CAPITAL RESERVE CONSULTANTS

- Reserve Studies
- Condition Assessments
- Maintenance Plans
- Limble© CMMS Platform Development

Level III Reserve Study

East Village Homeowners Association

Ashland, Oregon

Budget Year: 1/1/2025 – 12/31/2025

Reserve Specialist®: Carson M. Horton, RS®

Client Project Contact: Pauline Short

Report Date: 5/29/2025

TELEPHONE
503-336-3719

WEBSITE
https://capitalreserveconsultants.com/

EMAIL
info@capitalreserveconsultants.com

MAILING ADDRESS
8630 SW Scholls Ferry Rd., Suite 216
Beaverton, OR, USA 97008

EMPOWER YOUR COMMUNITY™

TABLE OF CONTENTS

East Village Homeowners Association

East Village Homeowners Association
Disclosures

Period of Inquiry: This replacement reserve spending analysis (reserve study) encompasses a thirty (30) year period beginning on **1/1/2025**. The 30-year planning horizon meets the requirements of Oregon reserve study statutes.

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

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

Statement of Qualifications: Carson M. Horton, RS®, the person supervising the preparation of this reserve study, is a Community Associations Institute Certified Reserve Specialist® (RS®), recognized for expertise in the preparation and analysis of reserve funding plans. Mr. Horton and has been a CAI-Certified Reserve Specialist® since 2006 during which time he has supervised the preparation reserve studies for common interest developments, investment property owners and institutional clients in fourteen states

Mr. Horton's list of reserve study clients includes the U.S. Military Based Housing Program, Portland State University, Pacific Grove University, 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.

For a comprehensive list of Mr. Horton's reserve study clients see the Reserve Specialist® - Statement of Qualifications & Experience located in the APPENDIX.

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 financial, personal, or ongoing business 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 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. This reserve study does not include a Property Condition Assessment (PCA) conducted by an independent third-party expert, unless noted. The site visit conducted by CRC in conjunction with this reserve study engagement is not designed to identify structural, mechanical, electrical, or other physical defects in the subject property. All observations were visual in nature and did not involve invasive examination techniques, representative destructive sampling, thermographic imaging, or independent testing by third-party organizations.

Statutory Maintenance Plans: Oregon law requires that the board of directors of homeowner associations governed by **O.R.S § 94** and **O.R.S § 94 100** prepare a maintenance plan (MP) for the maintenance, repair, and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration, bylaws, or the statute. **The statutes do not require that the reserve study itself must include a MP, nor that the MP be prepared by the same consultant that conducts the reserve study.** Unless otherwise noted, reserve studies prepared by CRC do not include a MP. CRC encourages all Clients to comply with all state and federal statutes, including those requiring a MP, inspections, and structural certifications.

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 reflects 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 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. Reserve Study Levels of Service: The **Reserve Study Standards®** (RSS®) developed by the **Community Associations Institute** (CAI) in 2023 include four level of reserve study service for studies conducted for common interest developments (CIDs). This reserve study is a **Level II Reserve Study** as defined by the RSS®. The four standards of service established by the RSS® are as follows:

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®, and may include data provided by consulting experts, at the discretion of the Reserve Specialist® who is responsible for the reserve study. 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 a Level I Reserve Study engagement is not intended to satisfy the inspection requirements of state laws which govern CIDs, and is not performed in accordance with technical standards for conducting property inspections or condition assessments.

Level II Reserve Study: The Level II Reserve Study process includes a site visit by the Reserve Specialist®. The RSS® 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. Most state statutes do not require a site visit by the reserve study provider after the initial reserve study (Level I) is completed.

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 law in Oregon requires all homeowner associations formed after 10/23/1999 to conduct a reserve study or update a previous study each year except for a two-unit condominium.

Level IV Pre-Construction Reserve Study: Reserve studies which are conducted prior to completion of a new development are referred to as a Level IV or 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®. Level IV reserve studies are subject to revision at the discretion of the Reserve Specialist® after all construction has been completed.

2. 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 a site visit in March 2025, and from the following sources, to arrive at component replacement costs and useful life estimates for the common area components identified in the component inventory:

- Life Cycle Costing for Facilities – (Reed Construction Publishers)
- Preventive Maintenance and Building Operations Efficiency – (BOMA)
- Facility Manager's Maintenance Handbook – (McGraw-Hill)

3. Download RRS: The RSS® may be downloaded from the CAI website at the following link:

https://www.caionline.org/LearningCenter/credentials/Documents/CAI%20Reserve%20Study%20Standards%20July%202023%20-%20FINAL.pdf

East Village Homeowners Association
Percent Funded Explanation

1. Percent Funded Level: The percent funded level calculations which appear in this reserve study analysis are calculated using the following formula, which is mandated by the Community Associations Institute's 2023 *Reserve Study Standards (*RSS®):

- 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 compares the relationship between the accumulated reserves at the end of each budget year and the value of the common elements in the component inventory, which has been lost due to time-based 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, with the service life 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. This static

3. Fully Funded Balance (FFB): The formula used to calculate the Fully Funded Balance (FFB) of an individual reserve component is linear, reflecting straight-line depreciation over the asset's useful life. However, the calculation of the percent funded level in a pooled reserve model becomes non-linear when inflation or interest assumptions are applied. This is because future replacement costs are adjusted for inflation, and reserve adequacy is evaluated using time-weighted cash flow projections rather than fixed annual accruals.

4. Pooled Reserve Fund and FFB: According to the RSS® definition, the FFB is determined by *summing* the FFB of all components to determine the "percent funded level" of the reserve fund, when the reserves are *pooled*. In pooled reserve funding models, all reserve contributions are deposited into a single fund and are not assigned or tracked separately by component. This structure allows the association to prioritize spending based primarily on chronologic needs, without requiring funds to be earmarked for specific components. While this flexibility can enhance financial efficiency, it also introduces challenges when calculating the percent funded value. Accordingly, a valid percent funded calculation should compare the total reserve fund balance to the aggregate FFB of all components, including those components for which reserves have not been allocated any reserves, which is the case when the percent funded level is less than 100%.

5. FFB - Higher is Better: 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. Therefore, when the pooled reserve fund is less than 100% funded (actual balance is less than the FFB), the mathematical consequence is that certain components will be *underfunded* or *unfunded*. For this reason, the axiom *"higher is better"* almost always applies, when using the percent funded level as a measure of the reserve fund adequacy.

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.

East Village Homeowners Association
Inflation Parameters

1. ORS § 94 - Inflation Requirement: This reserve study includes an inflation factor as required by **ORS § 94**: The statute requires that the reserve study be updated each year using the *"rate of inflation during the current fiscal year."* https://oregon.public.law/statutes/ors_94.595.

2. Weighted and Unweighted Averages: The statute does not include any provision that allows for use of historic rolling weighted or unweighted averages for any period of years other than the annual inflation rate for the current fiscal year, which is in fact, the 12-month *unweighted* average for the previous 12 months ending with the most recent completed month (See paragraph 3).

3. Monthly 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** (BLS). Hence the published inflation rate in the U.S. at any point in time, is a rolling 12-month average for the *previous* 12 months. The **annual inflation** rate is simply the 12-month rolling average for the 12-months ending on December 31st.

4. Long-Term U.S. Inflation: From the beginning of 1914 through the end of 2024, the average annual inflation rate in the United States has been **~3.3%.** This long-term annual average inflation figure encompasses periods of both high and low inflation, including the hyperinflationary period between 1974 through 1982, and the low annual inflation rate that occurred in 2009 through 2020.

5. Release Date: The most recent updated inflation rate is released each month by the BLS between the 10th and 13th, depending on the month. At any point during the year, the most accurate inflation rate is the most recent inflation rate released within this 4-day period of each month. Historical averages and other information regarding inflation may be found at: https://inflationdata.com/

6. Calculating Inflation: The Inflation rate is calculated from the Consumer Price Index (CPI-U) which is compiled by the BLS and is based upon a 1982-84 baseline of 100. An increase in the CPI-U of 3 points from one month to the next would be reported as an inflation rate of 3%.

The current CPI-U as of the report date of this reserve study is **319.082**, suggesting that the cost of goods and services which are used to calculate the CPI-U have increased 3.19 times since the 1982-84 timeframe which was used to establish the index baseline of 100.

7. Annual Inflation Rate: The annual inflation rate for a given calendar year is the 12-month unweighted average for the period January through December of the year in question.

- The average *annual* inflation rate for the 111-year period ending 12/31/2024 is **3.30%**
- The average *annual* inflation rate for the 30-year period ending 12/31/2024 is **2.95%.**
- The average *monthly* inflation rate for the 12-months ending 4/30/2025 is **2.31%.**
- The inflation rate used in this reserve study is **3.00%.**

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.

8. Chapwood Index: For purposes of comparison, this reserve study includes the average **Chapwood Index** for the previous calendar year (CY). The Chapwood Index reflects the true cost-of-living (COL) increase in the U.S. Updated and released twice a year, the Index reports the unadjusted actual cost and price fluctuation of the top 500 items on which Americans spend their after-tax dollars on, in the 50 cities in the country. The Chapwood

East Village Homeowners Association
Inflation Parameters

Index finds that the true COL increase in 50 cities tracked by the index in CY2023 ranged between **7.80%** in Mesa, AZ and **13.6%** in San Francisco, CA and Boston, MA. The Portland, OR Index for CY2023 was **12.80%** while the Seattle, WA Index for CY2023 was **12.12%.** These figures are the most recent data published by Chapwood website. Learn more about the Chapwood Index here: https://chapwoodindex.com/

East Village Homeowners Association
Executive Summary - 2025

1. Current Financial Condition: The Association's fiscal year begins on January 1st of each year. This reserve study is an analysis of the replacement and renewal costs pertaining to the common element asset inventory of the 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 **1/1/2025.**

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

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

- Representatives of the subject property.
- Life Cycle Costing for Facilities – (Reed Construction Publishers.)
- Facility Manager's Maintenance Handbook – (McGraw-Hill).
- Site visit conducted by CRC on **1/31/2016.**

3. Financial Reporting Period: The financial reporting period utilized by the Association is a calendar year (January 1 – December 31).

4. Period of Analysis: The reserve study includes a 30-year projection of the anticipated reserve fund expenditures for the period **1/1/2025** through **12/31/2054**. State law requires a minimum period of analysis of 30-years from the beginning day of the current budget year. The period of analysis may be extended beyond 30 years at the request of the Board of Directors.

5. 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. Cash flow funding models may or may not generated sufficient reserves to offset the accumulated depreciation of the common elements for which the reserves are being accumulated.

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

7. 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 may be revised at the discretion of the Board of Directors:

- **1/1/2025** beginning reserve fund balance: **$37,259.00**
- **2025** reserve fund contribution: **$2,400.00**
- Earnings on reserve deposits: .50%
- Annual inflation rate: 3.00%
- Maximum annual reserve contribution increase: (See Funding Summary on the next page)

- Reserve fund contingency: 0%
- **1/1/2025** contingency funds: **$0.00**
- Income tax rate on investment earnings: 15%

8. Average Reserve Expenditures: The **Annual Expenditure Detail** contained in the reserve study indicates that **2025** is the next year in which reserve fund expenditures will occur. The **2025** expenditures and average annual reserve fund expenditures are shown below. These projections may change when the reserve study is updated for future years.

- **2025** expenditures are projected to be: **$10,672.00.**
- Average annual reserve expenditures – **1/1/2025** through **12/31/2054**: **$7,249.00**

9. Minimum Year-End Reserve Fund Balance & Peak Spending: The minimum reserve fund balance after **2025** is projected to be **$4,125.00** in **2031**. The peak spending cycle over the next 30-years is projected to occur in **2049**, when **$28,469.00** in reserve spending is scheduled to occur. The reserve fund balance at the end of **2049** is projected to be **$6,772.00**, which will result in a percent funded level of **26%**, assuming reserve fund activity does not deviate from the schedule set forth in this reserve study.

10. 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 **12/31/2054** are as follows:

- Total replacement reserve spending: **$217,477.00**
- Total reserve fund contributions: **$215,624.00**
- Interest earnings on reserve fund deposits: **$1,101.00**
- Reserve fund balance - **12/31/2054**: **$36,510.00**

11. 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.

12. Updating the Reserve Study: The reserve study must be updated each to ensure that the future spending projections are as accurate as possible and to comply with state law. Depending on the asset array which is established by the reserve study, the update process may require a periodic visual/onsite assessment of the common elements for which reserves are being accumulated. State law does not require a condition assessment or visual inspection of the common elements after the initial study is conducted but the policy of some reserve study providers may.

East Village Homeowners Association
Current Reserve Funding Status - 2025

1. Cash Flow Funding Method: The Cash Flow Method (CFM) is a reserve funding strategy that prioritizes the generation of reserve fund revenue (cash flow) based on planned annual expenditures, irrespective of the economic value that is lost through depreciation of the reserve assets for which reserves are being accumulated. The goal of a CFM strategy is to ensure adequate reserve fund revenue to meet projected expenditures over the period covered by the reserve study. If actual costs and replacement schedules align with the reserve study, this approach guarantees funds will be available when needed - regardless of the Association's percent funded level at any given point, or the asset value lost through depreciation.

2. Pooled Reserves: Under the CFM, reserve contributions are pooled into a single fund used to cover all spending obligations established by the reserve study. This approach focuses on *projected annual cash needs*, **not on offsetting the ongoing economic depreciation of each reserve asset.**

The accumulated depreciation formula commonly utilized in most reserve studies is:

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

Note that *salvage value* is excluded from this calculation unlike the accumulated depreciation formula typically used for tax reporting purposes. Meanwhile, the EV is the *current estimated replacement cost* adjusted for inflation, typically by applying the same inflation rate for all reserve fund assets that result in future reserve spending liability, whether the future expenditure is a true replacement (capital) expenditure, a non-capital expense, or an expenditure that may more correctly be classified as an operational expense.

As a result, the pooling of reserves and the use of CFM, a high percentage of all reserve studies conducted for common interest developments (CIDs) in the United States are not true ***capital*** *reserve studies*, as is often claimed. Nor is it necessarily true that the accumulated reserves at a point in time will offset the value of the common elements that has been lost to depreciation.

3. Percent of Fully Funded Balance (FFB): A reserve fund is considered fully funded (100% funded) when the accumulated reserves equal or exceed total depreciation as of the budget year-end. For further details on depreciation, percent funded, and the FFB formula, see the APPENDIX.

4. 30-Year Projection Model: This study uses a 30-year Cash Flow projection with the Current Assessment Funding approach, allowing the Board or Reserve Specialist® to adjust annual contributions as needed. The funding model begins with a 2025 reserve contribution of **$2,400.00**.

5. Current Reserve Status: As of **1/1/2025**, the Association's reserve fund is projected to be **96%** funded, assuming a reserve fund balance of **$37,259.00**. The reserve balance required for the reserves to be fully funded is **$38,749.00**, which represents an average of **$955.00** per lot based on **39** lots.

Note: Oregon law (O.R.S. 100.175 / 94.595) does not mandate any specific funding method or minimum reserve level for homeowner associations.

East Village Homeowners Association
30-Year Funding Model Summary - 2025

Report Parameters

Report Date	May 29, 2025
Account Number	OR-1601-000
Version	Level III
Budget Year Beginning	January 1, 2025
Budget Year Ending	December 31, 2025
Total Units	39
Phase Development	1 of 1

Interest Rate on Reserve Deposit	0.30%
Tax Rate on Interest	15.00%
2025 Beginning Balance	$37,259

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 **1/1/2025:**

- **1/1/2025** percent funded level: **96%**
- Highest percent funded level after **2025**: **82%**
- Lowest percent funded level after **2025**: **28%**.

Cash Flow Funding & Depreciation: 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 value of the common elements due to depreciation. 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.

Explanation of Funding: The 30-Year Funding Projection included in this reserve study assumes a 2025 reserve fund contribution of **$2,400.00** which equals **$61.54** per lot based on **39** lot. In **2026** through **2031** the annual contribution is scheduled to increase **10%**. In **2026-2028** the contribution is scheduled to increase **5%.** In **2029** through **2046** the annual contribution is scheduled to increase **8%**. In **2027** through **2054** the increase will **be 1%.**

The rate of increase in the annual reserve fund contribution and the percent funded levels may change when the reserve study is updated in the future.

Current Assessment Funding Model Summary of Calculations

Required Monthly Contribution	$200.00
Average Net Monthly Interest Earned	$5.93
Total Monthly Allocation to Reserves	$205.93

East Village Homeowners Association
30-Year Funding Model Projection - 2025

Report Date	May 29, 2025		
Beginning Fiscal Year	January 01, 2025		
Account Number	OR-1601-000	Version Number	Level III

Beginning Balance: $37,259

Fiscal Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2025	42,778	2,400	71	10,672	29,058	31,625	92%
2026	44,062	2,520	43	13,747	17,874	21,708	82%
2027	45,384	2,646	46	1,459	19,106	24,259	79%
2028	46,745	2,778	43	3,693	18,235	24,880	73%
2029	48,147	3,001	10	15,763	5,483	14,304	38%
2030	49,592	3,241	12	2,426	6,310	17,295	36%
2031	51,080	3,500	6	5,691	4,125	17,165	24%
2032	52,612	3,780	16		7,921	23,049	34%
2033	54,190	4,082	23	1,114	10,912	28,123	39%
2034	55,816	4,409	16	7,078	8,258	27,372	30%
2035	57,491	4,762	20	2,812	10,228	31,164	33%
2036	59,215	5,142	16	6,598	8,789	31,346	28%
2037	60,992	5,554	30		14,373	38,511	37%
2038	62,821	5,998	32	4,963	15,441	40,965	38%
2039	64,706	6,478	27	8,206	13,740	40,345	34%
2040	66,647	6,996	36	3,260	17,513	44,999	39%
2041	68,647	7,556	36	7,648	17,456	45,477	38%
2042	70,706	8,160	56		25,672	54,057	47%
2043	72,827	8,813	74	1,498	33,062	61,568	54%
2044	75,012	9,518	73	9,513	33,141	61,272	54%
2045	77,262	10,280	50	19,276	24,194	51,141	47%
2046	79,580	11,102	14	24,828	10,482	35,224	30%
2047	81,968	11,213	36	2,635	19,096	41,932	46%
2048	84,427	11,325	47	6,670	23,799	44,935	53%
2049	86,960	11,439	4	28,469	6,772	25,834	26%
2050	89,568	11,553	22	4,381	13,966	31,237	45%
2051	92,255	11,668	26	10,279	15,381	31,002	50%
2052	95,023	11,785	56		27,222	41,629	65%
2053	97,874	11,903	81	2,013	37,193	50,793	73%
2054	100,810	12,022	79	12,784	36,510	49,437	74%

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 component data which has been used to develop the reserve funding projections contained in the reserve study.

East Village Homeowners Association
Component Report by Remaining Life Expectancy

Report Date	May 29, 2025
Beginning Fiscal Year	January 01, 2025
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 (Engle St)	2025	5	16	0	2,092	2,092	2,092
Front Yard Landscape Renovation (2)	2025	20	0	0	8,580	8,580	8,580
Concrete Sidewalks-Repair (Dollarhide Way)	2026	5	5	1	4,766	4,290	4,290
Front Yard Landscape Renovation (3)	2026	20	0	1	8,580	8,151	8,151
Landscape Irrigation-Double-Check Valve (2")	2027	20	3	2	1,375	1,255	1,255
Concrete Sidewalks-Repair (Clay St)	2028	5	5	3	880	616	616
Landscape Irrigation-Timers	2028	10	5	3	2,500	2,000	2,000
Concrete Sidewalks-Repair (Abbott Ave)	2029	5	20	4	5,425	4,557	4,557
Front Yard Landscape Renovation (1)	2029	20	5	4	8,580	5,718	7,207
Total Asset Summary					$42,778	$37,259	$38,748

East Village Homeowners Association
Component Report with Current Costs

Report Date	May 29, 2025
Beginning Fiscal Year	January 01, 2025
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 (3)	2006	2026	20	0	1	13 Units	660.00	8,580
Front Yard Landscape Renovation (1)	2004	2029	20	5	4	13 Units	660.00	8,580
Fencing - Total								$17,160
Landscaping & Irrigation								
Front Yard Landscape Renovation (2)	2005	2025	20	0	0	13 Units	660.00	8,580
Landscape Irrigation-Double-Check Valve (2")	2004	2027	20	3	2	1 Total	1,375.00	1,375
Landscape Irrigation-Timers	2013	2028	10	5	3	2 Each	1,250.00	2,500
Landscaping & Irrigation - Total								$12,455
Pavement								
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	0	2,700 SF	15.50@ 5%	2,092
Concrete Sidewalks-Repair (Dollarhide Way)	2016	2026	5	5	1	6,150 SF	15.50@ 5%	4,766
Concrete Sidewalks-Repair (Clay St)	2018	2028	5	5	3	1,135 SF	15.50@ 5%	880
Concrete Sidewalks-Repair (Abbott Ave)	2004	2029	5	20	4	7,000 SF	15.50@ 5%	5,425
Pavement - Total								$13,163
Total Asset Summary								$42,778

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 yearly 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.

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 or extending the life expectancy of common elements which are already owned by the Association. Funding for acquisition of new capital assets is not typically included in the reserve study and is more correctly included a capital improvement budget. 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	May 29, 2025	
Beginning Fiscal Year	January 01, 2025	
Account Number	OR-1601-000	Version Number Level III

Description	Expenditures
Replacement Year 2025	
Landscaping & Irrigation	
Front Yard Landscape Renovation (2)	8,580
Pavement	
Concrete Sidewalks-Repair (Engle St)	2,092
Total for 2025	**$10,672**
Replacement Year 2026	
Fencing	
Front Yard Landscape Renovation (3)	8,837
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	4,909
Total for 2026	**$13,747**
Replacement Year 2027	
Landscaping & Irrigation	
Landscape Irrigation-Double-Check Valve (2")	1,459
Total for 2027	**$1,459**
Replacement Year 2028	
Landscaping & Irrigation	
Landscape Irrigation-Timers	2,732
Pavement	
Concrete Sidewalks-Repair (Clay St)	961
Total for 2028	**$3,693**
Replacement Year 2029	
Fencing	
Front Yard Landscape Renovation (1)	9,657

Description	Expenditures
Replacement Year 2029 continued...	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	6,106
Total for 2029	**$15,763**
Replacement Year 2030	
Pavement	
Concrete Sidewalks-Repair (Engle St)	2,426
Total for 2030	**$2,426**
Replacement Year 2031	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	5,691
Total for 2031	**$5,691**
No Replacement in 2032	
Replacement Year 2033	
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,114
Total for 2033	**$1,114**
Replacement Year 2034	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	7,078
Total for 2034	**$7,078**
Replacement Year 2035	
Pavement	
Concrete Sidewalks-Repair (Engle St)	2,812
Total for 2035	**$2,812**
Replacement Year 2036	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	6,598
Total for 2036	**$6,598**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
No Replacement in 2037	
Replacement Year 2038	
Landscaping & Irrigation	
Landscape Irrigation-Timers	3,671
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,292
Total for 2038	**$4,963**
Replacement Year 2039	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	8,206
Total for 2039	**$8,206**
Replacement Year 2040	
Pavement	
Concrete Sidewalks-Repair (Engle St)	3,260
Total for 2040	**$3,260**
Replacement Year 2041	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	7,648
Total for 2041	**$7,648**
No Replacement in 2042	
Replacement Year 2043	
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,498
Total for 2043	**$1,498**
Replacement Year 2044	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	9,513
Total for 2044	**$9,513**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2045	
Landscaping & Irrigation	
Front Yard Landscape Renovation (2)	15,496
Pavement	
Concrete Sidewalks-Repair (Engle St)	3,779
Total for 2045	**$19,276**
Replacement Year 2046	
Fencing	
Front Yard Landscape Renovation (3)	15,961
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	8,867
Total for 2046	**$24,828**
Replacement Year 2047	
Landscaping & Irrigation	
Landscape Irrigation-Double-Check Valve (2")	2,635
Total for 2047	**$2,635**
Replacement Year 2048	
Landscaping & Irrigation	
Landscape Irrigation-Timers	4,934
Pavement	
Concrete Sidewalks-Repair (Clay St)	1,736
Total for 2048	**$6,670**
Replacement Year 2049	
Fencing	
Front Yard Landscape Renovation (1)	17,441
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	11,028
Total for 2049	**$28,469**

East Village Homeowners Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2050	
Pavement	
Concrete Sidewalks-Repair (Engle St)	4,381
Total for 2050	**$4,381**
Replacement Year 2051	
Pavement	
Concrete Sidewalks-Repair (Dollarhide Way)	10,279
Total for 2051	**$10,279**
No Replacement in 2052	
Replacement Year 2053	
Pavement	
Concrete Sidewalks-Repair (Clay St)	2,013
Total for 2053	**$2,013**
Replacement Year 2054	
Pavement	
Concrete Sidewalks-Repair (Abbott Ave)	12,784
Total for 2054	**$12,784**

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	2029	20	5	4	13 Units	660.00	8,580
Front Yard Landscape Renovation (2)	2005	2025	20	0	0	13 Units	660.00	8,580
Front Yard Landscape Renovation (3)	2006	2026	20	0	1	13 Units	660.00	8,580
Landscape Irrigation-Double-Check Valve (2")	2004	2027	20	3	2	1 Total	1,375.00	1,375
Landscape Irrigation-Timers	2013	2028	10	5	3	2 Each	1,250.00	2,500
Capital - Total								$29,615
Non-Capital								
Concrete Sidewalks-Repair (Abbott Ave)	2004	2029	5	20	4	7,000 SF	15.50@ 5%	5,425
Concrete Sidewalks-Repair (Clay St)	2018	2028	5	5	3	1,135 SF	15.50@ 5%	880
Concrete Sidewalks-Repair (Dollarhide Way)	2016	2026	5	5	1	6,150 SF	15.50@ 5%	4,766
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	0	2,700 SF	15.50@ 5%	2,092
Non-Capital - Total								$13,163
Total Asset Summary								$42,778

East Village Homeowners Association
Distribution of Accumulated Reserves

Report Date	May 29, 2025	
Beginning Fiscal Year	January 01, 2025	
Account Number	OR-1601-000	Version Number Level III

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Concrete Sidewalks-Repair (Engle St)	0	2025	2,092	2,092
Front Yard Landscape Renovation (2)	0	2025	8,580	8,580
Concrete Sidewalks-Repair (Dollarhide Way)	1	2026	4,290	4,290
Front Yard Landscape Renovation (3)	1	2026	8,151	8,151
Landscape Irrigation-Double-Check Valve (2")	2	2027	1,255	1,255
Concrete Sidewalks-Repair (Clay St)	3	2028	616	616
Landscape Irrigation-Timers	3	2028	2,000	2,000
Concrete Sidewalks-Repair (Abbott Ave)	4	2029	4,557	4,557
Front Yard Landscape Renovation (1)	4	2029	* 5,718	7,207
Total Asset Summary			$37,259	$38,748

'' Indicates Partially Funded*

East Village Homeowners Association
Component Report Details

Report Date	May 29, 2025		
Beginning Fiscal Year	January 01, 2025		
Account Number	OR-1601-000		Version Number Level III

Concrete Sidewalks-Repair (Engle St) - 2025

		2,700 SF	@ $15.50
Asset ID		Asset Actual Cost	$2,092.50
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$2,092.50
Placed in Service	January 2004	Assigned Reserves	$2,092.50
Useful Life	5		
Adjustment	16	Monthly Assessment	$22.43
Replacement Year	2025	Interest Contribution	$0.06
Remaining Life	0	Reserve Allocation	$22.49

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	@ $660.00
Asset ID		Asset Actual Cost	$8,580.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$8,580.00
Placed in Service	January 2005	Assigned Reserves	$8,580.00
Useful Life	20		
Replacement Year	2025	Monthly Assessment	$35.14
Remaining Life	0	Interest Contribution	$0.09
		Reserve Allocation	$35.23

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 2025.

Concrete Sidewalks-Repair (Dollarhide Way) - 2026

		6,150 SF	@ $15.50
Asset ID		Asset Actual Cost	$4,766.25
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$4,909.24
Placed in Service	January 2016	Assigned Reserves	$4,289.62
Useful Life	5		
Adjustment	5	Monthly Assessment	$28.29
Replacement Year	2026	Interest Contribution	$0.98
Remaining Life	1	Reserve Allocation	$29.27

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	@ $660.00
Asset ID		Asset Actual Cost	$8,580.00
	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$8,837.40
Placed in Service	January 2006	Assigned Reserves	$8,151.00
Useful Life	20		
Replacement Year	2026	Monthly Assessment	$30.93
Remaining Life	1	Interest Contribution	$1.81
		Reserve Allocation	$32.74

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.

Landscape Irrigation-Double-Check Valve (2") - 2027

		1 Total	@ $1,375.00
Asset ID		Asset Actual Cost	$1,375.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$1,458.74
Placed in Service	January 2004	Assigned Reserves	$1,255.43
Useful Life	20		
Adjustment	3	Monthly Assessment	$4.57
Replacement Year	2027	Interest Contribution	$0.28
Remaining Life	2	Reserve Allocation	$4.85

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 2027.

Concrete Sidewalks-Repair (Clay St) - 2028

		1,135 SF	@ $15.50
Asset ID		Asset Actual Cost	$879.62
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$961.19
Placed in Service	January 2018	Assigned Reserves	$615.74
Useful Life	5		
Adjustment	5	Monthly Assessment	$5.26
Replacement Year	2028	Interest Contribution	$0.14
Remaining Life	3	Reserve Allocation	$5.41

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to occur every 5 years beginning in 2028.

Landscape Irrigation-Timers - 2028

		2 Each	@ $1,250.00
Asset ID		Asset Actual Cost	$2,500.00
	Capital	Percent Replacement	100%
Category	Landscaping & Irrigation	Future Cost	$2,731.82
Placed in Service	January 2013	Assigned Reserves	$2,000.00
Useful Life	10		
Adjustment	5	Monthly Assessment	$11.07
Replacement Year	2028	Interest Contribution	$0.45
Remaining Life	3	Reserve Allocation	$11.52

This component provides funding for replacement of the landscape irrigation timers. Funding is

Landscape Irrigation-Timers continued...

scheduled to occur every 10 years beginning in 2028.

Concrete Sidewalks-Repair (Abbott Ave) - 2029

		7,000 SF	@ $15.50
Asset ID		Asset Actual Cost	$5,425.00
	Non-Capital	Percent Replacement	5%
Category	Pavement	Future Cost	$6,105.89
Placed in Service	January 2004	Assigned Reserves	$4,557.00
Useful Life	5		
Adjustment	20	Monthly Assessment	$17.39
Replacement Year	2029	Interest Contribution	$1.01
Remaining Life	4	Reserve Allocation	$18.40

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to occur every 5 years beginning in 2029.

Front Yard Landscape Renovation (1) - 2029

		13 Units	@ $660.00
Asset ID		Asset Actual Cost	$8,580.00
	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$9,656.87
Placed in Service	January 2004	Assigned Reserves	$5,717.70
Useful Life	20		
Adjustment	5	Monthly Assessment	$44.91
Replacement Year	2029	Interest Contribution	$1.33
Remaining Life	4	Reserve Allocation	$46.24

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 2029.

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.

Moving forward beyond 2021, Associations responsible for 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.

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
FFB – Fully Funded Balance
FY | FYE – Fiscal year | 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 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** (FFB) is the cumulative amount required to achieve Full Funding of all components included in the replacement reserve funding schedule. The present value (PV) is the future replacement cost adjusted for inflation from the beginning date of the current reserve study, and the beginning date of the year in which the expenditures is scheduled to occur. This concept is explained in more detail under the definition of Explanation Fully Funded Balance (FFB) / Percent Funded include in this reserve study.

It is important to note that The FFB does not mean that 100% of the projected replacement cost is available to pay for the expense in question at any 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 for the component to be Fully Funded.

Funding Projection (Model) – A schedule which projects the annual reserve funding contributions required to meet the reserve funding requirements set forth in the reserve study. Also known as a Funding Model. 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 30 years but can encompass any number of years.

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, the years the need to replace or renew the component may only occur one time in a 100-year period.

Percent Funded Level – The *percent of fully funded balance* (**AKA: percent funded**) calculation 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 economic 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 in which more than one component expenditure is being accumulated, the FFB calculation is performed for each component. The result of the individual percent funded calculation for each component is either summed or averaged, depending on how the reserve study software algorithm is designed.

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.

Baseline Property Condition Assessment – A baseline 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 homeowner associations is Hawaii. In the aftermath of the collapse of the Champlain Tower condominium in Surfside, FL (June 2021), it is expected that many states will adopt the policy recommendations of the Community Association Institute with respect to mandatory reserve funding.

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 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