhide Way)	4	2026	3,229	1,937
Front Yard Landscape Renovation (3)	4	2026	6,500	5,200
Total Asset Summary			$35,163	$25,311

Excess Funds:

East Village Homeowners Association
Component Report Details

Report Date	February 27, 2022		
Beginning Fiscal Year	January 01, 2022		
Account Number	OR-1601-000	Version Number	Level III

Concrete Sidewalks-Repair (Clay St) - 2023

		1,135 SF	@ $10.50
Asset ID		Asset Actual Cost	$595.87
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$616.73
Placed in Service	January 2018	Assigned Reserves	$595.87
Useful Life	5		
Replacement Year	2023	Monthly Assessment	$3.16
Remaining Life	1	Interest Contribution	$0.21
		Reserve Allocation	$3.38

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to
occur every 5 years beginning in 2018.

Landscape Irrigation-Timers - 2023

		2 Each	@ $500.00
Asset ID		Asset Actual Cost	$1,000.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$1,035.00
Placed in Service	January 2013	Assigned Reserves	$1,000.00
Useful Life	10		
Replacement Year	2023	Monthly Assessment	$5.31
Remaining Life	1	Interest Contribution	$0.36
		Reserve Allocation	$5.67

This component provides funding for replacement of the landscape irrigation timers. Funding is scheduled to occur every 10 years beginning in 2023.

Concrete Sidewalks-Repair (Abbott Ave) - 2024

		7,000 SF	@ $10.50
Asset ID		Asset Actual Cost	$3,675.00
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$3,936.75
Placed in Service	January 2004	Assigned Reserves	$3,675.00
Useful Life	5		
Adjustment	15	Monthly Assessment	$19.84
Replacement Year	2024	Interest Contribution	$1.33
Remaining Life	2	Reserve Allocation	$21.16

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to
occur every 5 years beginning in 2024.

Front Yard Landscape Renovation (1) - 2024

		13 Units	@ $500.00
Asset ID		Asset Actual Cost	$6,500.00
	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$6,962.96
Placed in Service	January 2004	Assigned Reserves	$6,500.00
Useful Life	20		
Replacement Year	2024	Monthly Assessment	$35.09
Remaining Life	2	Interest Contribution	$2.35
		Reserve Allocation	$37.43

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2024.

Landscape Irrigation-Double-Check Valve (2") - 2024

		1 Total	@ $1,000.00
Asset ID		Asset Actual Cost	$1,000.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$1,071.22
Placed in Service	January 2004	Assigned Reserves	$1,000.00
Useful Life	20		
Replacement Year	2024	Monthly Assessment	$5.40
Remaining Life	2	Interest Contribution	$0.36
		Reserve Allocation	$5.76

This component provides funding for replacement of the 2" double-check valve that is part of the landscape irrigation system. Funding is scheduled to occur every 20 years beginning in 2024.

Concrete Sidewalks-Repair (Engle St) - 2025

		2,700 SF	@ $10.50
Asset ID		Asset Actual Cost	$1,417.50
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$1,571.61
Placed in Service	January 2004	Assigned Reserves	$1,417.50
Useful Life	5		
Adjustment	16	Monthly Assessment	$7.79
Replacement Year	2025	Interest Contribution	$0.51
Remaining Life	3	Reserve Allocation	$8.30

This component provides funding for repairing the sidewalks along Engle Street . Funding is scheduled to occur every 5 years beginning in 2025.

Front Yard Landscape Renovation (2) - 2025

		13 Units	@ $500.00
Asset ID		Asset Actual Cost	$6,500.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$7,206.67
Placed in Service	January 2005	Assigned Reserves	$6,500.00
Useful Life	20		
Replacement Year	2025	Monthly Assessment	$35.70
Remaining Life	3	Interest Contribution	$2.35
		Reserve Allocation	$38.05

This component provides funding for renovation of the front yard area landscaping at 13 of the 39

Front Yard Landscape Renovation (2) continued...

homes. Funding is scheduled to occur every 20 years beginning in 2025.

Concrete Sidewalks-Repair (Dollarhide Way) - 2026

		6,150 SF	@ $10.50
Asset ID		Asset Actual Cost	$3,228.75
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$3,705.06
Placed in Service	January 2016	Assigned Reserves	$3,228.75
Useful Life	5		
Adjustment	5	Monthly Assessment	$18.05
Replacement Year	2026	Interest Contribution	$1.17
Remaining Life	4	Reserve Allocation	$19.21

This component provides funding for repairing the sidewalks along Dollarhide Way. Funding is scheduled to occur every 5 years beginning in 2026.

Front Yard Landscape Renovation (3) - 2026

		13 Units	@ $500.00
Asset ID		Asset Actual Cost	$6,500.00
	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$7,458.90
Placed in Service	January 2006	Assigned Reserves	$6,500.00
Useful Life	20		
Replacement Year	2026	Monthly Assessment	$36.33
Remaining Life	4	Interest Contribution	$2.35
		Reserve Allocation	$38.68

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2026.

East Village Homeowners Association
Reserve Planning Overview

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

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

The term replacement reserves refer to funds that are being accumulated for the purpose of renewing or replacing commonly owned assets within the community. It is a common practice throughout the industry to use the generic term “reserves” when referring to the replacement reserve funds. It is recommended that Boards and managers make a point of using the term replacement reserves to avoid confusion since the term reserves can have more than one meaning in the context of accounting and financial planning.

State laws in Oregon and some other states require that the replacement reserves be sequestered in one or more bank accounts that are clearly identified as the replacement reserve fund. All Association funds, including the replacement reserves, should be warehoused in bank accounts that are FDIC-insured or in investments that are backed by the full faith and credit of the U.S. Government.

Many communities that were developed prior to 1990 are only now being confronted with the impact of underfunded reserves as they reach the 30-year tipping point in the lifecycle of the community. It is not uncommon for older communities to levy special assessments to pay for renewal or replacement of long-lived common-area improvements. These special assessments may be used to secure financing from a bank, with the proceeds from the bank loan being used to pay for renewal and replacement expenses while the revenue generated by the special assessment is used to service the loan.

3. Legacy Systems: Legacy systems or legacy components refers to common area improvements and building systems placed in service at the time of the initial construction of the property with an expected useful life in excess of 30 years. Due to the long-lived nature of many legacy systems, it is not uncommon to find that the reserve study may not include funding for replacement of these systems, either because the life expectancy is not predictable or because the remaining useful life of the component is greater than the 30-year projected that is captured in the typical reserve study.

Legacy systems that are typical of many homeowner associations include building components such as siding, windows and doors or mechanical, plumbing, electrical systems. Legacy systems may also include water mains, irrigation supply pipes pavement, roads, utility metering equipment and other infrastructure-related components.

When the subject property is more than 20 years old the issue of legacy systems and the Association’s reserve funding responsibilities with respect to renewal and replacement of such systems should be addressed at least to the extent that the reserve study recognizes the need funding, even if the reserve spending budget does not include funding for replacement and renewal of the legacy system. In the absence of a funding allocation to pay

for replacement of legacy systems, the study should include a disclosure that acknowledges the Association's plans with respect to replacement of legacy systems.

As a result of the collapse of the Champlain Tower in (June 2021), the reserve study standards of the Community Associations Institute (CAI) as well as the laws of many states are being revised. In the very near future, CRC expects that states which already require homeowner associations to conduct a reserve study, will revise existing statutes to require a baseline property condition to be performed by any homeowner association that is responsible for a multi-story structure such as a mid or high-rise condominium building.

Moving forward beyond 2021, Associations which are responsible for a common element asset inventory that includes roads, bridges, earthen dams, man-made lakes, water and sewer systems, moorages, docks, piers or other major site improvements and infrastructure components, will be encouraged if not required by law, to conduct a baseline property conditions assessment (PCA) of the common elements. The baseline property condition assessment (PCA) process is established by a standard or protocol which has been developed by the American Society of Testing & Materials International (ASTM). The ASTM is an internationally-recognized organization that publishes more than 600 hundred separate maintenance and inspection standards that are used by real property owners, including condominium associations, investors and institutional clients throughout the world.

ASTM E2018-15 Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process is widely used as the point of beginning, for the property condition assessment, hence the term baseline. To learn more about the condition assessment process, or to purchase a copy of the ASTM standard, please visit the ASTM International website at: https://webstore.ansi.org/Standards/ASTM/ASTME201815

CRC Requirement for a Baseline PCA: Beginning in 2022 CRC will require all clients responsible for multi-story buildings containing more than three (3) floors above grade or buildings that are ten (10) years of age or older, and which contain at least one passenger elevator, fire suppression systems or cantilevered balconies, to engage an independent technical consultant (engineer or architect), to conduct a Baseline Property Condition Assessment in accordance with the ASTM E2018-15 Standard.

CRC encourages all clients to obtain a baseline PCA from a qualified professional at the earliest possible time. The PCA activities should be scheduled and competed in advance of the next reserve study update, involving a site visit by CRC and under no circumstances will CRC continue to update the client's reserve study if a PCA has not been completed within three years of the original reserve study or in accordance with the statutory requirements of any state.

A copy of the PCA, including all supporting documentation assembled by the consultant, must be provided by the client too CRC, at the clients' expensive. CRC reserves the right to decline to future requests to update the client's reserve study, at the sole discretion of CRC and its advisers, pending completion of the PCA.

At its sole discretion CRC, may agree to perform an annual update of the reserve study that does not involve a site visit, depending on the age, condition and complexity of the subject property. If any of the following conditions are met, CRC will not agree to update the reserve study in future years unless and until a baseline PCA has been completed and all documents related to the PCA have been provided by the client:

- Subject property contains contiguous, connected residential units on at least one floor level above grade that is served by a passenger elevator.
- Subject property contains residential units with cantilevered unit balconies, whether connected to or not connected to other unit balconies.

- Subject property contains an eco-roof, green roof, rooftop swimming pool, spa or water storage tank.
- Subject property contains more than one subterranean floor level below grade.
- Subject property is located in a waterfront location.
- Subject property includes open boardwalks, piers or enclosed living space that is supported partially or completely by marine pilings or a submerged foundation.
- Subject property is more than 10 years of age from the date of original construction.
- Subject property is located in an area that has been designated as a high-risk liquefaction zone.

Limitation of the Reserve Study Site Visit: The site visit conducted by CRC in conjunction with any reserve study engagement is not intended to be a substitute for a property condition assessment. In those instances where state law has been revised to require an inspection of the structural, mechanical or building enclosure components of the facility, CRC will require that all inspections been performed by independent professional that are engaged by the Association and not by CRC.

The site visit conducted by CRC in conjunction with the reserve study is for identifying the common element component inventory and nothing more. The remaining service life of all common elements identified during the site and which may be included in the reserve spending component inventory is based established technical data sources listed in the Introduction, Th determine the replacement cycle for any reserve study component the expected service life (in years) is added to the last known in-service date of the component. Adjustments in the remaining service life of various components may be made at the discretion of the Board, and/or CRC in those instances where the component does not serve a critical structural or life safety function; in which case the remaining service life of the component will only be revised based on the advice of experts.

5. Reserve Funding & Legacy Systems: Many reserve studies will address the need for funding to pay for renewal and replacement of legacy systems and long-lived components in a superficial manner that is often inadequate. To determine whether an expenditure is included in the replacement reserve budget it must first pass the predictable and determinant test. If the need for funding cannot be reasonably predictable, or if the amount of the expenditure cannot be reasonably determined, then it is not appropriate for inclusion in the reserve study.

In those instances where the need for funding is clearly established the Board of Directors or the Reserve Specialist® must develop an estimate of the future cost of renewal or replacement of the component/s in question. When the Board of Directors chooses to override the recommendations of experts by including funding in the reserve budget that is not supported by solid analysis; the Board must be prepared to take responsibility for its decision and continue to monitor the situation in the interest of the integrity of the reserve funding analysis. Once a clear and convincing need for reserves has been established by a comprehensive condition assessment the reserve study may be revised to reflect the need for funding.

6. Reserve Funding for Assessment Expenses: The cost of a comprehensive, baseline PCA can be significant. In particular when the subject of the analysis are long-lived systems or components that are hidden from view such as plumbing and electrical installations or when the consultant who conducts the PCA determines that a higher level of technical/expert investigation may be required.

Structural inspection conditions by a licensed structural engineer may be required by state statues in certain instances. Other common elements of the Association may include legacy systems or major improvements that are 20 years of age or older the reserve study may include funding for a baseline PCA or other types of inspection and assessment activities, the cost of the reserve study itself and any subsequent updates.

After 2021 the reserve study standards developed by the CAI and the statutes in some states, are likely to require that the cost of required inspections, testing, preventive or remedial maintenance must be included in the reserve spending budget, regardless of whether the cost is capital expenditure under the Internal Revenue Code.

It is CRC's policy to include any non-capital expenditures that is required by statute or the best practices guidelines of the community management industry, established by the CAI. The cost of the initial baseline PCA as well as any additional inspection recommended by experts will be automatically be included in the reserve spending budget if required by statute.

7. Distribution of Accumulated Reserves: The Distribution of Accumulated Reserves is a report which illustrates how much of the accumulated reserves, or beginning reserve fund balance, are distributed to each of the reserve fund expenditures itemized in the reserve study. The allocation of the reserves is based on chronological need; i.e. those expenditures which are scheduled to occur the soonest will be allocated a portion of the reserves before those expenses which are not scheduled to occur until well into the future.

When the percent funded level is equal to or greater than 100%, all of the expenditures identified in the reserve study will be allocated 100% of the money needed to offset the value of the assets that has been lost to depreciation. As an example, we will use a single component as an example of how the allocation of accumulated reserves works.

If we assume that a roof replacement expense is going to cost $20,000 and that the roof in question will last 20 years, we calculate the allocation of reserves that is required each year to generate $20,000 by the time the roof reaches the end of its useful life. In this example if we divide the $20,000 roof replacement cost by 20 we can see that annual allocation would be $1,000 to the reserve fund each year for 20 years.

As the roof ages, the amount of money that would need to be allocated to the roof replacement will increase $1,000 each year. Hence, after 5 years the reserves allocated to the roof replacement would need to total $5,000 in order for the roof replacement reserves to be 100%, or fully funded.

It is important to note that in this context a “fully funded” reserve account does not mean that the reserves which have been allocated to one or all of the reserve expenditures will necessarily represent 100% of the cost of replacing the item. Rather a fully funded reserve account means that the current accumulated reserves are equal to or greater than the amount that is required to offset the combined value of all components that has been lost through depreciation as of the beginning date of the reserve study.

When the reserves are less than 100% funded there will always be one or more reserve expenditures which are not allocated any of the available reserves. These components will in turn always be those expenses which are scheduled to occur at the furthest date from the beginning date of the reserve study due to the chronological nature of the way the accumulated reserves are allocated.

The algorithm that generates the Distribution of Accumulated Reserves report is a default function of all commercially distributed reserve study software and cannot be edited or modified by the software user. The only means of controlling the allocation of reserves that is available to the analyst is to alter the replacement date of a component if for some reason it is necessary for a particular expenditure to be allocated a portion of the currently available reserves.

8. Annual Reserve Study Updates: State statues may or may not require that the reserve study be update annually. In order for the reserve study to be considered current it must include a schedule of reserve fund

contributions and expenditures that begin on the first day of the current budget cycle.

9. Fiscal vs. Calendar Year: Reserve study clients, including homeowner associations, may use a calendar or fiscal year for budgeting and financial reporting. When a reserve study is prepared for a client that uses a fiscal year for budgeting purposes, the reserve study should clearly state the beginning and ending date of the fiscal year.

The strict definition of the term "fiscal year" is any 12-month fiscal reporting period that *does not* end on December 31st. The use of the term "fiscal year" when referring to 12-month reporting period that does *not* end on December 31st is technically incorrect and should be avoided to prevent confusion.

When using the 12-month period that begins on January 1st and ends on December 31st, the term calendar year should be used.

The fiscal year is determined by the year in which the 12-month period occurs. Hence, if the Association uses a fiscal year than ends on June 30th, the fiscal year ending on June 30, 2022 is referred to as Fiscal year 2022, of FY2022.

10. Reserve Study Planning Horizon: To be an effective planning tool the reserve study should cover a period of thirty (30) years beginning with the first day of the current budget year. The period of analysis captured in the study is often referred as the "planning horizon," whether the period is 30 years or not. In order for a reserve study to be considered current, the spending and future funding projection must begin on the first day of the current budget year.

To meet the industry accepted definition of a current reserve study, the study must include the following information which is *current as of the first day of the current budget cycle*:

- The starting balance of the reserve account for the current budget year.
- The estimated remaining useful life of each item for which reserves are or will be established, as of the date of the study or update.
- The estimated *current cost* of major maintenance, repairs; replacements and renewal at the end of the useful life of each item for which reserves are being accumulated.
- A statement regarding the annual inflation used to calculate the future or projected major maintenance or repairs; replacement and renewal at the end of the useful life of each item for which reserves are being accumulated.
- A statement which confirms the *current inflation rate* as of the date of the reserve study or update.
- Acknowledgement of the annual returns on any invested reserves or investments, expressed as an annual percentage.

11. Capital & Non-Capital Expenditures: State laws in some jurisdictions may require that the reserve spending projection include non-capital expenditures in additional to the traditional capital replacement spending that is required to maintain the common elements. The Board of Directors is advised to consult with a tax professional regarding the inclusion of non-capital expenditures in the replacement reserve budget.

East Village Homeowners Association
Glossary

Abbreviations

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

Reserve Study Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year – An accounting term used to describe a one-year reporting cycle other than a January 1-December 31 cycle (calendar year), although the term “fiscal year” is often used to describe any one-year financial reporting cycle, including a calendar year reporting cycle. The fiscal year is identified by the year when the reporting cycle ends. Hence, if the fiscal year ends on June 30th then the fiscal year ending on June 30, 2020 is referred to as the 2020 fiscal year or fiscal year 2020 (FY2020).

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

Fully Funded = PV x CA / EUL.

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

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

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

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

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

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

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

Legacy Systems – Also referred to as legacy components, the term refers to a class of commonly-owned assets that date to the original construction of the development and which are typically expected to achieve a useful service life that is beyond 30 years. In some cases, the service life of legacy systems many be significantly longer than 30 years. In those instances where the life expectancy of the component exceeds 40 to 50 years the need to replace or renew the component may only occur one time in the course of a 100-year period.

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

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

To calculate the percent funded level for a reserve fund containing more than one component expenditure this calculation is performed for each component and the sum total is the amount required to achieve Full Funding.

Hence, the percent funded level for a typical reserve fund represents an average of the percent funded level for all of the components that are included in the reserve funding analysis.

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

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

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

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

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

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

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

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

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

East Village Homeowners Association
Component Report Index

Asset ID	Description	Replacement	Page
Fencing			
	Front Yard Landscape Renovation (1)	2024	A-3
	Front Yard Landscape Renovation (3)	2026	A-5
Landscaping & Irrigation			
	Landscape Irrigation-Timers	2023	A-2
	Landscape Irrigation-Double-Check Valve (2")	2024	A-4
	Front Yard Landscape Renovation (2)	2025	A-4
Pavement			
	Concrete Sidewalks-Repair (Clay St)	2023	A-2
	Concrete Sidewalks-Repair (Abbott Ave)	2024	A-3
	Concrete Sidewalks-Repair (Engle St)	2025	A-4
	Concrete Sidewalks-Repair (Dollarhide Way)	2026	A-5
	Total Funded Assets	9	
	Total Unfunded Assets	0	
	Total Assets	9	