

**RESERVE STUDY LEVEL II
UPDATE WITH VISUAL SITE
INSPECTION**

Prepared for:

**MEADOWWOOD GLEN HOMEOWNER'S
ASSOCIATION**

Prepared by:

**CRITERIUM – PFAFF ENGINEERS
12128 N. DIVISION ST. #200
(509)467-8554**



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1.0 INTRODUCTION

Meadowwood Glen Homeowner's Association, through Gil Pierce, manager, authorized Criterium – Pfaff Engineers to conduct a Reserve Study Level II: Update with Visual Site Inspection for the Meadowwood Glen Homeowner's Association. The purpose of this report is to update the Level I Reserve Study dated March 30, 2012. Studies of this nature are important to ensure that a community has sufficient funds for long-term, periodic capital expenditure requirements. Anticipating large expenditures over an extended period of time through a structured analysis and scheduling process assists the Association in meeting financial requirements without increasing the service fees above permitted maximums, borrowing the funds, or levying special financial assessments to the owners.

Typically, a community association has **two broad cash requirements: the general operating reserves and the capital repair and replacement reserves**. In this report, we will focus on those items falling under the capital repair and replacement reserve criteria. We have projected a capital repair and replacement reserve for thirty (30) years. The first ten years are the most reliable.

This report is structured to analyze components of the community for which the Association is responsible and to assess a useful expected life and useful remaining life to those components. The anticipated scheduled repair or replacement of the component and the anticipated expense for the activity are then analyzed in conjunction with the current capital reserves funding program for the community. Funding program recommendations are made with the objective of limiting substantial cash excesses while minimizing financial burdens that can result from significant cash inadequacies.

This report is intended to be used as a tool to determine reserve fund allocation requirements for the community, to manage future Association obligations, and to inform the community of future financial needs in general. The report that follows has been prepared from the perspective of what an owner of this property would benefit from knowing. Some items, beyond those of immediate concern, may be discussed. Therefore, the report should be read in its entirety in order to fully understand all of the information that has been obtained.

2.0 EXECUTIVE SUMMARY

This homeowner's association serves 96 lots. It is a master-planned, residential development located in Liberty Lake, Washington. Construction began in 1997.

Meadowwood Glen includes as common elements several private streets and associated sidewalks - Maxwell Lane, Winchester Lane, Sharp Lane, Sinto Lane, Boone Lane, and Murray Lane - and two monuments at Country Vista/Sharp Lane and Mission/Murray Lane.

In this section of the report, we will address those issues that, in our opinion, will require immediate repair or replacement. For a more detailed discussion of all of our findings and any other material deficiencies that will require repair or replacement over the term of this study, refer to the appropriate sections of this report.

The roads and curbs are in good condition and we understand they were sealed last year. No immediate needs were identified.

The sidewalks are in generally good condition. Several sections have been replaced since our 2012 study. A few cracked sections remain. These are not a significant tripping hazard and are not in need of immediate replacement.

The monument at Country Vista and Sharp Lane has been replaced with a metal sign that is in good condition. Some loose letters that need to be repaired. The Mission and Murray Lane stone monument is in good condition. No immediate needs were identified with the monuments.

There current rate of contributions being made to the capital repair and replacement reserves is \$1125.00 per month. Based on our evaluation, **the current level of funding of the reserve for the common areas is not adequate, and a funding increase is recommended.** A more detailed analysis of the reserve funds has been provided in Appendix A.

There are, of course, other capital expenditures to be expected over the next thirty years. Those items that will require attention are discussed in detail in this report and can be found in their appropriate sections.

For your convenience, we have prepared the following summary of the condition of the major systems of the property. Please refer to the appropriate sections of this report for a more detailed discussion of these systems.

3.0 PURPOSE & SCOPE

3.1 Purpose

The purpose of this report is to update the Level II Update with Visual Site Inspection dated March 30, 2012. It is intended to be used as a tool for the Meadowwood Glen Homeowner's Association in determining the allocation requirements into the reserve fund in order to meet future anticipated capital expenditures for the community.

This report forecasts obligations for the community thirty years into the future. It should be noted that events might occur that could have an effect

3.2 Scope

on the underlying component or system useful life assumptions used in this study. Likewise, inevitable market fluctuations can have an impact on component or system replacement and repair costs. **Therefore, a study such as this should be updated often, in order to reflect the most accurate needs and obligations of the community. According to Washington State Law, this study should be updated annually.**

This study has been performed according to the scope as generally defined by Gil Pierce and Criterium – Pfaff Engineers. The findings and recommendations are based on interviews with the community’s management personnel; a review of available documents; and an investigation of the site.

The scope of work meets the requirements presented by the State of Washington RCW 64.34.380. This study was prepared by a Reserve Study Professional, as defined by State of Washington, RCW 64.34.380.

The guidelines used to determine which physical components within the community are to be included in the component inventory are based on the following general criteria:

1. The component must be a common element, or otherwise noted to be the responsibility of the Association to replace.
2. The component must have an estimated remaining useful life of thirty years or less. As the site ages, additional components may need to be added.
3. The funding for replacement should be from one source only, not funded from another area of the budget or through a maintenance contract.
4. The cost of replacement should be high enough to make it financially unsound to fund it from the operating budget.
5. Components, such as painting, which are considered deferred maintenance, are most appropriately funded from the Operating Budget instead of Reserves.

Our reserve study analysis included evaluating the following association property:

- **Site and Grounds:** In general, the site common elements include the entry monuments. We have excluded mailboxes, electrical equipment and lighting, and irrigation systems.
- **Private Streets, Sidewalks and Curbs:** The association maintains several private asphalt paved streets, and concrete sidewalks.

For a complete inventory, please see Appendix B. The common element inventory was obtained from our previous study and from our inspection of the site.

This study estimates the funding levels required for maintaining the long term viability of the facility. Our approach involves:

1. Examining association managed equipment, buildings and site facilities.
2. Predicting their remaining service life and, approximating how frequently they will require repair or replacement.
3. Estimating repair or replacement costs (in current dollars) for each capital item.
4. Using data developed in Steps 1, 2 and 3 to project Capital Reserve balances for Years 1 through 30.

The statements in this report are opinions about the present condition of the subject community. They are based on visual evidence available during a diligent investigation of all reasonably accessible areas falling under the responsibility of the Association. We did not remove any surface materials, perform any destructive testing, or move any furnishings. This study is not an exhaustive technical evaluation. Such an evaluation would entail a significantly larger scope than this effort. For additional limitations, see Section 8.0.

3.3 Sources of Information

Onsite inspection of the property occurred on the following date:

- 11 July 2018.

The following people were interviewed during our study:

- Gil Pierce and Darla Ramsay-Managers.

We based our cost estimates on some or all of the following:

- R.S. Means
- Our data files on similar projects
- Local contractors

3.4 Standards of Reference

For your reference, the following definitions may be helpful:

Excellent: Component or system is in "as new" condition, requiring no rehabilitation and should perform in accordance with expected performance.

Good: Component or system is sound and performing its function, although it may show signs of normal wear and tear. Some minor rehabilitation work may be required.

Fair: Component or system falls into one or more of the following categories: a) Evidence of previous repairs not in compliance with commonly accepted practice, b) Workmanship not in compliance with commonly accepted standards, c) Component or system is obsolete, d) Component or system approaching end of expected performance. Repair or replacement is required to prevent further deterioration or to prolong expected life.

Poor: Component or system has either failed or cannot be relied upon to continue performing its original function as a result of having exceeded its expected performance, excessive deferred maintenance, or state of disrepair. Present condition could contribute to or cause the deterioration of other adjoining elements or systems. Repair or replacement is required.

Adequate: A component or system is of a capacity that is defined as enough for what is required, sufficient, suitable, and/or conforms to standard construction practices.

All ratings are determined by comparison to other buildings of similar age and construction type. Further, some details of workmanship and materials will be examined more closely in higher quality buildings where such details typically become more relevant.

All directions (left, right, rear, etc.), when used, are taken from the viewpoint of an observer standing in front of a building and facing it.

Repair/Replacement Reserves - Non-annual maintenance items that will require significant expenditure over the life of the buildings. Included are items that will reach the end of their estimated useful life during the course of this forecast, or, in the opinion of the investigator, will require attention during that time.

4.0 DESCRIPTION

Meadowwood Glen Homeowners Association serves 96 paying units located in Liberty Lake, Washington. The common elements include several private roads with associated sidewalks and two monuments. Construction began in 1997.

Meadowwood Glen includes as common elements several private streets and associated sidewalks -Maxwell Lane, Winchester Lane, Sharp Lane, Sinto Lane, Boone Lane, and Murray Lane, and two monuments at Country Vista/Sharp Lane and Mission/Murray Lane.

Our study does not include the landscaping, mailboxes, irrigation systems, electrical equipment and lighting which we understand are either maintained by others or from the annual budget.

5.0 OBSERVATIONS

The following key observations were made about the current condition of the common elements of the property.

In general, for all of the paved roads, preventative maintenance includes crack repair, drainage maintenance, patching of damaged areas and regular sealing. For a residential road, we recommend sealcoating every 5 to 7 years. This helps seal small cracks, reduce moisture penetration, and UV sun damage. Proper repair of asphalt cracks includes routing the crack, and pneumatically cleaning it out, then injection of a quality asphalt emulsion sealant into the crack. The roads should be observed and any open cracks or damaged areas should be repaired annually. Crack sealing is assumed to be funded from the operating budget.

Water is the major cause of street deterioration. Water should drain away from the asphalt. Areas with water found to be “ponding” on the streets should be built-up, sloped, or otherwise drained to prevent destabilizing the sub-base.

The 30 foot wide asphalt paved streets are in good condition. Some typical

cracking was noted, particularly at the pavement “joints”. We were told that the cracks were sealed last year and the streets were fog sealed last year. This appears to be in good condition. We have planned for fog sealing of the roads again in 2024 and every 7 years thereafter.

With good maintenance, paved roads have an expected useful life (EUL) of 25 years. We have planned for chip sealing the asphalt streets Sharp, Sinto, and Murray in 2027. To help delay the costs, chip sealing of Maxwell, Winchester, and Boone is planned for 2032. Studies indicate that if the subgrade and asphalt are in good structural condition, chip sealing provides a good wear and traction surface at a lower cost than a complete asphalt overlay. This also eliminates the need to mill the asphalt due to the rolled curbs. Chip sealing should provide a 15 year EUL.

The 6 foot wide concrete sidewalks are in generally good condition with several areas replaced since our last study. A few cracked sections remain. “Rolled” concrete curbs are provided along the streets and are in good condition.

Concrete flatwork has a published expected useful life of 30 years, however, we believe in this area and this situation, the sidewalks can last indefinitely with regular maintenance. This places the sidewalk replacement outside of the 30 year analysis. We have allowed for spot repairs and replacement of deteriorated sections (5% of the total) in 2023 and another 5% in 2043.

The monument at Country Vista and Sharp Lane has been replaced and is constructed with an etched metal plate supported on large stones and includes electrical power and lighting. The monument is in generally good condition. This should have an expected life of 25 years with replacement planned for 2041.

The monument at Mission and Murray Lane consists of an engraved stone set in a bed of gravel and additional stones and includes lighting and electrical power. This is in good condition. This should provide indefinite life with some minor maintenance.

6.0 RESERVE FUND ANALYSIS

Using software developed by Criterium Engineers and KPMG Peat Marwick, we have analyzed capital reserves draw-down for the projected capital expenditures to determine the amount needed. **The following is a projected reserve fund analysis for non-annual items as discussed in the report.** This projection takes into consideration a reasonable return on invested moneys and inflation. Please review this thoroughly and let us know of any changes that may be desired.

The intent of this reserve fund projection is to help the Association develop a reserve fund to provide for anticipated repair or replacements of various system components during the next thirty years.

The capital items listed are those that are typically the responsibility of the Association and are derived from documents provided by Gil Pierce.

However, association by-laws vary, and therefore, which components are the responsibility of the owner and which are the responsibility of the Association can vary. The Meadowwood Glen Homeowner's Association should confirm that the items listed should be financed by the reserve fund.

This projection provides the following:

- An input sheet that defines all the criteria used for the financial alternatives, including the assumed inflation rate and rate of return on deposited reserve funds.
- A table that lists anticipated replacement and/or repair items complete with estimated remaining life expectancies, projected costs of replacement and/or repair, a frequency in years of when these items require replacement and/or repair, and a projection based on this frequency.
- A table that represents end of year balances and capital expenditures based on your current funding program and reserve balances, and alternatives to your current program.
- Since none of the Associations have any current funding, increases are recommended in each case.
- The Association should bear in mind that unanticipated expenditures can always arise and maintenance of a significant reserve fund balance can be viewed as a way to avoid special assessments. In accordance with our discussion, we have assumed maintaining a minimum reserve balance of \$10,000.00.

We have considered three alternatives to compare to your current funding program and recommend that the board adopt an alternative that best reflects the objectives of the community. Please keep in mind that there are a myriad of possible alternatives. As advised by Gil Pierce, we have assumed a 0.08% return on investment and a 3.0% inflation rate. We have shown three different types of possibilities. In summary they are as follows:

Current Funding Rate: \$1125.00 per month is currently being contributed. At the current rate, the balance will become negative in 10 years. An increase in the contribution rate is needed.

- **Alternative 1:** Set the contribution immediately to \$1500.00 per month, then increase the contribution \$875 to \$2,375 per month in 2028. This alternative will maintain the minimum balance with the exception of year 30 when it becomes negative.
- **Alternative 2:** Set the contribution amount immediately to \$2,100.00 per month. This alternative will maintain the minimum balance with the exception of year 30 when it becomes negative. .
- **Alternative 3:** Leave the contribution at \$1125.00 per month. Levy a

special assessment of \$110,000.00 in 2028 another special assessment of \$200,000.00 in 2038. This alternative will maintain the minimum balance with the exception of year 30 when it becomes negative. .

Addendum A lists estimated capital reserves over the analysis period.

7.0 CONCLUSION

In summary, the common elements are in good condition are being well maintained. With continued good maintenance, these items should provide adequate service throughout their useful lives.

At the current contribution rate, we project that the reserve fund will be depleted in 2028 and the association needs to increase the rate of contributions to the reserve account to maintain these common elements. Three suggested alternatives and contribution levels are provided.

8.0 LIMITATIONS

The observations described in this study are valid on the date of the investigation and have been made under the conditions noted in the report. We prepared this study for the exclusive use of Meadowwood Glen Homeowner's Association. Criterium – Pfaff Engineers does not intend any other individual or party to rely upon this study without our express written consent. If another individual or party relies on this study, they shall indemnify and hold Criterium – Pfaff Engineers harmless for any damages, losses, or expenses they may incur as a result of its use.

This study is limited to the visual observations made during our inspection. We did not remove surface materials, conduct any destructive or invasive testing, move furnishings or equipment, or undertake any digging or excavation. Accordingly, we cannot comment on the condition of systems that we could not see, such as buried structures and utilities, nor are we responsible for conditions that could not be seen or were not within the scope of our services at the time of the investigation. We did not undertake to completely assess the stability of the roadways or the underlying soil since this effort would require excavation and destructive testing. Likewise, this is not a seismic assessment.

We did not investigate the following areas:

- Buried utilities or infrastructure
- Concealed structural members or systems

We do not render an opinion on uninvestigated portions of the community.

We did not perform any computations or other engineering analysis as part of this evaluation, nor did we conduct a comprehensive code compliance investigation. This study is not to be considered a warranty of condition, and no warranty is implied. The appendices are an integral part of this report and must be included in any review.

In our Reserve Fund Analysis, we have provided estimated costs. These costs are based on our general knowledge of building systems and the contracting and construction industry. When appropriate, we have relied on standard sources, such as Means Building Construction Cost Data, to

develop estimates. However, for items that we have developed costs (e.g.: structural repairs), no standard guide for developing such costs exists. Actual costs can vary significantly, based on the availability of qualified contractors to do the work, as well as many other variables. We cannot be responsible for the specific cost estimates provided.

We have performed no design work as part of this study, nor have we obtained competitive quotations or estimates from contractors as this also is beyond the scope of the project. The actual cost to remedy deficiencies and deferred maintenance items that we have identified may vary significantly from estimates and competitive quotations from contractors.

If you have any questions about this study or the reserve fund analysis, please feel free to contact us. Thank you for the opportunity to be of assistance to you.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ken Pfaff", written over a light blue horizontal line.

Kenneth Pfaff, P.E.
Criterium – Pfaff Engineers

