PROFESSIONAL RESERVE STUDY

Lake Marcel Community Club

31600 NE 106th Street, Carnation, WA 98014

For:	Prepared By:	Date Prepared:
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1.0 EXECUTIVE SUMMARY

1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

The undersigned makes the following disclosures required by RCW 64.90.550 to establish that this Reserve Study meets all requirements of the Washington Uniform Common Interest Ownership Act, Chapter 64.90 RCW:

a. This Reserve Study was prepared with the assistance of a reserve study professional, and that professional was independent;

b. This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and

c. 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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

1.2 GENERAL DESCRIPTION OF PROPERTY

The subject property is located around Lake Marcel between the communities of Carnation and Duvall. There are 398 individual lots in this community. The Lake Marcel Community Club has gently rolling hills and the collective assets consists of two beaches, an office, private docks, picnic assets, community bathrooms, picnic shelters, and playground equipment. There are public roads maintained by King County throughout the development.

Like all properties, this property will require capital maintenance. We have itemized areas of capital maintenance that we anticipate over the next thirty (30) years along with estimated costs and estimated schedule of repair/replacement.

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

Table 1.3 below shows the items that are in need of action immediately or within the near future. This is a summary; all tasks are explained in greater detail in Section 3.0 Physical Analysis.

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency	Section
No immediate necessary capital expenditures			

1.4 CURRENT STATUS OF CAPITAL RESERVE FUND

Table 1.4 below shows the current status of the Capital Reserve Fund and how it relates to Full Funding. The current Reserve Fund data was provided to us by Julie Braun.

Table 1.4: Current Status of the Reserve Fund

Current Reserve Balance	$127,702 as of July 1, 2022
Current Annual Reserve Fund Contribution	$8,390
Average Per Unit Per Month	$1.76
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	$115,312
Current Percentage of Full Funding	110.8%

1.5 RECOMMENDATIONS AND ASSUMPTIONS FOR FUTURE RESERVE CONTRIBUTIONS

The following table is a summary of our assumptions and several options that we have provided for funding contributions to the Reserve Fund. This is only a summary table; for a detailed view of our recommended funding plans, please see section 4 of this report.

Table 1.5: Recommendations and Assumptions for Future Reserve Contributions

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
Option 1 – Immediate Full Funding	
Immediate Disbursement IF the Association would like to bring down the Reserve Fund to Full Funding Immediately	$12,391
Average Initial Disbursement per Unit	$31
Following initial Disbursement, Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	$9,516
Average Contribution per Unit per Year	$1.93
Option 2 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	$6,699
Average Contribution per Unit per Year	$1.40

**These funding levels are required by WA State RCW 64.90.550. They are "bare minimum" funding plans and therefore carry a higher level of risk. Because of this, they are not recommended by Jeff Samdal & Associates.*

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 2 RESERVE STUDY

The primary purpose of this Level 2 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

Associations have a responsibility to their members to adequately maintain their properties and our Reserve Studies provide our clients with the tools to implement capital maintenance. When small issues and maintenance items are addressed prior to becoming larger problems, there is typically a significant overall savings for a property owner. Properly maintained properties maintain higher property values than those with an abundance of deferred maintenance.

An additional benefit of this Reserve Study is that it is one of the qualifications required for Associations to obtain FHA approval (which is helpful in selling or refinancing individual units). Many other sources of funding are also beginning to require them as well.

2.2 WASHINGTON STATE RCW 64.90.550

As of July 1, 2018, WA State RCW 64.90.550 defined a Reserve Study in WA State as the following:

(1) Any reserve study is supplemental to the association's operating and maintenance budget.

(2) A reserve study must include:

(a) A reserve component list, including any reserve component, the replacement cost of which exceeds one percent of the annual budget of the association, excluding contributions to the reserves for that reserve component. If one of these reserve components is not included in the reserve study, the study must explain the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component;

(b) The date of the study and a disclosure as to whether the study meets the requirements of this section;

(c) The following level of reserve study performed:

(i) Level I: Full reserve study funding analysis and plan;

(ii) Level II: Update with visual site inspection; or

(iii) Level III: Update with no visual site inspection;

This reserve study meets the qualifications of WA State RCW 64.90.550

(d) The association's reserve account balance;

(e) The percentage of the fully funded balance to which the reserve account is funded;

(f) Special assessments already implemented or planned;

(g) Interest and inflation assumptions;

(h) Current reserve account contribution rates for a full funding plan and a baseline funding plan;

(i) A recommended reserve account contribution rate for a full funding plan to achieve one hundred percent fully funded reserves by the end of the thirty-year study period, a recommended reserve account contribution rate for a baseline funding plan to maintain the reserve account balance above zero throughout the thirty-year study period without special assessments, and a reserve account contribution rate recommended by the reserve study professional;

(j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

(k) A disclosure on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent; and

(l) A statement of the amount of any current deficit or surplus in reserve funding expressed on a dollars per unit basis. The amount is calculated by subtracting the association's reserve account balance as of the date of the study from the fully funded balance, and then multiplying the result by the fraction or percentage of the common expenses of the association allocable to each unit; except that if the fraction or percentage of the common expenses of the association allocable vary by unit, the association must calculate any current deficit or surplus in a manner that reflects the variation.

(3) A reserve study must also include the following disclosure:

"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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."

2.3 SCOPE AND METHODOLOGY

This Level 2 Reserve Study has been prepared based on Community Associations Institute (CAI) standards and our proposal to the Association dated July 1, 2022, which was based on our correspondence with Julie Braun and the previous Reserve Studies that we have provided for this Association.

Information Gathering

Our initial task was to gather information regarding the property such as financials, drawings, maintenance records, and historical background. This Reserve Study is a reflection of the information provided to us.

Physical Analysis

Following the initial correspondence regarding the property, we performed an inspection of the property on August 31, 2022 so that we may provide an opinion of the current condition of the common building components. This is also the basis for our opinion of the anticipated capital needs that the Association will be responsible for over the next 30 years. This was a visual inspection, and no invasive or destructive testing was performed. This visual inspection focused on the typical features of a building and surrounding property such as structure, drainage, roof, exterior, electrical, plumbing, HVAC systems, and interior finishes. This inspection was limited to accessible and visible areas.

The physical analysis included the following tasks:

1. Identification of Anticipated Capital Expenses: We consider anticipated capital expenses to be major expenses that can be reasonably predicted. Anticipated capital expenses are not considered routine maintenance such as routine landscaping or touch-up paint; routine maintenance should be taken care of through an operating budget. Nor do we consider anticipated capital needs to be expenditures that result from an accident or an unpredictable event, such as flood damage or earthquake damage; these items should be paid for by insurance.

The general criteria that we used to define an anticipated capital expense that warranted inclusion on our Itemized capital expenses is the following:

- The component must be a common component that is the responsibility of the Association.
- Repair or replacement of the component is significant and not budgeted for in the operating budget.
- The component repair or replacement occurs within the period of this study.

2. Estimated Replacement Schedule: Our opinions of the various life expectancy estimates that we prepared are based on a combination of the following:

- National Association of Home Builders (NAHB) averages
- Building Owners and Managers (BOMA) averages
- Product vendors and suppliers
- Our company database

3. Estimated Replacement Cost: Our opinions of the various costs for repair or replacement are based on a combination of the following:

- R.S. Means
- Product vendors and suppliers
- Our company database

4. Financial Analysis: We performed an analysis on the financial needs and current status at the property. The financial analysis provides the following:

- Forecasts the anticipated Capital Reserves necessary at the property over the next 30 years.
- Projects future Capital Reserve balances and determines the appropriate funding levels necessary.
- Reviews the current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

2.4 SOURCES OF INFORMATION

The following people provided us information for this study:

- Julie Braun, Office Manager
- Peter Templin, Volunteer
- Laurell Ramnez, Volunteer

The following documents were viewed as part of this study:

- Map of Property
- BYO Recreation Invoice for new playground equipment, dated June 9, 2020
- Thompson & Associates Consultants proposal for playground and landscaping design, dated August 20, 2022
- De Jong Sawdust & Shavings Invoice for play chips installation, dated July 8, 2019

The physical inspection of the property occurred on the following date:

- August 31, 2022

2.5 DEFINITIONS

Assumed Inflation - Our assumed inflation rate is our best guess of the long-term average of the inflation rate over the next thirty years; it is not based on the current Consumer Price Index (CPI). Our number is much closer to the historical average of the CPI over the previous 25 years.

Capital Reserves 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, cash reserves.

Component - An individual line item in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks of 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 is accomplished through onsite visual observations, review of Association design and organizational documents, and a review of established Association precedents.

Deficit - An actual (or projected) reserve balance 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 computation.

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. 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. In essence, it is the reserve balance that is proportional to the current Repair/replacement cost and the fraction of life "used up". This number is calculated for each component, them summed together for an Association total.

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.

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.

2.6 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

What is a reserve study?

Reserve studies are comprehensive reports that are used as budget planning tools that will assess the current financial health of the reserve fund as well as create a plan for future funding to offset anticipated major future common area expenditures.

According to *Community Association Institute's* *Best Practices, Reserve Studies/Management*: "There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan)."

What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State RCW 64.90.550).

> **Level 1: A full reserve study** – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.
>
> **Level 2: An update with site visit (on-site review)** -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.
>
> **Level 3: An update with no site visit (off-site review)** -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

When should associations obtain reserve studies?

Most association experts would agree that an initial full 30-year reserve study should be conducted sooner rather than later if one is not already in place. They are typically updated annually after that to account for things such as inflation and any adjustments in funding levels, budgets, repairs or replacements.

If you follow Washington State RCW 64.90.555 (which we recommend), your reserve study schedule would look like this:

- Year 1: Level 1 full 30-year study
- Years 2, 3: Level 3 annual updates
- Year 4: Level 2 update with site visit
- Years 5, 6: Level 3 annual updates
- Year 7: Level 2 update with site visit

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary after year 1.

What are the benefits of a Reserve Study?

Benefits of reserve studies, in short, include improved property maintenance (and therefore value) as well as complying with the law. In more detail:

Complying with Washington State law

View the rules regarding Reserve Studies and Reserve Accounts here:

http://app.leg.wa.gov/RCW/default.aspx?cite=64.90 - Sections 535, 540, 545, 550, 555, and 560

Fulfilling lender requirements (such as FHA)

Many lenders are requiring up-to-date reserve studies that indicate adequate financial health before they lend. Having a reserve study in place that shows a healthy funding plan before a homeowner finds a buyer could save significant time in the closing process.

Help maintain the property's value and appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future repairs or replacement (anticipated capital expenditures), the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life. Many features, when properly maintained, can also benefit from an extended lifespan resulting in overall cost savings to the owners. Well maintained properties almost always have higher resale values than those that have been neglected.

Establishing sound financial planning and budget direction

A comprehensive reserve study lays out a schedule of anticipated major repairs or replacements to common property elements and applies cost estimates to them. It typically spans a 30-year period and will serve as a financial planning tool for the association to use when determining homeowners dues and contributions to the reserve fund.

Reducing the need for special assessments

An association that has properly implemented their reserve study will strategically collect fees over time from homeowners (via monthly dues) rather than need large sums of cash unexpectedly (special assessments). Therefore, the need for special assessments should be minimalized because expenses have already been planned for and the funds exist when needed.

Fulfilling the board of directors' fiduciary responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

3.0 PHYSICAL ANALYSIS

3.1 COMPONENT ASSESSMENT AND VALUATION

The component assessment and valuation of the itemized capital expenses on this property was done by providing our opinion of Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. Table 3.1A lists this component inventory and is based on the information that we were provided and on onsite visual observations.

The remainder of "Section 3.0 Physical Analysis" details each of the items in Table 3.1A using narratives and photos. They are meant to be read together.

Table 3.1B is a summary of expenses, grouped according to their expense category. Chart 3.1B is a pie chart illustrating the same.

Table 3.1A Key:

Quantity - The total quantity of each component.

Units - SF = Square Feet SY = Square Yards LF = Lineal Feet

EA = Each LS = Lump Sum SQ = Roofing Square (10 ft X 10 ft)

Cost/Unit - The cost of a component. The unit cost is multiplied by the component's quantity to obtain the total estimated replacement cost for the component.

Remaining Life – An opinion of the probable remaining life, in years, that a reserve component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have "zero" Remaining Life.

Useful Life - Total Useful Life or Depreciable Life. An opinion of the total probable life, in years, that a reserve component can be expected to serve its intended function in its present condition.

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2022 dollars. Exact numbers may vary.

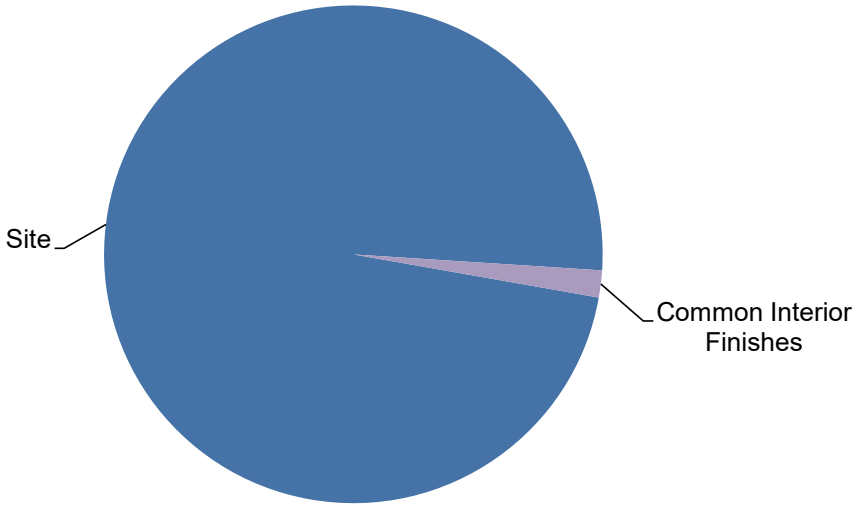
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2	**SITE**								
	Replace w ood fencing	946	LF	$29.50	8	20	$27,907	$70	$3.51
	Replace beach 1 play structure	1	LS	$10,074	18	20	$10,074	$25	$1.27
	Replace beach 1 jungle gym	1	LS	$8,000	18	20	$8,000	$20	$1.01
	Replace beach 1 sw ing set	1	LS	$6,000	18	20	$6,000	$15	$0.75
	Replace beach 2 jungle gym	1	LS	$14,000	18	20	$14,000	$35	$1.76
	Replace beach 2 sw ing set	1	LS	$6,000	18	20	$6,000	$15	$0.75
	Replace play chips	1	LS	$2,000	2	5	$2,000	$5	$1.01
	Replace the slide gate and support at the dam	1	LS	$40,000	18	40	$40,000	$101	$2.51
	Slide gate inspection and underw ater inspection of all docks	1	LS	$4,200	1	5	$4,200	$11	$2.11
	Replace all four docks	1	LS	$160,000	30	50	$160,000	$402	$8.04
	All roads in this community are owned by King County								
	Picnic assets are maintained via the general operating budget								
	Landscaping maintained via the general operating budget								
	Annual milfoil mitigation should be budgeted for in th annual operating budget								
3.3	**STRUCTURES**								
	We believe that all structures should have a lifespan beyond the duration of this study if properly maintained								
3.4	**ROOFING**								
	Standing seam metal roof surfaces should have a lifespan beyond the duration of this study								
3.5	**EXTERIOR**								
	We understand that the exteriors of all buildings are maintained and painted by volunteers and supplies are paid for via the general operating budget								
3.6	**ELECTRICAL SYSTEMS**								
	No significant electrical expenditures anticipated								
3.7	**PLUMBING SYSTEMS**								
	No significant plumbing expenditures anticipated								
3.8	**HVAC SYSTEMS**								
	No significant common HVAC systems								

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.9	**ELEVATORS**								
	No elevators on property								
3.10	**FIRE DETECTION & SUPPRESSION**								
	No significant fire detection and suppression systems on property								
3.11	**COMMON INTERIOR FINISHES**								
	Office renovation	1	LS	$4,000	2	20	$4,000	$10	$0.50
3.12	**MISCELLANEOUS**								
	Office equipment, computers, and furniture are maintained entirely via the annual operating budget								
	Surveillance system is maintained and upgraded entirely via the annual operating budget								
3.13	**AMENITIES**								
	No amenities not mentioned in other areas of this table								
							Average Cost Per Unit Per Year		**$23.21**

Table 3.1B: Table of Categorized Expenses over the Duration of the Study

Category	Total Expenditure over 30 Years	Percentage
Site	$669,459	98.3%
Structure	$0	0.0%
Roofing	$0	0.0%
Exterior	$0	0.0%
Electrical Systems	$0	0.0%
Plumbing Systems	$0	0.0%
HVAC Systems	$0	0.0%
Elevators	$0	0.0%
Fire Detection & Suppresion	$0	0.0%
Common Interior Finishes	$11,908	1.7%
Miscellaneous Mechanical	$0	0.0%
Amenities	$0	0.0%
TOTAL	**$681,367**	

Figure 3.1B: Pie Chart of Categorized Expenses over the Duration of the Study



3.2 SITE

The address of this property is 31600 NE 106th St., Carnation, WA 98014.

Aerial image of property (courtesy of Google Earth)

General Description of Site

The subject property is located around Lake Marcel between the communities of Carnation and Duvall. There are 398 individual lots in this community. The Lake Marcel Community Club has gently rolling hills and the collective assets consists of two beaches, an office, private docks, picnic assets, community bathrooms, picnic shelters, and playground equipment. There are public roads maintained by King County throughout the development.

Asphalt

The roads throughout this community are owned and maintained by King County. Therefore, no Reserve Funding has been allotted for asphalt in this Reserve Study.

Typical County Road

Typical County Road

Picnic Assets

There are picnic tables, benches, and barbecues in this property that are owned by the community. We understand that the community pays for replacement of picnic tables, benches, barbecues, etc. via the general operating budget.

Beach 1 Park

Beach 2 Park

Wood Fencing

There is a classic 3 rail wood fencing at the road side of both Beach 1 and Beach 2. We have assumed that the fences will be stained and have spot railing replacement by volunteers or via the general operating budget. If such maintenance is performed, then we believe that these fences should have a minimum lifespan of 20 years.

Beach 1 Wood Fence

Beach 2 Wood Fence

Playground Equipment

There are many pieces of playground equipment between Beach 1 and Beach 2. This includes a play structure, a jungle gym, and a swing set at Beach 1 and a jungle gym and swing set at Beach 2. We have assumed that minor rot repair will be performed by the on-site maintenance staff. The playground equipment was either replaced or refurbished in 2020.

We have also budgeted for replacement of the play chips every 5 years.

Beach 1 Swing Set

Beach 1 Play Structure

Beach 1 Play Equipment

Beach 2 Swing Set

Beach 2 Playground Equipment

Beach 2 Playground Equipment

Dam and Slide Gate

There is an earth dam at the south side of Lake Marcel. This is a very low maintenance dam and the only maintenance that is anticipated is the eventual replacement of the slide gate, which occurred a couple of years ago. We believe that this dam should have a lifespan well beyond the duration of this study; as many earth dams have lifespans well beyond 100 years. Therefore, we have not budgeted for replacement of this dam in the Reserve Study.

We have budgeted for replacement of the slide gate and related dam expenditures at a cost of $40,000 in 2040 and every 40 years thereafter.

Slide Gate and Underwater Dock Inspection

We recommend that the slide gate be inspected in 2023 and every 5 years thereafter by a marine structural engineer. Additionally, we recommend that this marine structural engineer perform an underwater inspection of all of the docks.

Bridge to Dam Outlet

Dam Overflow Spillway

Docks

There is one main dock and two floating docks at Beach 1 and one main dock at Beach 2. We understand that all of these docks were replaced 2002 and have a nominal life of approximately 50 years. We understand that the cost to replace all of the docks in 2002 was approximately $92,000, which we have assumed an inflation of 3% annually to budget for modern pricing. We have used all of these durations and costs as the basis for our long-term budget estimate.

The decking on 2 of the 3 docks of Beach 1 was replaced by volunteers in 2022. The material for this decking replacement was purchased via the general operating budget.

Beach 1 Main Dock

One of Two Floating Docks at Beach 1

Two of Two Floating Docks at Beach 1

Dock at Beach 2

Landscaping and Irrigation

The landscaping in the common areas of this community is paid for via the operating budget. The replacement of broken irrigation heads is also paid for via the operating budget.

Milfoil Mitigation

Lake Marcel will require milfoil mitigation every year going forward. Since this is an annual expense, we believe that this milfoil mitigation is more appropriately budgeted for in the annual budget, rather than in the Reserve Study.

3.3 STRUCTURES

There is a community office, a community bathroom, storage sheds, and picnic shelters on this property. We have not budgeted for complete replacement of these buildings as we believe that continuous maintenance such as spot siding and trim replacement and repainting of the exteriors will ensure that these buildings will have a lifespan well beyond the duration of this study.

Picnic Shelter at Beach 1

Community Bathrooms at Beach 1

Office

Roof of Office

3.4 ROOFING

The roofs of these buildings are pitched and are surfaced with standing seam metal roof surfacing. The roofs should have a lifespan beyond the duration of this study. Therefore, no funding has been allotted for roofing in the Reserve Study.

3.5 EXTERIOR

The exteriors of these buildings are clad with wood siding. We understand that the exteriors of all buildings are maintained and painted by volunteers and supplies are paid for via the general operating budget.

3.6 ELECTRICAL SYSTEMS

The electrical systems at the commonly owned buildings on this property are relatively simple and should be relatively low maintenance over the duration of this study. Therefore, no Reserve Funding has been allotted for the electrical systems.

3.7 PLUMBING SYSTEMS

The plumbing systems at the commonly owned buildings on this property are relatively simple and should be relatively low maintenance over the duration of this study. Therefore, no Reserve Funding has been allotted for the plumbing systems.

3.8 HVAC SYSTEMS

There are no significant common HVAC systems on this property.

3.9 ELEVATORS

There are no elevators on this property.

3.10 FIRE DETECTION AND SUPPRESSION

There are no common significant fire detection and suppression systems on this property.

3.11 COMMON INTERIOR FINISHES

The common interior areas in Lake Marcel Community Club are the community office and the community bathrooms. The community bathroom interiors are maintained via the operating budget. We have included a small budgetary line item of $4,000 to renovate the community office in 2024 and every 20 years thereafter.

Interior of Community Office

3.12 MISCELLANEOUS

Office Equipment

We understand that all office equipment, computers, and furniture are maintained and ultimately replaced via the annual operating budget. Therefore, no funding has been designated for these items.

Surveillance System

We understand that upgrades and future replacements of the surveillance system equipment via the annual operating budget. Therefore, no funding has been designated for the surveillance system.

3.13 AMENITIES

There are no additional amenities in this community that is the property of the community. All of the boats at the two beaches are the property of individual homeowners in the community.

3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

Using the conclusions described throughout "Section 3.0 Physical Analysis", the following Table 3.20 lists the annual anticipated capital expenses for each reserve item in the year that we believe is most probable. All of these anticipated expenses already have inflation factored into them at the assumed level that is listed in "Section 4.3 Assumptions for Future Interest Rate and Inflation".

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
3.2	**SITE**																
	Replace wood fencing									$35,352							
	Replace beach 1 play structure																
	Replace beach 1 jungle gym																
	Replace beach 1 swing set																
	Replace beach 2 jungle gym																
	Replace beach 2 swing set																
	Replace the slide gate and support at the dam																
	Slide gate inspection and underwater inspection of all docks		$4,326					$5,015					$5,814				
	Replace all four docks																
3.3	**STRUCTURES**																
	We believe that all structures should have a lifespan beyond the duration of this study if properly maintained																
3.4	**ROOFING**																
	Standing seam metal roof surfaces should have a lifespan beyond the duration of this study																
3.5	**EXTERIOR**																
	We understand that the exteriors of all buildings are maintained and painted by volunteers and supplies are paid for via the general operating budget																
3.6	**ELECTRICAL SYSTEMS**																
	No significant electrical expenditures anticipated																
3.7	**PLUMBING SYSTEMS**																
	No significant plumbing expenditures anticipated																
3.8	**HVAC SYSTEMS**																
	No significant common HVAC systems																
3.9	**ELEVATORS**																
	No elevators on property																
3.10	**FIRE DETECTION & SUPPRESSION**																
	No significant fire detection and suppression systems on property																
3.11	**COMMON INTERIOR FINISHES**																
	Office renovation			$4,244													
3.12	**MISCELLANEOUS**																
	Office equipment, computers, and furniture are maintained entirely via the annual operating budget																
	Surveillance system is maintained and upgraded entirely via the annual operating budget																
3.13	**AMENITIES**																
	No amenities not mentioned in other areas of this table																
	ANNUAL EXPENSES BY YEAR	**$0**	**$4,326**	**$4,244**	**$0**	**$0**	**$0**	**$5,015**	**$0**	**$35,352**	**$0**	**$0**	**$5,814**	**$0**	**$0**	**$0**	**$0**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
3.2	**SITE**															
	Replace wood fencing													$63,849		
	Replace beach 1 play structure			$17,151												
	Replace beach 1 jungle gym			$13,619												
	Replace beach 1 swing set			$10,215												
	Replace beach 2 jungle gym			$23,834												
	Replace beach 2 swing set			$10,215												
	Replace the slide gate and support at the dam			$68,097												
	Slide gate inspection and underwater inspection of all docks	$6,740					$7,813					$9,058				
	Replace all four docks															$388,362
3.3	**STRUCTURES**															
	We believe that all structures should have a lifespan beyond the duration of this study if properly maintained															
3.4	**ROOFING**															
	Standing seam metal roof surfaces should have a lifespan beyond the duration of this study															
3.5	**EXTERIOR**															
	We understand that the exteriors of all buildings are maintained and painted by volunteers and supplies are paid for via the general operating budget															
3.6	**ELECTRICAL SYSTEMS**															
	No significant electrical expenditures anticipated															
3.7	**PLUMBING SYSTEMS**															
	No significant plumbing expenditures anticipated															
3.8	**HVAC SYSTEMS**															
	No significant common HVAC systems															
3.9	**ELEVATORS**															
	No elevators on property															
3.10	**FIRE DETECTION & SUPPRESSION**															
	No significant fire detection and suppression systems on property															
3.11	**COMMON INTERIOR FINISHES**															
	Office renovation							$7,664								
3.12	**MISCELLANEOUS**															
	Office equipment, computers, and furniture are maintained entirely via the annual operating budget															
	Surveillance system is maintained and upgraded entirely via the annual operating budget															
3.13	**AMENITIES**															
	No amenities not mentioned in other areas of this table															
	ANNUAL EXPENSES BY YEAR	**$6,740**	**$0**	**$143,131**	**$0**	**$0**	**$7,813**	**$7,664**	**$0**	**$0**	**$0**	**$9,058**	**$0**	**$63,849**	**$0**	**$388,362**

4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by Samdal & Associates. We have provided the funding method that we believe will most adequately fund the reserves of this Association.

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance was $127,702 as of July 1, 2022 (Balance provided by Julie Braun). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is $115,312. Therefore, the property is 110.8% funded.

The current annual contribution to the reserve fund is $8,390, which averages $1.76 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
110.8%
funded.

This funding contribution is not adequate to obtain "Full Funding" of this property.

4.2 RECOMMENDED RESERVE FUNDING PLAN

Full Funding is the ideal position for any property and represents a strong financial position. We recommend that all properties be Fully Funded, as Full Funding allows Associations to maintain their properties adequately and minimizes their risk of unplanned special assessments.

Our funding recommendations are as follows:

Option One: Immediate Disbursement from Reserve Fund to Owners

The Reserve Fund is well beyond full funding. If the Board would like to bring the Reserve Fund down to the level of full funding than they should make a disbursement of $12,391 from the Reserve Fund to the owners. This translates to an average disbursement of $31 per unit.

Following this initial disbursement, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of $9,516 per year in the initial year, which translates to $1.93 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option One

Average Immediate Disbursement Per Unit:

$31

Avg. Contribution Thereafter Per Unit Per Month:

2023 $1.93

(with 3% annual increase thereafter)

Other funding options are also possible. Section 4.6 details other common funding methods as well. It is up to the Association to decide which funding option is best for them.

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State HB 1309, our Reserve Study is required to provide the following funding plans:

- **30-Year Make up** - Funding Plan necessary for the Association Reserve Fund to reach a Full Funding Level in 30 years.
- **Baseline Funding** - Minimum level of funding required in order to maintain the Reserve Fund above zero while paying for all components listed in Table 3.1 - Component Assessment and Valuation Table.

Special Note: Because these are "bare minimum" funding options that increase an Association's risk for special assessments (and financial instability), we do not recommend either of these funding options. We recommend that the Association obtain a level of Full Funding as soon as possible to ensure that the Association has the resources necessary to adequately maintain its collective property and minimize the burden of special assessments.

These required options are as follows:

Full Funding in 30 Years

As the Reserve Fund is already above the level of full funding, this option is not applicable.

-OR-

Option Two: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of $6,699 per year in the initial year, which translates to $1.40 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option Two

Average Contributions Per Unit Per Month:

$1.40

(with 3% annual increase thereafter)

4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason this Reserve Study should be updated annually per Washington RCW 64.90.550, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

For the purpose of this study, we will assume that the Association manages their money in the Reserve Fund so that the average interest rate return on its money will be equal to that of inflation. This is a conservative estimate given that since 1965, the average yield between short term treasuries and inflation has been 1.04%, which means that these relatively conservative investments have been able to outpace inflation over the long term (according to Crestmont Research, www.crestmontresearch.com). Since we have assumed that the inflation rate over the duration of this study will average 3%, we have conservatively also assumed that the Reserve Fund average interest rate will equal 3%. Again, this does not reflect current averages but rather a best guess of the future assuming you have invested effectively.

A common strategy is to invest in multiple accounts. Funds that will be necessary in the shorter term must be kept in a relatively liquid account. Funds that are not allotted for near future planned expenditures can be deposited into longer term investments which frequently earn higher interest rates. Consult with a qualified financial advisor for the best solution for your Association.

4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

The table and figures shown in this section are intended to give the Association a clearer view of the likely future financial position that the Association will be in, provided that the reserve funding plan is followed.

- Table 4.5: “Reserve Fund Balance Sheet”. This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.

- Figure 4.5A-1: “Comparison of Funding Plans -- Reserve Fund Balances Through 2052”. This line graph depicts the funding balances of the proposed funding options vs. the current.

- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2032”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.

- Figure 4.5B: “Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year”

- Figure 4.5C: “Comparison of Funding Plans – Percentage of Full Funding by Year”

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
CURRENT FUNDING PLAN													
Beginning Reserve Balance	127,702	140,049	148,376	157,291	171,044	185,481	200,630	211,431	227,942	209,372	226,441	244,345	257,219
Planned Special Assessments													
Regular Reserve Fund Contribution	8,390	8,390	8,642	8,901	9,168	9,443	9,726	10,018	10,319	10,628	10,947	11,275	11,614
Annual Total Property Contribution to The Reserve Fund	8,390	8,390	8,642	8,901	9,168	9,443	9,726	10,018	10,319	10,628	10,947	11,275	11,614
Average Monthly Contribution to the Reserve Fund per Unit	1.76	1.76	1.81	1.86	1.92	1.98	2.04	2.10	2.16	2.23	2.29	2.36	2.43
Annual Capital Expenses	-	4,326	4,244	-	-	-	5,015	-	35,352	-	-	5,814	-
Interest Income	3,957	4,262	4,517	4,852	5,269	5,706	6,090	6,493	6,463	6,441	6,957	7,412	7,891
Ending Reserve Balance	***140,049***	***148,376***	***157,291***	***171,044***	***185,481***	***200,630***	***211,431***	***227,942***	***209,372***	***226,441***	***244,345***	***257,219***	***276,724***
Percentage of Full Funding	121.5%	108.3%	107.2%	106.0%	104.9%	104.0%	103.2%	102.5%	102.1%	101.3%	100.6%	100.0%	99.4%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	127,702	140,049	136,942	146,692	161,340	176,735	192,908	204,803	222,480	205,152	223,542	242,851	257,216
Full Funding Annual Maintenace Funding	8,390	9,516	9,802	10,096	10,399	10,711	11,032	11,363	11,704	12,055	12,417	12,789	13,173
Planned Special Assessments / Make up Funds		(12,391)											
Annual Total Property Contribution to The Reserve Fund	8,390	(2,875)	9,802	10,096	10,399	10,711	11,032	11,363	11,704	12,055	12,417	12,789	13,173
Average Monthly Contribution to the Reserve Fund per Unit		1.99	2.05	2.11	2.18	2.24	2.31	2.38	2.45	2.52	2.60	2.68	2.76
Annual Capital Expenses	-	4,326	4,244	-	-	-	5,015	-	35,352	-	-	5,814	-
Interest Income	3,957	4,093	4,192	4,552	4,996	5,463	5,877	6,315	6,320	6,335	6,893	7,390	7,914
Full Funding - Ending Reserve Balance	***140,049***	***136,942***	***146,692***	***161,340***	***176,735***	***192,908***	***204,803***	***222,480***	***205,152***	***223,542***	***242,851***	***257,216***	***278,303***
Percentage of Full Funding	121.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Blue Highlighted Cells are Prorated for Partial Year Contribution													
BASELINE FUNDING													
Beginning Reserve Balance	127,702	140,049	146,659	153,755	165,582	177,979	190,971	199,493	213,596	192,485	206,873	221,951	231,846
Full Funding Annual Maintenace Funding	8,390	6,699	6,900	7,107	7,320	7,540	7,766	7,999	8,239	8,486	8,741	9,003	9,273
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	8,390	6,699	6,900	7,107	7,320	7,540	7,766	7,999	8,239	8,486	8,741	9,003	9,273
Average Monthly Contribution to the Reserve Fund per Unit		1.40	1.44	1.49	1.53	1.58	1.63	1.67	1.73	1.78	1.83	1.89	1.94
Annual Capital Expenses	-	4,326	4,244	-	-	-	5,015	-	35,352	-	-	5,814	-
Interest Income	3,957	4,237	4,440	4,719	5,077	5,452	5,770	6,105	6,001	5,902	6,337	6,706	7,094
Ending Reserve Balance	***140,049***	***146,659***	***153,755***	***165,582***	***177,979***	***190,971***	***199,493***	***213,596***	***192,485***	***206,873***	***221,951***	***231,846***	***248,214***
Percentage of Full Funding	121.5%	107.1%	104.8%	102.6%	100.7%	99.0%	97.4%	96.0%	93.8%	92.5%	91.4%	90.1%	89.2%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
CURRENT FUNDING PLAN													
Beginning Reserve Balance	276,724	297,167	318,588	341,027	357,684	382,080	262,340	284,707	308,181	324,877	342,686	369,284	397,169
Planned Special Assessments													
Regular Reserve Fund Contribution	11,962	12,321	12,691	13,071	13,463	13,867	14,283	14,712	15,153	15,608	16,076	16,558	17,055
Annual Total Property Contribution to The Reserve Fund	11,962	12,321	12,691	13,071	13,463	13,867	14,283	14,712	15,153	15,608	16,076	16,558	17,055
Average Monthly Contribution to the Reserve Fund per Unit	2.50	2.58	2.66	2.74	2.82	2.90	2.99	3.08	3.17	3.27	3.37	3.47	3.57
Annual Capital Expenses	-	-	-	6,740	-	143,131	-	-	7,813	7,664	-	-	-
Interest Income	8,481	9,100	9,748	10,326	10,932	9,523	8,084	8,762	9,356	9,865	10,522	11,327	12,171
Ending Reserve Balance	***297,167***	***318,588***	***341,027***	***357,684***	***382,080***	***262,340***	***284,707***	***308,181***	***324,877***	***342,686***	***369,284***	***397,169***	***426,395***
Percentage of Full Funding	98.9%	98.4%	98.0%	97.6%	97.2%	95.2%	94.8%	94.5%	94.0%	93.6%	93.4%	93.1%	92.9%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	278,303	300,424	323,621	347,940	366,585	393,083	275,562	300,273	326,218	345,519	366,074	395,564	426,494
Full Funding Annual Maintenace Funding	13,568	13,975	14,394	14,826	15,271	15,729	16,201	16,687	17,187	17,703	18,234	18,781	19,345
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	13,568	13,975	14,394	14,826	15,271	15,729	16,201	16,687	17,187	17,703	18,234	18,781	19,345
Average Monthly Contribution to the Reserve Fund per Unit	2.84	2.93	3.01	3.10	3.20	3.29	3.39	3.49	3.60	3.71	3.82	3.93	4.05
Annual Capital Expenses	-	-	-	6,740	-	143,131	-	-	7,813	7,664	-	-	-
Interest Income	8,553	9,222	9,925	10,559	11,227	9,881	8,510	9,258	9,927	10,516	11,256	12,149	13,085
Full Funding - Ending Reserve Balance	***300,424***	***323,621***	***347,940***	***366,585***	***393,083***	***275,562***	***300,273***	***326,218***	***345,519***	***366,074***	***395,564***	***426,494***	***458,923***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Blue Highlighted Cells are Prorated for Partial Year Contribution													
BASELINE FUNDING													
Beginning Reserve Balance	248,214	265,354	283,300	302,084	314,899	335,257	211,276	229,190	247,988	259,778	272,441	293,643	315,871
Full Funding Annual Maintenace Funding	9,551	9,838	10,133	10,437	10,750	11,072	11,405	11,747	12,099	12,462	12,836	13,221	13,618
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	9,551	9,838	10,133	10,437	10,750	11,072	11,405	11,747	12,099	12,462	12,836	13,221	13,618
Average Monthly Contribution to the Reserve Fund per Unit	2.00	2.06	2.12	2.19	2.25	2.32	2.39	2.46	2.53	2.61	2.69	2.77	2.85
Annual Capital Expenses	-	-	-	6,740	-	143,131	-	-	7,813	7,664	-	-	-
Interest Income	7,590	8,108	8,651	9,118	9,608	8,077	6,509	7,052	7,504	7,865	8,366	9,008	9,680
Ending Reserve Balance	***265,354***	***283,300***	***302,084***	***314,899***	***335,257***	***211,276***	***229,190***	***247,988***	***259,778***	***272,441***	***293,643***	***315,871***	***339,170***
Percentage of Full Funding	88.3%	87.5%	86.8%	85.9%	85.3%	76.7%	76.3%	76.0%	75.2%	74.4%	74.2%	74.1%	73.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2048	2049	2050	2051	2052
CURRENT FUNDING PLAN					
Beginning Reserve Balance	426,395	447,824	479,623	448,121	481,049
Planned Special Assessments					
Regular Reserve Fund Contribution	17,567	18,094	18,637	19,196	19,772
Annual Total Property Contribution to The Reserve Fund	17,567	18,094	18,637	19,196	19,772
Average Monthly Contribution to the Reserve Fund per Unit	3.68	3.79	3.90	4.02	4.14
Annual Capital Expenses	9,058	-	63,849	-	388,362
Interest Income	12,919	13,706	13,711	13,732	8,903
Ending Reserve Balance	***447,824***	***479,623***	***448,121***	***481,049***	***121,361***
Percentage of Full Funding	92.6%	92.4%	91.2%	91.1%	70.3%
Yellow Highlighted Cells Represent Make-Up Funds					
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	458,923	483,721	519,063	491,284	528,121
Full Funding Annual Maintenace Funding	19,925	20,523	21,138	21,772	22,426
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	19,925	20,523	21,138	21,772	22,426
Average Monthly Contribution to the Reserve Fund per Unit	4.17	4.30	4.43	4.56	4.70
Annual Capital Expenses	9,058	-	63,849	-	388,362
Interest Income	13,931	14,819	14,931	15,065	10,355
Full Funding - Ending Reserve Balance	***483,721***	***519,063***	***491,284***	***528,121***	***172,539***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
Blue Highlighted Cells are Prorated for Partial Year Contribution					
BASELINE FUNDING					
Beginning Reserve Balance	339,170	354,388	379,683	341,370	367,168
Full Funding Annual Maintenace Funding	14,026	14,447	14,880	15,327	15,787
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	14,026	14,447	14,880	15,327	15,787
Average Monthly Contribution to the Reserve Fund per Unit	2.94	3.02	3.12	3.21	3.31
Annual Capital Expenses	9,058	-	63,849	-	388,362
Interest Income	10,250	10,848	10,656	10,471	5,426
Ending Reserve Balance	***354,388***	***379,683***	***341,370***	***367,168***	***19***
Percentage of Full Funding	73.3%	73.1%	69.5%	69.5%	0.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2052

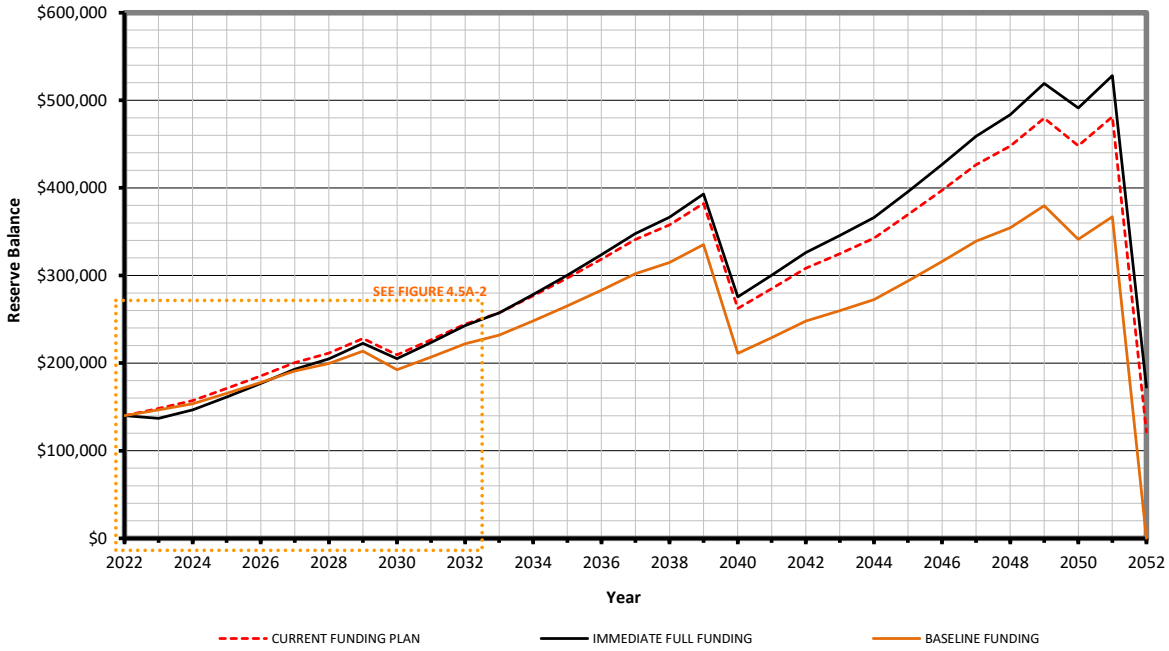


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2032

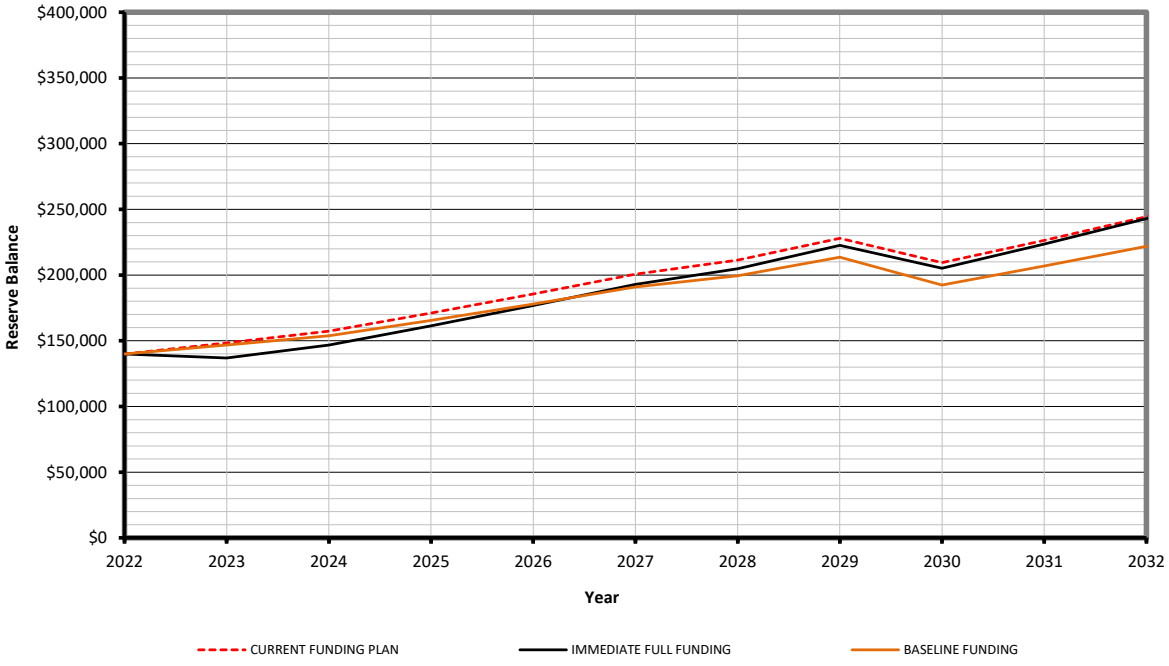


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

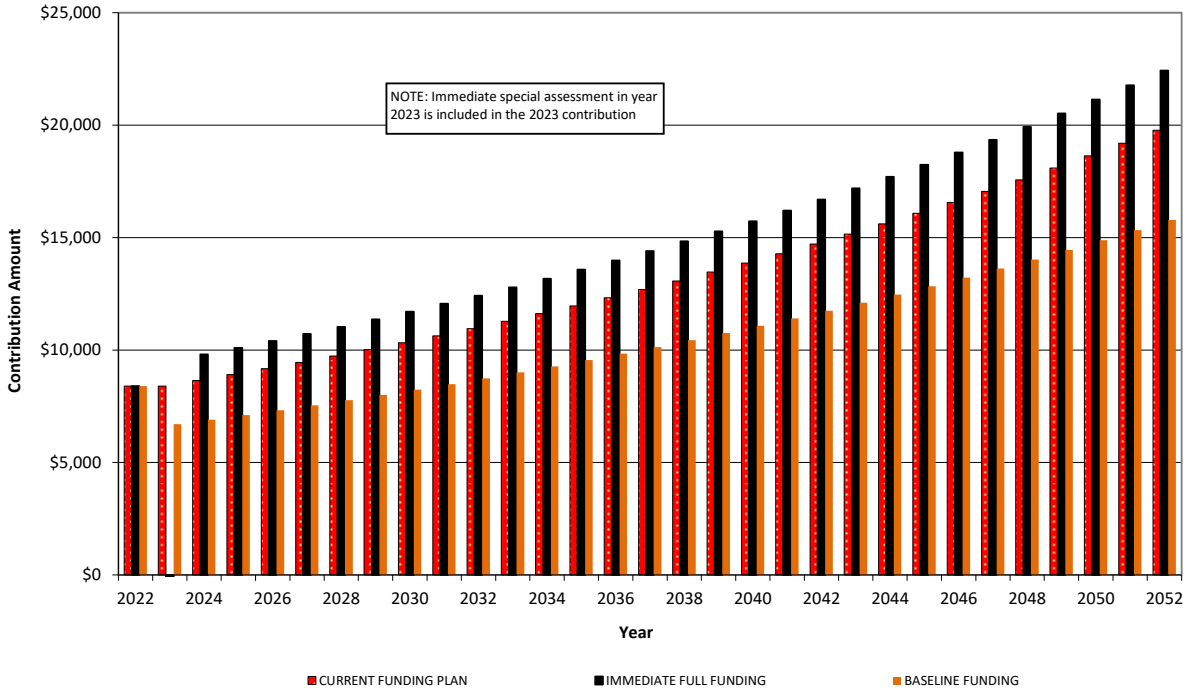
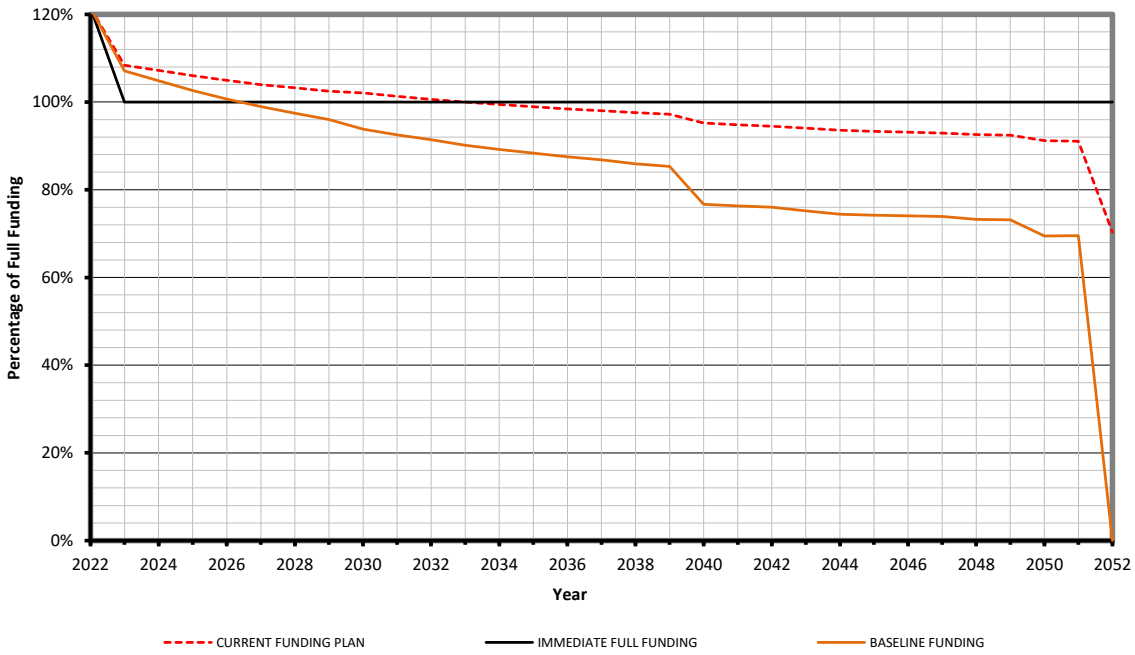


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



4.6 OTHER COMMON FUNDING METHODS

The following methods are methods that are sometimes implemented. We believe that many of these funding methods that keep the reserve fund at less than "Fully Funded" represent a weaker position for the Association. As the Fully Funded percentage decreases, the likelihood of unplanned special assessments increases.

Cash Flow Method

A method of calculating Reserve contributions 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 Method

A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

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 the Reserve Fund at or near 100% funded. *Recommended by Samdal & Associates*

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 Funded."

5.0 LIMITATIONS

This report has been prepared for the exclusive use of Lake Marcel Community Club and their property management company. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 2 Reserve Study is a reflection of the information provided to us. This report has been prepared for Lake Marcel Community Club's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

This report is a snap shot in time of the condition of the property at the time of inspection. The remaining life values that we list are based on our opinion of the remaining useful life and are by no means a guarantee. Our opinions are based on what we believe one could reasonably expect and are not based on worst case scenarios. These opinions are based upon our experience with other buildings of similar age and construction type. Opinions will vary and you may encounter contractors and/or consultants with differing opinions from ours. Ratings of various building components are most often determined by comparison to other buildings of similar age and construction type. The quality of materials originally impacts our judgment of their current state.

The life expectancy estimates that we prepare are based on National Association of Home Builders (NAHB) averages, Building Owners and Managers (BOMA) averages, product defined expected life averages, and our own assessment of typical life expectancy based on our experience with similar components in our area.

This report will tell you a great deal about the overall condition of this property. However, this report does not constitute a warranty, an insurance policy, or a guarantee of any kind. Owning any property involves some risk and while we can give an excellent overview of the property, we cannot inspect what we cannot see.

Our inspection and report do not include building code compliance or municipal regulatory compliance. Nor do they include mold investigations, hazardous materials investigations, or indoor air quality analysis.

The purpose of this report is not intended to be a statement of insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

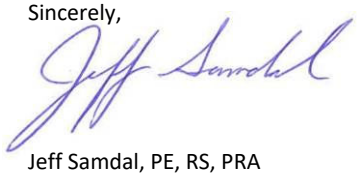
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact the CPSC (Consumer Product Safety Commission) web site for recall information regarding any system or component. If a problem is encountered on your property, we cannot be responsible for any corrective action that you take, unless we have the opportunity to review the conditions before repairs are made.

Please ensure that you have read and understand the entire proposal to perform this Level 2 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

We appreciate the opportunity to be of assistance and we hope that we have provided you a clear understanding of your financial situation and given you a better overall understanding of the property. This report supersedes any opinion or discussion that occurred during the inspection and should be considered our complete opinion of the condition of this property.

Please contact us if you have any questions regarding this report. We will be happy to be of assistance.

Sincerely,



Jeff Samdal, PE, RS, PRA

APPENDIX

Resume of Engineer Performing Study

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

Mr. Samdal is the owner of Samdal & Associates, Inc., a corporation that specializes in building inspections, engineering, project management, and related services. He is a double-licensed Professional Engineer (Mechanical and Civil) in Washington State. He is also an accredited Building Inspection Engineer (BIE) and Reserve Specialist (RS), and Professional Reserve Analyst (PRA). He has performed thousands of building inspections as well as numerous additional services such as building envelope investigations, construction management, and general consulting for property owners pertaining to building maintenance and long-term budgeting. Mr. Samdal consistently earns repeat and referral business because of his attention to detail, practical approach, knowledge of the industry, and genuine appreciation for clients' concerns for their real estate investments.

Capabilities

Mr. Samdal is experienced at performing residential (single- and multi-family), commercial, and industrial inspections in Washington State and beyond. Mr. Samdal's experience includes the following:

- Property Condition Assessments (PCAs)
- Capital Needs Assessments (CNAs)
- Reserve Studies for Condominiums and Homeowner's Association
- Building Envelope Studies

Relevant Work History

Mr. Samdal has been owner and operator of Samdal & Associates since 2005, performing or managing all aspects of this business. Additionally, Mr. Samdal has been the co-owner and president of True North Construction Management since 2017, which is informative in obtaining current construction costs and keeping up to date with modern construction methods and construction products.

Prior to concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

Education

BS in Mechanical Engineering, University of Washington

Licenses and Certifications

- *Licensed Professional Engineer* (PE), Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer* (PE), Civil Engineering, State of Washington, #40985
- *Reserve Specialist* (RS), Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA),* Association of Professional Reserve Analysts
- *Building Inspection Engineer* (BIE), National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

Mr. Samdal lives in Woodinville with his wife and 2 children and has been involved with many of their activities as a Little League coach, a scout leader, a personal fitness coach, among other activities.