

ST. GEORGES TOWNHOME CONDOMINIUM
MAINTENANCE PLAN UPDATE
RESERVE STUDY
LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION
2017



ST. GEORGES TOWNHOME CONDOMINIUM

Executive Summary

Year of Report:

January 1, 2017 to December 31, 2017

Number of Units:

20 Units

Parameters:

Beginning Balance: \$129,243

Year 2017 Suggested Contribution: \$19,560

Year 2017 Projected Interest Earned: \$122

Inflation: 2.50%

Annual Increase to Suggested Contribution: 10.00%

Lowest Cash Balance Over 30 Years (Threshold): \$54,735

Average Reserve Assessment per Unit: \$81.50

Prior Year's Actual Contribution: \$11,896

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**St. Georges Townhome Condominium
Maintenance Plan Update
Reserve Study Update – Offsite
Disclosure Information
2017**

We have conducted an offsite reserve study and maintenance plan for St. Georges Townhome Condominium for the year beginning January 1, 2017, in accordance with guidelines established by Community Associations Institute and the American Institute of Certified Public Accountants.

This reserve study and maintenance plan is in compliance with the legislative changes made in 2007 to ORS Chapters 94 and 100.

In addition to providing the reserve study and maintenance plan, we also provide tax services to the Association.

Schwindt & Company believes that every association should have a complete building envelope inspection within 12 months of completion of all construction and again after 25 years of existence. This inspection must be performed by a licensed building envelope inspector. Ongoing inspections of the property should be performed by a licensed inspector, with the exception of a roof inspection which may be performed by a licensed roofing contractor.

Assumptions used for inflation, interest, and other factors are detailed in page 20. Income tax factors were not considered due to the uncertainty of factors affecting net taxable income and the election of tax form to be filed.

Due to increased building activity we have seen a dramatic increase in certain vendor pricing during 2016. However, it currently is not known if this is a temporary or permanent increase. We have not considered this increase in current cost projections but will monitor these costs on a go forward basis.

David T. Schwindt, the representative in charge of this report, is a designated Reserve Study Specialist, Professional Reserve Analyst, and Certified Public Accountant licensed in the states of Oregon, Washington, California, and Arizona.

The Association has elected to provide certain information to Schwindt & Co to allow Schwindt & Co to perform a lessor level of assurance with respect to the reserve study. Factual data may include measurements, component listings and other relevant information. As such, Schwindt & Co accepts no responsibility for such information. Had we performed a level I reserve study, Schwindt & Co would have collected and analyzed such data and would have taken responsibility for the presentation of the reserve study taken as a whole.

The terms *RS Means*, *National Construction Estimator*, and *Fannie Mae Expected Useful Life Tables and Forms* refer to construction industry estimating databases that are used throughout the industry to establish cost estimates and useful life estimates for common building components and products. We suggest that the Association obtain firm bids for these services.



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Article 4.2 of the Association Declaration indicate that the “cost of maintenance, repair and replacement of the general common elements shall be a common expense, and the performance of such work shall be the responsibility of the Association. Although repair, maintenance and replacement of doors and door frames (including patio and garage doors), windows and window frames and skylights and skylight frames (if any) shall be the responsibility of individual owners, exterior painting shall be the responsibility of the Association.”

Article 5.2 of the Association’s Declaration states “the cost of maintenance, repair and replacement of the limited common elements shall be a common expense, which shall be assessed and apportioned pursuant to Section 10.6 of this Declaration, and the performance of such work shall be the responsibility of the Association. Provided, however, each owner shall pay the expense to maintain any door or garage door within or adjoining the limited common elements assigned to such owner’s Unit, except that exterior painting shall be performed at the expense of the Association.”

Article 6.8.1 of the Association’s Bylaws states “every owner shall perform promptly all maintenance and repair work that is needed within his own Unit to prevent any negative effect on the common elements of the Condominium or a part thereof belonging to other owners, and every owner shall be responsible for the damages and liabilities that his failure to maintain and repair may cause, including, but not limited to, damage caused by plugged toilets and bath drains, overloaded electrical outlets, and clothes washer, bath tub/shower and dishwasher overflow.”

An earthquake insurance deductible is not included in the reserve study.

We are not aware of any material issues which, if not disclosed, would cause a material distortion of this report.

Certain information, such as the beginning balance of reserve funds and other information as detailed on the component detail reports, was provided by Association representatives and is deemed to be reliable by us. This reserve study is a reflection of the information provided to us and cannot be used for the purpose of performing an audit, a quality/forensic analysis, or background checks of historical records.

Site visits should not be considered a project audit or quality inspection of the Association’s property. This site visit does not evaluate the condition of the property to determine the useful life or needed repairs. Schwindt & Company suggests that the Association perform a building envelope inspection to determine the condition, performance, and the useful life of all the components.

Certain costs outlined in the reserve study are subjective and, as a result, are for planning purposes only. The Association should obtain firm bids at the time of work. Actual costs will depend upon the scope of work as defined at the time the repair, replacement, or restoration is performed. All estimates relating to future work are good faith estimates and projections are based on the estimated inflation rate, which may or may not prove accurate. All future costs and life expectancies should be reviewed and adjusted annually.

This reserve study, unless specifically stated in the report, assumes no fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances, other chemicals, toxic wastes, radon gas, electro-magnetic radiation or other potentially hazardous materials (on the surface or sub-surface), or termites on the property. The existence of any of these substances may adversely affect the accuracy of this reserve study. Schwindt & Company assumes no responsibility regarding such conditions, as we are not qualified to detect substances, determine the impact, or develop remediation plans/costs.

Since destructive testing was not performed, this reserve study does not attempt to address latent and/or patent defects. Neither does it address useful life expectancies that are abnormally short due either to improper design, installation, nor to subsequent improper maintenance. This reserve study assumes all components will be reasonably maintained for the remainder of their life expectancy.

Physical Analysis:

New projects generally include information provided by developers and/or refer to drawings.

Full onsite reserve studies generally include field measurements and do not include destructive testing. Drawings are usually not available for existing projects.

Onsite updates generally include observations of physical characteristics, but do not include field measurements.

Please note that the Association has not had a complete building envelope inspection. The effects of not having information relating to this inspection are not known.

The client is considered to have deemed previously developed component quantities as accurate and reliable. The current work is reliant on the validity of prior reserve studies.

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require homeowners to pay on demand (as a special assessment) their share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

ST. GEORGES TOWNHOME CONDOMINIUM

MAINTENANCE PLAN

2017

**St. Georges Townhome Condominium
Executive Summary of Maintenance Plan**

Regular maintenance of common elements is necessary to insure the maximum useful life and optimum performance of components. Of particular concern are items that may present a safety hazard to residents or guests if they are not maintained in a timely manner and components that perform a water-proofing function.

This maintenance plan is a cyclical plan that calls for maintenance at regular intervals. The frequency of the maintenance activity and the cost of the activity at the first instance follow a short descriptive narrative. This maintenance plan should be reviewed on an annual basis when preparing the annual operating budget for the Association.

Checklists, developed by Reed Construction Data, Inc., can be photocopied or accessed from the RS Means website:

<http://www.rsmeans.com/supplement/67346.asp>

They can be used to assess and document the existing condition of an Association's common elements and to track the carrying out of planned maintenance activities.

**St. Georges Townhome Condominium
Maintenance Plan
2017**

Pursuant to Oregon State Statutes Chapters 94 and 100, which require a maintenance plan as an integral part of the reserve study, the maintenance procedures are as follows:

The Board of Directors should refer to this maintenance plan each year when preparing the annual operating budget for the Association to ensure that annual maintenance costs are included in the budget for the years that they are scheduled.

Property Inspection

Schwindt & Company recommends that a provision for the annual inspection of common area components be included in the maintenance plan for all associations. This valuable management tool will help to ensure that all components achieve a maximum useful life expectancy and that they function as intended throughout their lifespan.

The inspection should be performed by a qualified professional and should include a written summary of conclusions with specific recommendations for any needed repairs or maintenance.

We suggest that the Association obtain firm bids for this service.

This expense should be included in the annual operating budget for the Association.

Frequency: Annually

Building Envelope Inspection

Schwindt & Company recommends that all associations perform a building envelope inspection within 12 months of substantial completion of all construction or immediately upon detection of any water intrusion or mold problems. This inspection process may involve invasive testing if the problems detected are serious enough to warrant such measures.

The inspection should be performed by an architect, engineer, or state-licensed inspector who is specifically trained in forensic waterproofing analysis. The report should include a written summary of findings with recommendations for needed repairs or maintenance procedures.

All reserve studies and maintenance plans prepared by Schwindt & Company assume that any such recommendations will be followed and that all work will be performed by qualified professionals.

A complete envelope inspection will usually be required only one time although a visual review of the building exterior may be advisable on a periodic basis under certain circumstances. The Association should consult with the inspector(s) who performed the original assessment to determine the best course of action for their individual situation.

This expense should be included in the annual operating budget for the Association for the year in which it is scheduled. We suggest that the Association obtain firm bids for this service.

Frequency: Every 25 years

Roof Inspection

Schwindt & Company recommends that a provision for the periodic inspection and maintenance of roofing and related components be included in the maintenance plan for all associations.

The frequency of this inspection will vary based on the age, condition, complexity, and remaining useful life of the roof system. As the roof components become older, the Association is well advised to consider increasing the frequency of this critical procedure.

The inspection should be performed by a qualified roofing professional and should include a written summary of conclusions with specific recommendations for any needed repairs or maintenance. Recommended maintenance should be performed promptly by a licensed roofing contractor.

We suggest that the Association obtain firm bids for this service.

This expense should be included in the annual operating budget for the Association.

Frequency: Refer to roof warranty for frequency

Exterior Stairs, Decks, Balconies, & Patios

Individual decks and balconies should be carefully checked, particularly concrete and wood, on a monthly basis. Concrete should be reviewed for deficiencies such as alkali-aggregate expansion, honeycombing, chips, cracks, stains, lifted areas, tripping hazards, and/or unevenness. Railings should be reviewed for stability, hardware, and overall condition. Wood should be reviewed for deficiencies, such as dry rot, termites, instability, worn edges, cracks, holes and splintering. Footing/foundation should be reviewed for stability and overall condition deficiencies, such as cracks and broken or missing components. A safety review should include, but not be limited to, the sufficient distance maintained between flammables and other surfaces, as well as the overall condition of access points such as doors, windows, screens and thresholds.

Frequency: Monthly

Gas Connections–Review

The performance of and payment for the following maintenance procedures is solely the responsibility of the owners for their units. Owners should be made aware of the consequence of not maintaining their property. A method should be adopted for owners to report problems.

The following check should be performed monthly for all gas connections and main valves throughout the facility. (Do not open and close valves.) The gas company should be contacted if:

- * There is an odor of gas anywhere at any time.
- * Valves cannot be turned off or appear to be rusted or damaged.
- * Minor repairs are needed and maintenance personnel do not have adequate training or tools.

When gas is detected by odor, building occupants should immediately evacuate. The gas company and fire

department should be contacted.

Possible undetected leakage should be visually checked (*do not open and close valves*) by performing a bubble test with soap and water, or by using a handheld combustible gas detector of professional quality.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

Frequency: Monthly

Property Entrance - Review

The property entrance is a significant reflection on the development as a whole and is often the first stop in the development for residents, prospective residents or buyers, and visitors. The area should be consistently clean, functional, and accessible.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

This expense should be included in the annual operating budget for the Association as general property maintenance expense.

Frequency: Monthly

Windows & Doors

The performance of and payment for the maintenance and repairs of windows and doors is solely the responsibility of the owners. Owners should be made aware of the consequence of not maintaining their property. A method should be adopted for owners to report problems.

Exterior window and door casings, sashes, and frames should be inspected annually for twisting, cracking, deterioration, or other signs of distress. Hardware and weather stripping should be checked for proper operation and fit. Gaskets and seals should be reviewed for signs of moisture intrusion. Weep holes should be cleaned. These building envelope components should be repaired and replaced as necessary.

Frequency: Monthly

Fence – Wood - Inspection

The wood fence should be checked semi-annually for overall integrity and safety. The overall condition of the fence should be checked for deficiencies such as vegetation encroachment, debris buildup, holes, sagging areas, missing segments, rot, fungus, and/or vandalism.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

Frequency: Semiannually

Gutters & Downspouts

Schwindt & Company recommends that all gutters and downspouts be cleaned, visually inspected, and repaired

as required every six months in the spring and fall.

This important maintenance procedure will help to ensure that the gutters and downspouts are free-flowing at all times, thus preventing the backup of water within the drainage system. Such backup can lead to water ingress issues along the roof edges, around scuppers or other roof penetrations, and at sheet metal flashing or transition points that rely on quick and continuous discharge of water from surrounding roof surfaces to maintain a watertight building exterior.

This expense should be included in the annual operating budget for the Association.

Frequency: Semiannually, more often if necessary

Exterior Walls

The siding, trim, and other building components should be inspected for loose, missing, cracked or otherwise damaged components. Sealant joints should be checked for missing or cracked sealant.

Painted surfaces should be checked for paint deterioration, bubbling, or other signs of deterioration.

Dryer vents should be checked **twice a year** and cleared of lint. Also check operation of exhaust baffles to make sure they are present and that they move freely. Exhaust ducts should be cleared of debris **every 3 years**.

The payment for maintenance and the performance of maintenance repair of dryer vents, exhaust baffles, and exhaust ducts is solely the responsibility of the owners.

Any penetrations of the building envelope such as utility lines and light fixtures should be checked annually for signs of water intrusion. Hose bibs should be checked for leaks and other failures. Each hose bib should be shut off and drained during the winter to prevent damage from freezing.

The payment for and performance of maintenance and repair of all outlets of utility service lines, including water, sewerage, gas or electricity is solely the responsibility of the Owners.

Annual inspections to check for signs of water intrusion should be made of the building envelope interfaces such as where the windows intersect with the walls and where the walls intersect with the roof.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

Inspections should be made by a qualified professional.

This expense should be included in the annual operating budget for the Association.

Frequency: Annually

Trees - Maintenance

The Association will be responsible for trimming trees in the common area throughout the property. Trees and shrubs should be kept clear of the building components.

We suggest that the Association obtain firm bids for this service.

This expense should be included in the Association's operating budget.

Frequency: Annually

Landscape Maintenance

The Association will be responsible for maintenance and upkeep of common area landscape throughout the property. This may include mowing lawn, removal of weeds, and dead-heading of flowers. Landscape techniques vary depending on the foliage and season.

We suggest that the Association obtain firm bids for this service.

This expense should be included in the Association's operating budget.

Frequency: Annually

Lawn Irrigation System

Periodic maintenance to the lawn irrigation system should be anticipated with this type of component. These maintenance procedures will include replacement of the control mechanism, replacement of damaged piping, upgrading of sprinkler heads and valve components, and any other work that is advised by repair professionals.

In recent years, improvements have been made to this type of system which has increased the efficiency of the water distribution process. Such improvements can be expected to continue to be made and the owners of such systems are well advised to plan on periodic upgrades to maintain the efficiency of their systems.

Lawn irrigation systems also require periodic testing to ensure proper operation. Sometimes this testing is mandated by ordinance or building codes. All work on lawn irrigation systems must be performed by licensed contractors who specialize in this type of work.

This expense should be included in the annual operating budget for the Association.

Frequency: Annually

Sewer Laterals – Inspection/Maintenance

All drain lines in the facility connect to the main drain, which is referred to as the "sewer", beyond the foundation. All sewer lines outside of the foundation have cleanout points at various locations. Reaming from these points requires the use of a high power hose, hydro-jet, or power equipment. Sewer laterals should be annually reamed from clean-out points by in-house personnel.

Inspections and maintenance should be performed by a qualified, licensed service provider.

This expense should be included in the annual operating budget for the Association.

Frequency: Annually

Storm Drains

Storm drains or sewers are underground systems used to collect and dispose of surface water. They carry large quantities of water away from paved surface areas, and should be kept clean to prevent the accumulation of dirt

and debris. They should be cleaned and flushed annually to ensure blockages are removed and piping is functional. If drains tend to become clogged frequently, they should be inspected and cleaned more often.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

This expense should be included in the annual operating budget for the Association as a general property maintenance expense.

Frequency: Annually

Fence – Wood - Maintenance

The wood fence should undergo periodic maintenance in order to achieve a maximum useful life. Maintenance includes cleaning and locally repairing the wood fence.

This expense should be included in the Association's annual operating budget for the year in which it is scheduled.

Frequency: Every 2 years, beginning in 2017

Exterior Sealant

Sealant acts as a water shedding surface at the exterior face of assemblies and plays a vital role in prevention of water intrusion at building interfaces and transitions. Sealant is also applied at electrical and mechanical penetrations, flashing transitions, and deck and roof transitions.

Maintenance of the exterior sealant includes inspection of all exterior sealant for discontinuities, de-bonding, cracking, etc. Review cladding and fasteners to confirm that corrosion is not present. Provide maintenance and repairs.

This expense is included in the reserve study for the Association.

Frequency: Every 10 years, beginning in 2020

Exterior Siding Maintenance – Painting

Maintenance of the exterior siding includes regularly scheduled cleaning and inspection of the surface areas for cracks, peeling paint or other sealants, deterioration of the base material, and failure of caulking or other sealant materials that serve a waterproofing function.

This maintenance provision is for the periodic painting of the exterior siding. The siding should be cleaned, repaired as required, and primed and painted with premium quality exterior house paint in accordance with the siding manufacturer's specifications. The work should be performed by a qualified, licensed painting contractor.

This expense is included in the reserve study for the Association.

Frequency: Every 10 years, beginning in 2020 – Lap Siding

Frequency: Every 10 years, beginning in 2022 – Shingle Siding

Asphalt – Seal Coating

Maintenance of asphalt paving includes the periodic application of an asphalt emulsion sealer or “seal coat”. This procedure is typically performed every 4 to 7 years, depending on a variety of factors that can affect the useful life of the sealer.

Vehicle traffic is one such factor, and associations that have asphalt paving that carries considerable vehicle traffic should consider a maintenance program that calls for seal coating of asphalt driving surfaces as frequently as every 4 years.

This maintenance procedure involves thoroughly cleaning all pavements, filling of any surface cracks and patching of any locally damaged pavement surfaces. The emulsion sealer is then applied.

Any parking area demarcation lines will need to be renewed each time a seal coat is applied. The component expense includes the cost of this work as well as the seal coating cost.

This work should be performed by a licensed paving contractor.

This expense is included in the reserve study for the Association.

Frequency: Every 5 years, beginning in 2017

Exterior Wooden Decks – Painting & Sealing

The wooden decks should be painted and sealed on a regular basis. All surfaces exposed to weather should be cleaned, repaired, and painted or sealed with a premium quality exterior paint suitable for the application.

This expense should be included in the annual operating budget for the Association.

Frequency: Every 2 years beginning in 2017

Backflow Device Maintenance

Maintenance of the backflow device and components related to the water system includes, but is not limited to, inspecting for leaks under pressure and checking for damage or deterioration.

Annual maintenance on the backflow device includes the testing and calibrating of valve operation. Air should be bled from the backflow preventer and the area should be cleaned.

Inspections and maintenance should be performed by a qualified, licensed service provider.

Deficiencies, required maintenance, and required repairs after completion of the review should be noted by the maintenance contractor and/or association representatives.

This maintenance item should be included in the Association’s annual operating budget.

Frequency: Annually

Attics & Crawl Spaces

A method should be adopted for owners to report problems.

Attic should be inspected annually to make sure all vents are free of obstructions and exhaust ducts are tight lined to the exterior. Owners should consult a professional if mold is detected.

Crawl spaces should be checked annually to make sure all vents are free of obstructions. Owners should make sure that the finish grade is below the height of the vents and vents are clear of debris. Crawl space should be checked for signs of water intrusion or moisture damage to the building structure.

Owners should consult a professional if water related damage is discovered.

Frequency: Annually

Concrete Pavement

These maintenance procedures should be performed on the any common area concrete surfaces. This expense for the common area concrete should be included in the Association's operating budget in the year it is to occur.

Maintenance of the concrete pavement should include cleaning the surface areas with pressure washing equipment. The pavement should also be visually reviewed for signs of undue stress and cracking. Noticeable cracks should be filled with a suitable concrete crack filler to prevent penetration of moisture below the concrete surface which will undermine the integrity of the base material over time.

Frequency: Annually

This maintenance plan is designed to preserve and extend the useful life of assets and is dependent upon proper inspection and follow up procedures.

ST. GEORGES TOWNHOME CONDOMINIUM
RESERVE STUDY
LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION
2017

**St. Georges Townhome Condominium
Category Detail Index**

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Siding			
1004	Caulking - Replacement	2020	33 of 49
1002	Siding - Fiber Cement Lap - Replacement	Unfunded	33 of 49
1003	Siding - Fiber Cement Shingle - Replacement	Unfunded	34 of 49
1001	Stone Cladding - Replacement	Unfunded	34 of 49
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1007	Decks & Trellises - Staining	2017	35 of 49
1005	Siding - Fiber Cement Lap - Painting	2020	35 of 49
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Gutters and Downspouts			
1009	Gutters & Downspouts - Replacement	2032	37 of 49
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1011	Asphalt - Overlay	2032	38 of 49
1012	Asphalt - Seal Coat	2017	38 of 49
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1014	Fence - Wood - Replacement	2026	39 of 49
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1010	Decks - Replacement	2031	40 of 49
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1016	Landscape - Renewal	2017	42 of 49
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**St. Georges Townhome Condominium
Category Detail Index**

Asset ID	Description	Replacement	Page
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1022	Plumbing Inspection	2031	43 of 49
1018	Reserve Study - Onsite	2017	44 of 49
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Contingency			
1019	Insurance - Deductible	2017	45 of 49
	Total Funded Assets	19	
	Total Unfunded Assets	<u>3</u>	
	Total Assets	22	

St. Georges Townhome Condominium Property Description

St. Georges Townhome Condominium consists of 10 buildings with 20 units located in Portland, Oregon. The buildings are 3 stories with composition roofs, fiber cement lap and shingle siding and built in 2006. The Association shall provide exterior improvements upon each unit, such as paint, maintenance, repair and replacement of roofs, gutters, downspouts, rain drains, and exterior building surfaces. The individual homeowners are responsible for all maintenance and repairs of the interior of their home.

This study uses information provided by the Association. Factual data may include measurements, component listings and other relevant information. As such, Schwindt & Co accepts no responsibility for such information. Had we performed a level I reserve study, Schwindt & Co would have collected and analyzed such data and would have taken responsibility for the presentation of the reserve study taken as a whole.

No site visit was performed by Schwindt & Company. Schwindt and Company did not investigate components for defects, materials, design or workmanship. This would ordinarily be considered in a complete building envelope inspection. Our condition assessment considers if the component is wearing as intended. All components are considered to be in fair condition and appear to be wearing as intended unless noted otherwise in the component detail.

Funds are being accumulated in the replacement fund based on estimates of future need for repairs and replacement of common property components. Actual expenditures, investment income, and provisions for income taxes however, may vary from estimated amounts, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future funding needs.

If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments, levy special assessments, otherwise the Association may delay repairs or replacements until funds are available.

St. Georges Townhome Condominium
 Portland, Oregon
Cash Flow Method - Threshold Funding Model Summary

Report Date	October 10, 2016
Account Number	2stgeo
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	20

<i>Report Parameters</i>	
Inflation	2.50%
Annual Assessment Increase	10.00%
Interest Rate on Reserve Deposit	0.10%
2017 Beginning Balance	\$129,243

**Threshold Funding
Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount. The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, "fully reserved".
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$19,560** in **2017** and increases **10.00%** each year for the remaining years of the study. A minimum balance of **\$54,735** is maintained.
- The reserve study cash flow model includes an annual increase in the required contribution over the 30 year period. Since the current Board and membership only has the authority to obligate the Association for the current budget year, the cash flow model relies on the actions of future Boards to adhere to the required increase in the annual reserve contribution. Because of the possibility that future Boards, due to budgetary constraints, are not able to increase the reserve contribution to the required amount to provide for adequate funding, the Association may be at risk in the future of special assessing the members to fund needed expenditures.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

Cash Flow Method - Threshold Funding Model Summary of Calculations

Required Month Contribution	\$1,630.00
<i>\$81.50 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$10.13</u>
Total Month Allocation to Reserves	\$1,640.13
<i>\$82.01 per unit monthly</i>	

**St. Georges Townhome Condominium
Cash Flow Method - Threshold Funding Model Projection**

Beginning Balance: \$129,243

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves
2017	19,560	122	18,369	130,556
2018	21,516	139	3,353	148,857
2019	23,668	154	7,804	164,875
2020	26,034	43	136,218	54,735
2021	28,638	63	6,923	76,514
2022	31,502	67	26,666	81,416
2023	34,652	93	7,273	108,888
2024	38,117	126	3,889	143,242
2025	41,929	158	7,641	177,688
2026	46,121	190	12,828	211,171
2027	50,734	227	12,193	249,939
2028	55,807	276	4,292	301,729
2029	61,388	327	8,434	355,009
2030	67,526	217	174,370	248,383
2031	74,279	136	152,931	169,867
2032	81,707	49	165,076	86,546
2033	89,878	126	9,310	167,240
2034	98,865	216	4,978	261,343
2035	108,752	309	11,585	358,820
2036	119,627	419	5,230	473,635
2037	131,590	531	13,713	592,044
2038	144,749	665	5,495	731,963
2039	159,224	808	10,797	881,198
2040	175,146	753	223,208	833,889
2041	192,661	927	11,343	1,016,134
2042	211,927	1,088	43,695	1,185,453
2043	233,120	1,298	14,115	1,405,756
2044	256,431	1,539	6,372	1,657,354
2045	282,075	1,798	12,521	1,928,706
2046	310,282	2,077	21,020	2,220,046

**St. Georges Townhome Condominium
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Roofing								
Roof - Replacement	2006	2032	25	1	15	19,600 SF	3.78	74,088
Roofing - Total								<u>\$74,088</u>
Siding								
Caulking - Replacement	2010	2020	10	0	3	13,000 LF	4.34	56,420
Siding - Fiber Cement Lap - Replacement		<i>Unfunded</i>						
Siding - Fiber Cement Shingle - Replaceme..		<i>Unfunded</i>						
Stone Cladding - Replacement		<i>Unfunded</i>						
Siding - Total								<u>\$56,420</u>
Painting								
Decks & Trellises - Staining	2013	2017	2	1	0	2,400 SF	1.25	3,000
Siding - Fiber Cement Lap - Painting	2010	2020	10	0	3	33,400 SF	2.00	66,800
Siding - Fiber Cement Shingle - Painting	2012	2022	10	0	5	9,100 SF	2.00	18,200
Painting - Total								<u>\$88,000</u>
Gutters and Downspouts								
Gutters & Downspouts - Replacement	2006	2032	25	1	15	1,500 LF	6.30	9,450
Gutters and Downspouts - Total								<u>\$9,450</u>
Streets/Asphalt								
Asphalt - Overlay	2006	2032	25	1	15	4,840 SF	1.75	8,470
Asphalt - Seal Coat	2012	2017	5	0	0	4,840 SF	0.33	1,597
Streets/Asphalt - Total								<u>\$10,067</u>
Fencing/Security								
Fence - Wood - Replacement	2006	2026	20	0	9	200 LF	35.00	7,000
Fencing/Security - Total								<u>\$7,000</u>
Decks and Railings								
Decks - Replacement	2010	2031	21	0	14	2,200 SF	38.00	83,600
Decks and Railings - Total								<u>\$83,600</u>
Grounds Components								
Concrete - Flatwork - Repairs	2011	2019	8	0	2	110 SF	10.51	1,156
Irrigation - Repairs	2006	2031	25	0	14	1 Total	3,362.00	3,362
Landscape - Renewal	2013	2017	1	2	0	1 Total	2,521.50	2,521
Grounds Components - Total								<u>\$7,040</u>

**St. Georges Townhome Condominium
Component Summary By Category**

Description	<i>Date in Service</i>	<i>Replacement Year</i>	<i>Useful</i>	<i>Adjustment</i>	<i>Remaining</i>	<i>Units</i>	<i>Unit Cost</i>	<i>Current Cost</i>
Inspections								
Building Envelope Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Electrical Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Plumbing Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Reserve Study - Onsite	2010	2017	5	1	0	1 Total	1,250.00	1,250
Reserve Study Update - Offsite	2013	2018	1	2	1	1 Total	750.00	<u>750</u>
Inspections - Total								<u>\$17,000</u>
Contingency								
Insurance - Deductible	2015	2017	1	0	0	1 Total	10,000.00	<u>10,000</u>
Contingency - Total								<u>\$10,000</u>
Total Asset Summary								<u>\$362,665</u>

**St. Georges Townhome Condominium
Component Summary By Group**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
Asphalt - Overlay	2006	2032	25	1	15	4,840 SF	1.75	8,470
Decks - Replacement	2010	2031	21	0	14	2,200 SF	38.00	83,600
Fence - Wood - Replacement	2006	2026	20	0	9	200 LF	35.00	7,000
Gutters & Downspouts - Replacement	2006	2032	25	1	15	1,500 LF	6.30	9,450
Roof - Replacement	2006	2032	25	1	15	19,600 SF	3.78	74,088
Siding - Fiber Cement Lap - Replacement	<i>Unfunded</i>							
Siding - Fiber Cement Shingle - Replaceme..	<i>Unfunded</i>							
Stone Cladding - Replacement	<i>Unfunded</i>							
Capital - Total								\$182,608
Non-Capital								
Asphalt - Seal Coat	2012	2017	5	0	0	4,840 SF	0.33	1,597
Building Envelope Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Caulking - Replacement	2010	2020	10	0	3	13,000 LF	4.34	56,420
Concrete - Flatwork - Repairs	2011	2019	8	0	2	110 SF	10.51	1,156
Decks & Trellises - Staining	2013	2017	2	1	0	2,400 SF	1.25	3,000
Electrical Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Insurance - Deductible	2015	2017	1	0	0	1 Total	10,000.00	10,000
Irrigation - Repairs	2006	2031	25	0	14	1 Total	3,362.00	3,362
Landscape - Renewal	2013	2017	1	2	0	1 Total	2,521.50	2,521
Plumbing Inspection	2006	2031	25	0	14	1 Total	5,000.00	5,000
Reserve Study - Onsite	2010	2017	5	1	0	1 Total	1,250.00	1,250
Reserve Study Update - Offsite	2013	2018	1	2	1	1 Total	750.00	750
Siding - Fiber Cement Lap - Painting	2010	2020	10	0	3	33,400 SF	2.00	66,800
Siding - Fiber Cement Shingle - Painting	2012	2022	10	0	5	9,100 SF	2.00	18,200
Non-Capital - Total								\$180,057
Total Asset Summary								\$362,665

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2017	
Asphalt - Seal Coat	1,597
Decks & Trellises - Staining	3,000
Insurance - Deductible	10,000
Landscape - Renewal	2,521
Reserve Study - Onsite	1,250
Total for 2017	\$18,369
Replacement Year 2018	
Landscape - Renewal	2,585
Reserve Study Update - Offsite	769
Total for 2018	\$3,353
Replacement Year 2019	
Concrete - Flatwork - Repairs	1,215
Decks & Trellises - Staining	3,152
Landscape - Renewal	2,649
Reserve Study Update - Offsite	788
Total for 2019	\$7,804
Replacement Year 2020	
Caulking - Replacement	60,758
Landscape - Renewal	2,715
Reserve Study Update - Offsite	808
Siding - Fiber Cement Lap - Painting	71,936
Total for 2020	\$136,218
Replacement Year 2021	
Decks & Trellises - Staining	3,311
Landscape - Renewal	2,783
Reserve Study Update - Offsite	828
Total for 2021	\$6,923
Replacement Year 2022	
Asphalt - Seal Coat	1,807

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2022 continued...</i>	
Landscape - Renewal	2,853
Reserve Study - Onsite	1,414
Siding - Fiber Cement Shingle - Painting	20,592
Total for 2022	<u>\$26,666</u>
Replacement Year 2023	
Decks & Trellises - Staining	3,479
Landscape - Renewal	2,924
Reserve Study Update - Offsite	870
Total for 2023	<u>\$7,273</u>
Replacement Year 2024	
Landscape - Renewal	2,997
Reserve Study Update - Offsite	892
Total for 2024	<u>\$3,889</u>
Replacement Year 2025	
Decks & Trellises - Staining	3,655
Landscape - Renewal	3,072
Reserve Study Update - Offsite	914
Total for 2025	<u>\$7,641</u>
Replacement Year 2026	
Fence - Wood - Replacement	8,742
Landscape - Renewal	3,149
Reserve Study Update - Offsite	937
Total for 2026	<u>\$12,828</u>
Replacement Year 2027	
Asphalt - Seal Coat	2,045
Concrete - Flatwork - Repairs	1,480
Decks & Trellises - Staining	3,840
Landscape - Renewal	3,228
Reserve Study - Onsite	1,600
Total for 2027	<u>\$12,193</u>

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2028	
Landscape - Renewal	3,308
Reserve Study Update - Offsite	984
Total for 2028	\$4,292
Replacement Year 2029	
Decks & Trellises - Staining	4,035
Landscape - Renewal	3,391
Reserve Study Update - Offsite	1,009
Total for 2029	\$8,434
Replacement Year 2030	
Caulking - Replacement	77,776
Landscape - Renewal	3,476
Reserve Study Update - Offsite	1,034
Siding - Fiber Cement Lap - Painting	92,085
Total for 2030	\$174,370
Replacement Year 2031	
Building Envelope Inspection	7,065
Decks & Trellises - Staining	4,239
Decks - Replacement	118,125
Electrical Inspection	7,065
Irrigation - Repairs	4,750
Landscape - Renewal	3,563
Plumbing Inspection	7,065
Reserve Study Update - Offsite	1,060
Total for 2031	\$152,931
Replacement Year 2032	
Asphalt - Overlay	12,267
Gutters & Downspouts - Replacement	13,686
Landscape - Renewal	3,652
Reserve Study - Onsite	1,810
Roof - Replacement	107,302

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2032 continued...</i>	
Siding - Fiber Cement Shingle - Painting	26,359
Total for 2032	\$165,076
Replacement Year 2033	
Decks & Trellises - Staining	4,454
Landscape - Renewal	3,743
Reserve Study Update - Offsite	1,113
Total for 2033	\$9,310
Replacement Year 2034	
Landscape - Renewal	3,837
Reserve Study Update - Offsite	1,141
Total for 2034	\$4,978
Replacement Year 2035	
Concrete - Flatwork - Repairs	1,803
Decks & Trellises - Staining	4,679
Landscape - Renewal	3,933
Reserve Study Update - Offsite	1,170
Total for 2035	\$11,585
Replacement Year 2036	
Landscape - Renewal	4,031
Reserve Study Update - Offsite	1,199
Total for 2036	\$5,230
Replacement Year 2037	
Asphalt - Seal Coat	2,617
Decks & Trellises - Staining	4,916
Landscape - Renewal	4,132
Reserve Study - Onsite	2,048
Total for 2037	\$13,713
Replacement Year 2038	
Landscape - Renewal	4,235

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2038 continued...</i>	
Reserve Study Update - Offsite	1,260
Total for 2038	<u>\$5,495</u>
Replacement Year 2039	
Decks & Trellises - Staining	5,165
Landscape - Renewal	4,341
Reserve Study Update - Offsite	1,291
Total for 2039	<u>\$10,797</u>
Replacement Year 2040	
Caulking - Replacement	99,559
Landscape - Renewal	4,449
Reserve Study Update - Offsite	1,323
Siding - Fiber Cement Lap - Painting	117,876
Total for 2040	<u>\$223,208</u>
Replacement Year 2041	
Decks & Trellises - Staining	5,426
Landscape - Renewal	4,561
Reserve Study Update - Offsite	1,357
Total for 2041	<u>\$11,343</u>
Replacement Year 2042	
Asphalt - Seal Coat	2,961
Landscape - Renewal	4,675
Reserve Study - Onsite	2,317
Siding - Fiber Cement Shingle - Painting	33,742
Total for 2042	<u>\$43,695</u>
Replacement Year 2043	
Concrete - Flatwork - Repairs	2,197
Decks & Trellises - Staining	5,701
Landscape - Renewal	4,792
Reserve Study Update - Offsite	1,425
Total for 2043	<u>\$14,115</u>

**St. Georges Townhome Condominium
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2044	
Landscape - Renewal	4,911
Reserve Study Update - Offsite	1,461
Total for 2044	\$6,372
Replacement Year 2045	
Decks & Trellises - Staining	5,989
Landscape - Renewal	5,034
Reserve Study Update - Offsite	1,497
Total for 2045	\$12,521
Replacement Year 2046	
Fence - Wood - Replacement	14,325
Landscape - Renewal	5,160
Reserve Study Update - Offsite	1,535
Total for 2046	\$21,020

**St. Georges Townhome Condominium
Detail Report by Category**

Caulking - Replacement		13,000 LF	@ \$4.34
Asset ID	1004	Asset Cost	\$56,420.00
	Non-Capital	Percent Replacement	100%
	Siding	Future Cost	\$60,758.17
Placed in Service	January 2010		
Useful Life	10		
Replacement Year	2020		
Remaining Life	3		

This component funds for the replacement of the caulking on all joints. According to information provided by the Association, there is 13,000 linear feet of caulking. The cost and useful life estimates are based on information provided by the Association. The Association should obtain a bid to confirm this cost.

Siding - Fiber Cement Lap - Replacement		33,400 SF	
Asset ID	1002	Asset Cost	
	Capital	Percent Replacement	100%
	Siding	Future Cost	
Placed in Service	January 2010		
Useful Life	50		
Replacement Year	2060		
Remaining Life	43		

This component funds for the replacement of the fiber cement lap siding. According to information provided by the Association, there is 33,400 square feet of siding. The cost and useful life estimates are based on information provided by the Association. **As this component has a useful life in excess of 30 years, it is for informational purposes only. It should be brought into the study in 2030.**

**St. Georges Townhome Condominium
Detail Report by Category**

Decks & Trellises - Staining		2,400 SF	@ \$1.25
Asset ID	1007	Asset Cost	\$3,000.00
	Non-Capital	Percent Replacement	100%
	Painting	Future Cost	\$3,000.00
Placed in Service	January 2013		
Useful Life	2		
Adjustment	1		
Replacement Year	2017		
Remaining Life	0		

This component funds for the sealing and staining of the decks and trellises.

According to information provided by the Association, there is 2,400 square feet of decks and trellises.

The cost and useful life estimates are based on information provided by the Association.

The Association should obtain a bid to confirm this cost.

Siding - Fiber Cement Lap - Painting		33,400 SF	@ \$2.00
Asset ID	1005	Asset Cost	\$66,800.00
	Non-Capital	Percent Replacement	100%
	Painting	Future Cost	\$71,936.29
Placed in Service	January 2010		
Useful Life	10		
Replacement Year	2020		
Remaining Life	3		

This component funds for the painting of the fiber cement lap siding.

According to information provided by the Association, there is 33,400 square feet of lap siding.

The cost and useful life estimates are based on information provided by the Association.

The Association should obtain a bid to confirm this cost.

**St. Georges Townhome Condominium
Detail Report by Category**

Fence - Wood - Replacement		200 LF	@ \$35.00
Asset ID	1014	Asset Cost	\$7,000.00
	Capital	Percent Replacement	100%
	Fencing/Security	Future Cost	\$8,742.04
Placed in Service	January 2006		
Useful Life	20		
Replacement Year	2026		
Remaining Life	9		

This component funds for the replacement of the wood fence.

According to information provided by the Association, there is 200 linear feet of 6 foot tall wood fence.

The cost and useful life estimates are based on information provided by the Association.

The Association should obtain a bid to confirm this cost.

Fencing/Security - Total Current Cost	\$7,000
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**St. Georges Townhome Condominium
Detail Report by Category**

Concrete - Flatwork - Repairs		2,200 SF	@ \$10.51
Asset ID	1013	Asset Cost	\$1,156.10
	Non-Capital	Percent Replacement	5%
	Grounds Components	Future Cost	\$1,214.63
Placed in Service	January 2011		
Useful Life	8		
Replacement Year	2019		
Remaining Life	2		

This component funds for the repairs to the concrete flatwork.
According to information provided by the Association, there is 2,200 square feet of concrete.
The useful life estimate is based on information provided by the Association.

The cost is based on accepted industry estimates as established by RS Means and/or The National Construction Estimator.

Irrigation - Repairs		1 Total	@ \$3,362.00
Asset ID	1015	Asset Cost	\$3,362.00
	Non-Capital	Percent Replacement	100%
	Grounds Components	Future Cost	\$4,750.42
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	14		

This component funds for repairs to the irrigation system.
The cost and useful life estimates are based on information provided by the Association.
The Association should obtain a bid to confirm this cost.

**St. Georges Townhome Condominium
Detail Report by Category**

Building Envelope Inspection

		1 Total	@ \$5,000.00
Asset ID	1021	Asset Cost	\$5,000.00
	Non-Capital	Percent Replacement	100%
	Inspections	Future Cost	\$7,064.87
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	14		

This provision is for a building envelope inspection.

Electrical Inspection

		1 Total	@ \$5,000.00
Asset ID	1023	Asset Cost	\$5,000.00
	Non-Capital	Percent Replacement	100%
	Inspections	Future Cost	\$7,064.87
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	14		

This provision is for an electrical inspection.

Plumbing Inspection

		1 Total	@ \$5,000.00
Asset ID	1022	Asset Cost	\$5,000.00
	Non-Capital	Percent Replacement	100%
	Inspections	Future Cost	\$7,064.87
Placed in Service	January 2006		
Useful Life	25		
Replacement Year	2031		
Remaining Life	14		

This provision is for a plumbing inspection.

Additional Disclosures

Levels of Service

The following three categories describe the various types of Reserve Studies from exhaustive to minimal.

I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

II. Update, With Site Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No Site Visit/Off Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Terms and Definitions

CASH FLOW METHOD: A method of developing a reserve *Funding Plan* where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve *Funding Plans* are tested against the anticipated schedule of reserve expenses until the desired *Funding Goal* is achieved.

COMPONENT: The individual line items in the *Reserve Study* developed or updated in the *Physical Analysis*. These elements form the building blocks for the *Reserve Study*. *Components* typically are: 1) association responsibility; 2) with limited *Useful Life* expectancies; 3) predictable *Remaining Useful Life* expectancies; 4) above a minimum threshold cost; and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying reserve *Components*. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the Association or cooperative.

COMPONENT METHOD: A method of developing a reserve *Funding Plan* where the total contribution is

based on the sum of contributions for individual *Components*. See *Cash Flow Method*.

CONDITION ASSESSMENT: The task of evaluating the current condition of the *Component* based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See *Replacement Cost*.

DEFICIT: An actual or projected *Reserve Balance* that is less than the *Fully Funded Balance*. The opposite would be a *Surplus*.

EFFECTIVE AGE: The difference between *Useful Life* and *Remaining Useful Life*. Not always equivalent to chronological age since some *Components* age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a *Reserve Study* where current status of the reserves (measured as cash or *Percent Funded*) and a recommended reserve contribution rate (reserve *Funding Plan*) are derived, and the projected reserve income and expense over time is presented. The *Financial Analysis* is one of the two parts of a *Reserve Study*.

FULLY FUNDED: 100% Funded. When the actual or projected *Reserve Balance* is equal to the *Fully Funded Balance*.

FULLY FUNDED BALANCE (FFB): Total accrued depreciation, an indicator against which actual or projected *Reserve Balance* can be compared. The *Reserve Balance* that is in direct proportion to the fraction of life “used up” of the current repair or *Replacement Cost*. This number is calculated for each *Component*, then added together for an association total. Two formulas can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of *Funding Plan* goals:

- Baseline Funding: Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- Full Funding: Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.

- **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statutes.

- **Threshold Funding:** Establishing a reserve funding goal of keeping the *Reserve Balance* above a specified dollar or *Percent Funded* amount. Depending on the threshold, this may be more or less conservative than fully funding.

FUNDING PLAN: An association’s plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating *Useful Life*, *Remaining Useful Life*, and repair or *Replacement Costs* for the reserve *Components*.

PERCENT FUNDED: The ratio at a particular point of time (typically the beginning of the Fiscal Year) of the actual or projected *Reserve Balance* to the *Fully Funded Balance*, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the *Reserve Study* where the *Component Inventory*, *Condition Assessment*, and *Life and Valuation Estimate* tasks are performed. This represents one of the two parts of the *Reserve Study*.

REMAINING USEFUL LIFE (RUL): Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve *Component* can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” *Remaining Useful Life*.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a reserve *Component* to its original functional condition. The *Current Replacement Cost* would be the cost to replace, repair, or restore the *Component* during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major *Components* which the Association is obligated to maintain. Also known as reserves, reserve accounts, or cash reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares *Reserve Studies*.

RESERVE STUDY: A budget planning tool which identifies the current status of the reserve fund and a stable and equitable *Funding Plan* to offset the anticipated future major common area expenditures. The *Reserve Study*

consists of two parts: the *Physical Analysis* and the *Financial Analysis*.

RESPONSIBLE CHARGE: A reserve specialist in *Responsible Charge* of a *Reserve Study* shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a *Reserve Study* of which he was in *Responsible Charge*. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

- The regular and continuous absence from principal office premises from which professional services are rendered, except for performance of field work or presence in a field office maintained exclusively for a specific project;
- The failure to personally inspect or review the work of subordinates where necessary and appropriate;
- The rendering of a limited, cursory, or perfunctory review of plans or projects in lieu of an appropriate detailed review;
- The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. *Special Assessments* are often regulated by governing documents or local statutes.

SURPLUS: An actual or projected *Reserve Balance* greater than the *Fully Funded Balance*. The opposite would be a *Deficit*.

USEFUL LIFE (UL): Total *Useful Life* or depreciable life. The estimated time, in years, that a *Reserve Component* can be expected to serve its intended function if properly constructed in its present application or installation.