



SOMERSET CREEK

Bellevue, Washington



STANDARD

LEVEL 2 RESERVE STUDY UPDATE WITH A SITE VISIT

With funding recommendations for the fiscal year ending 2017

Issued April, 2016

Prepared by:

Denise Dana, Reserve Specialist

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RESERVE CONSULTANTS LLC

www.reserveconsultants.net info@reserveconsultants.net 206.523.3248



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EXECUTIVE SUMMARY

Somerset Creek is a 51-unit residential community located at 14301 SE 42nd Lane in Bellevue, Washington. This Reserve Study meets the requirements of the Washington Condominium Act for a Level 2 Reserve Study update with a site visit, and was prepared by a Reserve Study Professional.

Background

The community has twelve two-story wood framed buildings with single story detached garages. The buildings have vinyl siding and asphalt shingle roofs. Construction of the community was completed in about 1985.

Financial Information

Reserve Account Balance on January 1, 2016	\$459,120
Annual Operating Budget	\$218,835
Component Inclusion Threshold	\$2,188
Annual Budgeted Contribution Rate (2016)	\$69,700
Remaining Contribution for the Year	\$69,700
Planned or Implemented Special Assessment	None
Fully Funded Balance	\$1,414,506
Percent Funded at Time of Study	32%
Funding Status at Time of Study	Adequately Funded

Recommendations

Recommended 2017 Contribution	\$152,500
Recommended Contribution per Month	\$12,708
Average Contribution per Unit per Year	\$2,990
Average Contribution per Unit Per Month	\$ 249
Recommended Special Assessment	None
2017 Baseline Funding Plan Contribution Rate	\$142,400
2017 Full Funding Plan Contribution Rate	\$142,400

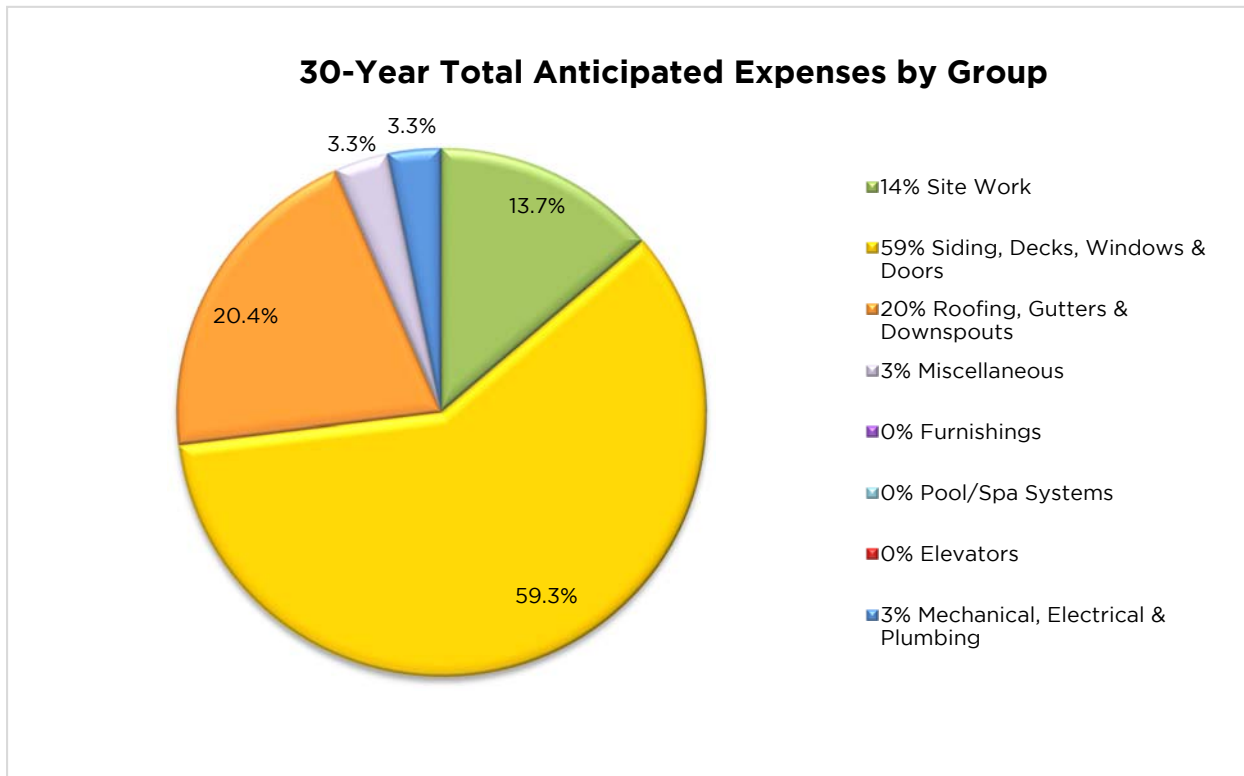
The recommended reserve contribution represents a Threshold Funding Plan to prevent special assessments over the course of the 30-year study **while maintaining a minimum reserve account balance of one year's contribution to reserves.** The fiscal year for the Reserve Study is a calendar year. Cost projection accuracy decreases into the distant future. Assumptions should be reconsidered and updated with each revision of the study.

There is no legal requirement to fund reserves. There is a requirement to have a current Reserve Study to know the recommended reserve contribution rate. Reserve Studies must be updated annually to reflect recent financial information, repairs or replacements, and to adjust for future repair costs. Every three years, the update must be based on a visual on-site inspection conducted by a Reserve Study Professional. We understand that Somerset Creek had a reserve study with a site visit completed in 2009.

ESTIMATED REPAIR SUMMARY

Projected Maintenance Expenses Over the Next 30 Years

The following illustrates anticipated maintenance expenses over the next 30 years. Changing the timing or costs of these items may result in changes to the recommended contribution. Independent design specifications and oversight are suggested for repairs to the building envelope. We further recommend that the planning stages for these repairs start at least one year before the estimated repair to obtain a scope of repair, select and schedule a contractor, and secure financing for the project.



**Five Year Maintenance Summary from 2017 Through 2021**

The following reserve funded expenses are expected to occur in the next five years at Somerset Creek. We do not believe the repairs expected to occur through 2021 warrant independent oversight, but a performance inspection or design specification may be prudent depending on the extent of the roof repair work that needs to be done.

Year	Component Maintenance	Estimated Cost
1 (2017)	6.2.1 Exterior Siding & Trim - Repair Contingency	\$12,380
1 (2017)	6.2.1 Exterior Siding - Cleaning	\$15,000
1 (2017)	9.8.1 Exterior Paint - Maintenance	\$16,000
2 (2018)	2.6.1 Asphalt Paving - Seal Coat & Repair	\$51,010
2 (2018)	2.6.2 Sports Court - Maintenance	\$5,000
2 (2018)	2.8.1 Tree - Maintenance	\$5,000
2 (2018)	10.4.1 Signage - Replace	\$2,630
3 (2019)	2.7.1 Fencing - Repair	\$14,490
3 (2019)	10.5.1 Mailboxes - Replace	\$12,480
4 (2020)	2.8.1 Site Fixtures - Repair Contingency	\$6,000
4 (2020)	3.3.1 Concrete Paving - Repair	\$1,420
4 (2020)	7.4.1 Roofing - Demoss	\$5,600
5 (2021)	2.8.1 Tree - Maintenance	\$5,000
5 (2021)	7.4.1 Roofing - Repair	\$5,600
5 (2021)	16.3.1 Electrical System - Repair Contingency	\$6,000



INTRODUCTION

Purpose of a Reserve Study

The purpose of a Reserve Study is to recommend a reasonable annual reserve Contribution Rate made by an association to its reserve account. Reserve accounts are established to fund major maintenance, repair, and replacement of common elements, including limited common elements, expected to be necessary within the next thirty years. A Reserve Study is intended to project adequate funds for the replacement or major repair of any significant component of the property as it becomes necessary without relying on special assessments. It is a budget planning tool which identifies the current status of the reserve account and a stable and equitable Funding Plan to offset the anticipated future major shared expenditures.

Each reserve component is evaluated to determine the current condition, the remaining useful life, and the estimated replacement cost. This information is combined into a spreadsheet to determine funding requirements and establish the annual contribution rate needed to minimize special assessments. All costs and annual reserve balances are shown in constant dollars, and with adjustments for annual inflation and interest earned. Ideally, an even level of contributions is established that maintains a positive balance in the reserve account over the timeline the study examines.

A Reserve Study also calculates a “Fully Funded Balance”. Fully Funded Balance is the sum total of the reserve components’ depreciated value using a straight line depreciation method. To calculate each component’s depreciated value:

$$\text{Depreciated Value} = \text{Current Replacement Cost} \times \frac{\text{Effective Age}}{\text{Expected Useful Life}}$$

When assessed with the current reserve balance, the Fully Funded Balance yields a Percent Fully Funded. This acts as a measuring tool to assess an association’s ability to absorb unplanned expenses. These expenses could be emergency repairs not covered by insurance, or expenses that differ from the existing Reserve Study in terms of timing or cost.

The Fully Funded Balance is neither the present replacement cost of all of the Association’s reserve components, nor does it have a mathematical relationship to the recommended reserve contribution funding plans.



Three levels of Reserve Studies:

The first level, an initial Reserve Study, must be based upon a visual site inspection conducted by a Reserve Study Professional. This is also known as a full **Level 1** Reserve Study with a site visit.

At least every three years, an updated Reserve Study must be prepared and based upon a visual site inspection conducted by a Reserve Study Professional. This is also known as a **Level 2** update with a site visit.

Every year, the Association must update the Reserve Study. Except as noted above, the annual updates do not require a site visit. This is also known as a **Level 3** update without a site visit.

This study is a **Level 2** – Reserve Study update with a site visit.

Government Requirements for a Reserve Study

The content of a Reserve Study for a condominium is regulated by the Washington State government (RCW 64.34.382 §2). The required content is:

- (a) A reserve component list, including roofing, painting, paving, decks, siding, plumbing, windows, and any other reserve component that would cost more than one percent of the annual budget for major maintenance, repair or replacement. If one of these reserve components is not included in the Reserve Study, the study should provide commentary explaining the basis for its exclusion. The study must also include quantities and estimates for useful life of each reserve component, remaining useful life of each reserve component, and current repair and replacement cost for each component;
- (b) The date of the study and a statement that 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;
- (d) The association's reserve account balance;
- (e) The percentage of the fully funded balance that the reserve account is funded;
- (f) Special assessments already implemented or planned;
- (g) Interest and inflation assumptions;
- (h) Current reserve account contribution rate;
- (i) A recommended reserve account contribution rate; a 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 baseline funding plan to maintain the reserve balance above zero throughout the thirty-year study period without special assessments, and a contribution rate recommended by a reserve study professional;



- (a) A projected reserve account balance for thirty years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned special assessments; and
- (b) A statement on whether the reserve study was prepared with the assistance of a reserve study professional.

The Washington State government further requires the following disclosure in every Reserve Study (RCW 64.34.382 §3)

"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 you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component."

The full Washington Condominium Act may be reviewed on the Washington State Legislature's website at <http://apps.leg.wa.gov/rcw/default.aspx?cite=64.34> and parts 64.34.380 to 64.34.392 for the Reserve Study Amendment's portions. In April 2011, the Act was amended to change the required content within the Reserve Studies, add reporting of the Reserve Study results as part of the budget summary to owners, and extend the Reserve Study requirement to homeowners' associations with significant assets. For questions regarding the Act, we recommend contacting an attorney familiar with condominiums' legal requirements.

Limitations and Assumptions of a Reserve Study

This Reserve Study is not a report on the condition of the buildings maintained by the Association, or a detailed report of repairs necessary to the building. It is also not an investigation into or comment on the quality of construction of the reserve components, or whether the construction complies with the building code or the requirements of the Washington Condominium Act.

The observations made by Reserve Consultants LLC are limited to a visual inspection of a sample of the reserve components. Unless informed otherwise, our assumption is that the components are constructed in substantial compliance with the building code and to industry standards, and that it will receive ordinary and reasonable maintenance and repair by the Association. These assumptions include that most reserve components will achieve their normal useful lives for similar components in the Pacific Northwest, and that they will be replaced when necessary to prevent damage to other reserve components.

This Reserve Study assumes that the Association will be maintained to keep a good level of appearance, with a special emphasis on retaining the original appearance of the Association to the greatest possible extent. The analysis also assumes that the



Association will replace materials as they are required with good quality materials, installed by qualified, licensed, contractors. We further assume that the Association will experience the full typical useful life for the new materials installed.

The long term nature of this study requires that certain assumptions and predictions be made about future events. Since there can be no guarantee that these future events will occur as assumed, this analysis must be viewed in light of the circumstances under which it was conducted. Reasonable effort has been made to ensure that the conclusions of this report are based on reliable information and sound reasoning.

This report should be updated annually with actual repair costs, reserve balances, etc. Every three years it should be updated with a site inspection and professional review. Regular updating will allow changes based on actual occurrences and adjustments for the cost of repairs to be incorporated into the annual reserve contributions. This will allow any savings or additional costs to be properly allocated among unit owners.

Our Approach to a Reserve Study

Reserve Consultants LLC employs a “Reasonable Approach” when evaluating reserve components in order to draft a study that is of greatest value to our clients. This means we attempt to predict, based on the costs involved and the client’s objectives, what a reasonable person will decide to have done when maintenance, repairs, or replacement become necessary. For example, a reasonable person will not replace a fence when it only needs to be repainted. The benefit of this is that reserve contributions are minimized to allow for what is most likely to occur. Our studies are not based on a worst case scenario, but rather on what we expect is most likely to occur. Our approach assumes minor problems will be corrected as they occur, before they become major problems.

Many sources were used in drafting this report. These include:

- Site visit and visual inspection of a sampling of the components;
- Input provided by association representatives;
- Review of architectural plans of the buildings, if made available;
- Review of the declaration for the Association, or a list of components the Association is responsible for;
- Generally accepted construction, maintenance, and repair guidelines.

The costs estimated for this Reserve Study are based on several sources

- Costs experienced by Somerset Creek;
- Costs experienced by other associations in the area;
- RS Means Building Construction Cost Data 2016.



Several factors may influence the actual costs that the Association will experience. The quality of replacement materials of items can significantly impact cost, as well as the timing between replacements. The use of Architects or independent construction managers to specify and oversee work may also cause additional expenses. Condominium associations typically experience higher costs than other comparable multifamily projects, in part due to the difficulty contractors have obtaining insurance to work on condominium buildings.

Inflation and Interest Rate Projections

When making estimates on the future inflation and interest rates, we use a staggered approach to more accurately reflect future economic projections.

For inflation, we use the construction industry inflation rates. The average annual construction inflation rate since 1991 is 3.16%.

For interest rates, we analyze the historical data provided by the Board of Governors of the Federal Reserve. The average annual interest rate since 1985 is 3.87%. The interest for associations is typically lower than average due to conservative investing options that are typically employed by associations.

Inflation and Interest Rate Projections

Years Applied	Inflation	Interest
Year 0 (2016) through Year 1 (2017)	2%	1%
Year 2 (2018) through Year 10 (2026)	3%	2%
Year 11 (2027) through Year 30 (2046)	4%	3%



Starting Reserve Fund Balance for Year 1 (2017)

The starting reserve fund balance for 2017 has been estimated by combining the following figures that were provided by an association representative:

\$459,120	2016 reserve fund balance as of January 1, 2016
-(\$0)	anticipated remaining maintenance expenses in 2016
+ \$69,700	remaining reserve contributions for 2016
+ \$4,940	<u>projected interest on the 2016 reserve balance</u>
\$533,760	estimated balance for the fiscal year beginning in 2017

There are no anticipated remaining maintenance expenses for 2016.

Note: the actual or projected total reserve fund balance presented in the Reserve Study is based upon information provided to RCL and was not audited.



ASSOCIATION OVERVIEW

Somerset Creek is a 51-unit residential community located in Bellevue, Washington. The community has twelve two-story wood framed buildings with single story detached garages. The buildings have vinyl siding and asphalt shingle roofs. Construction of the community was completed in about 1985.

The Association has asphalt driveways concrete curbs and sidewalks. The units feature exterior decks or patios. A wood bridge crosses a creek that runs through the community, which leads to a park area with a sports court, picnic table and brick barbeque for residents' use.

REVIEW OF GENERAL CONDITIONS

The overall appearance of the community is good. The asphalt paving is in good condition overall; we recommend making isolated repairs and seal coating the entire surface. Sidewalks and curbs were noted to be in good condition as well.

The exterior vinyl siding appears to be in good condition; the paint on the trim is weathering as expected. Replacing the windows is the responsibility of the Association; the windows are original to the buildings. There were no issues reported with the asphalt shingle roofs.

No problems were reported with the plumbing, electrical or drainage systems. Minor and major repairs have been conducted on a regular basis.



COMPONENTS INCLUDED IN THE RESERVE STUDY

Reserve studies for condominiums are required to include the following components roofing, painting, paving, decks, siding, plumbing, windows, and any other reserve component that would cost more than one percent of the annual budget for major maintenance, repair or replacement (RCW 64.34.382). While the law defines the inclusion threshold to be \$2,188, components valued less than the legal threshold may be included to better capture reserve funding for Somerset Creek.

Component Funding Excluded from the Reserve Study

The following components may qualify for inclusion within the Reserve Study, but have been excluded from the budget for the following reasons:

- **Exterior Decks** – Unit owner responsibility.
- **Skylights** – Unit owner responsibility.
- **Lawns/Landscaping** – Maintained through operating budget.
- **Creek** – Maintained through operating budget.
- **Reserve Studies** – the Association has signed a contract for equal payments over the next three years, which we recommend being paid from the operating budget.

In addition, there are items that individual unit owners are responsible to maintain and pay for, including, but not limited to, damage by tenants or their pets and/or interior finishes within their residence. Not all components that are the individual unit owners' responsibility are described in the report.

The costs for items maintained by individual unit owners are not included in the budget for the reserve account contribution recommendations. Individual owners are financially responsible for repairs for elements that are not the responsibility of the Association to maintain. We recommend that associations establish policies and processes regarding the maintenance on these “owner responsibility” items.

Adjustments to Component Reserve Recommendations

This reserve study provides updated information on the components from prior reserve studies and is intended to be used with the component sheets from those studies. All cost estimates were adjusted to reflect the actual inflation rate for construction work in the Puget Sound area, and costs actually experienced by Somerset Creek or others in the area.

To complete the report, we were provided with a record of recent expenditures on reserve components. We use those figures, where applicable, for updating component cost projections, applying an appropriate inflation factor. Where updated figures from actual work performed are not available, cost projections from the previous reserve study are updated for inflation and rounded to the nearest \$10, using the RS Means 2010 to 2016 inflation figure of 12.92% for construction work.



RESERVE COMPONENT SUMMARY SHEETS



2.6.1 Asphalt Paving - Seal Coat & Repair

Maintenance Cycle:	6 years	Next Maintenance:	Year 2 (2018)
Quantity:	37,270 Square Feet	Unit Cost:	\$1.25 / SF
Estimate:	37,270 SF X 100% X \$1.25/SF = \$46,584 + tax = \$51,010		

Notes: We have budgeted for seal coating all of the asphalt & repairing damaged areas of the asphalt in Year 2. Some areas of "alligatoring" were noted on site. When the asphalt cracks (giving it the appearance of an alligator's skin) it creates a pathway for water to work its way under the road surface and cause damage to the subgrade. Freeze/thaw cycles tend to aggravate the condition, causing the asphalt to delaminate and cause "potholes."

2.6.2 Sports Court - Maintenance

Maintenance Cycle:	10 years	Next Maintenance:	Year 2 (2018)
Quantity:	1 Lump Sum	Unit Cost:	\$5,000.00 / LS
Estimate:	\$5,000		

Notes: We understand that the sports court is regularly maintained. We have budgeted funds to resurface the sports court in Year 2. This is a discretionary item and should be adjusted to meet the needs of the Association.

2.7.1 Fencing - Repair

Maintenance Cycle:	6 years	Next Maintenance:	Year 3 (2019)
Quantity:	3,150 Linear Feet	Unit Cost:	\$28.01 / LF
Estimate:	3,150 LF X 15% X \$28.01/LF = \$13,233 + tax = \$14,490		

Notes: A significant amount of wood and vinyl fencing and vinyl lattice work can be found throughout the Association. All of the fencing and lattice appeared to be in good condition at the time of our site visit. We have budgeted a repair contingency to repair or replace sections of the fencing as needed, rather than budgeting to replace all of the fencing and lattice work all at once.

2.8.1 Tree - Maintenance

Maintenance Cycle:	3 years	Next Maintenance:	Year 2 (2018)
Quantity:	1 Lump Sum	Unit Cost:	\$5,000.00 / LS
Estimate:	\$5,000		

Notes: It was reported that an arborist trimmed trees at the end of 2015. We have budgeted funds for similar visits every 3 years since the community has a significant amount of mature trees on the property.

2.8.1 Site Fixtures - Repair Contingency

Maintenance Cycle:	10 years	Next Maintenance:	Year 4 (2020)
Quantity:	1 Lump Sum	Unit Cost:	\$6,000.00 / LS
Estimate:	\$6,000		

Notes: A small park can be found across the creek from the main entrances to the community. A wood bridge provides acces. We have budgeted funds to maintain the bridge, picnic table, volleyball net and brick barbeque. We intend for the funds to be drawn as needed. A budget of \$6,000 resets every 4 years. This is a discretionary fund that should be adjusted to meet the needs of the Association.



3.3.1 Concrete Paving - Repair

Maintenance Cycle:	7 years	Next Maintenance:	Year	4 (2020)
Quantity:	3,840 Square Feet	Unit Cost:	\$11.26	/ SF
Estimate:	3,840 SF X 3% X \$11.26/SF = \$1,297 + tax = \$1,420			
Notes:	Overall the concrete paving appears to be in good condition. No tripping hazards were observed while on site. We budget to repair approximately 3% of the concrete paving every 7 years, with the the next repair moved out to Year 4.			

6.2.1 Exterior Siding & Trim - Repair Contingency

Maintenance Cycle:	7 years	Next Maintenance:	Year	1 (2017)
Quantity:	78,000 Square Feet	Unit Cost:	\$14.49	/ SF
Estimate:	78,000 SF X 1% X \$14.49/SF = \$11,306 + tax = \$12,380			
Notes:	The exterior siding appears to be weathering as expected. Some faces of the siding have organic growth, which we address in the next component. Some early signs of dry rot were visible on the trim around the garage doors, which is expected in this climate. We have budgeted funds to repair approximately 1% of the siding and trim in conjunction with each paint cycle.			

6.2.1 Exterior Siding - Cleaning

Maintenance Cycle:	5 years	Next Maintenance:	Year	1 (2017)
Quantity:	78,000 Square Feet	Unit Cost:	\$15,000.00	/ SF
Estimate:	\$15,000			
Notes:	We understand that the Association has not had the siding cleaned in several years. We recommend having it cleaned by next year. If powerwashing is used, we caution to ensure the equipment used is set on the lowest setting and that the water is directed down the face of the siding. Using high pressure and directing the water upwards can force water behind the siding and possible into the weather resistant barrier, which can lead to damage to the building.			

6.2.1 Exterior Siding - Replace

Maintenance Cycle:	40 years	Next Maintenance:	Year	12 (2028)
Quantity:	78,000 Square Feet	Unit Cost:	\$14.50	/ SF
Estimate:	78,000 SF X 100% X \$14.50/SF = \$1,131,005 + tax = \$1,238,450			
Notes:	We have budgeted for replacing the vinyl siding when it is approximately 40 years old, the typical useful life. As previously stated, the vinyl siding appears to be weathering as expected.			

7.3.1 Gutters & Downspouts - Repair

Maintenance Cycle:	7 years	Next Maintenance:	Year	7 (2023)
Quantity:	11,500 Linear Feet	Unit Cost:	\$5.50	/ LF
Estimate:	11,500 LF X 10% X \$5.50/LF = \$6,329 + tax = \$6,930			
Notes:	No problems were reported with the gutters and downspouts. We continue to budget funds for repairing approximately 10% of the gutters and downspouts, with the budget resetting every 7years. Funds should be used as needed.			



7.3.1 Gutters & Downspouts - Replace

Maintenance Cycle:	25 years	Next Maintenance:	Year	16 (2032)
Quantity:	11,500 Linear Feet	Unit Cost:	\$5.50	/ LF
Estimate:	11,500 LF X 100% X \$5.50/LF = \$63,251 + tax = \$69,260			
Notes:	We have budgeted to replace the gutters and downspouts with the roof replacement, since the gutters should be removed to properly integrate the gutters with the new roofing surface.			

7.4.1 Roofing - Repair

Maintenance Cycle:	5 years	Next Maintenance:	Year	5 (2021)
Quantity:	920 Roofing Squares	Unit Cost:	\$277.94	/ SQ
Estimate:	920 SQ X 2% X \$277.94/SQ = \$5,114 + tax = \$5,600			
Notes:	No problems were reported with the roofs. We continue to budget a repair contingency to repair approximately 2% of the roofs every 5 years. These funds should be used as needed.			

7.4.1 Roofing - Demoss

Maintenance Cycle:	5 years	Next Maintenance:	Year	4 (2020)
Quantity:	920 Roofing Squares	Unit Cost:	\$5,600.00	/ SQ
Estimate:	\$5,600			
Notes:	We continue to budget for applying products to deter moss growth on the roofs. No areas of profound moss growth were noted while on site.			

7.4.1 Roofing - Replace

Maintenance Cycle:	25 years	Next Maintenance:	Year	16 (2032)
Quantity:	920 Roofing Squares	Unit Cost:	\$450.00	/ SQ
Estimate:	920 SQ X 100% X \$450.0/SQ = \$414,000 + tax = \$453,330			
Notes:	We continue to budget for replacing the roofs when they have been in service approximately 25 years. Regular maintenance will help the Association get a longer useful life out of their roofs.			

8.5.1 Exterior Windows - Replace

Maintenance Cycle:	40 years	Next Maintenance:	Year	12 (2028)
Quantity:	6,885 Square Feet	Unit Cost:	\$43.00	/ SF
Estimate:	6,885 SF X 100% X \$43.0/SF = \$296,055 + tax = \$324,180			
Notes:	We continue to budget for window replacement with the siding replacement. Completing replacement of both at the same time helps to ensure that industry standard waterproofing details are used.			



9.8.1 Exterior Paint - Maintenance

Maintenance Cycle:	7 years	Next Maintenance:	Year 1 (2017)
Quantity:	51 Each	Unit Cost:	\$16,000.00 / LS
Estimate:	\$16,000		
Notes:	We continue to budget for exterior paint. Refer to component 6.2.1 Exterior Siding & Trim - Repair Contingency which budgets for replacing components that are damaged or show signs of dry rot.		

10.3.1 Chimney Chases - Maintenance

Maintenance Cycle:	25 years	Next Maintenance:	Year 16 (2032)
Quantity:	51 Each	Unit Cost:	\$1,199.93 / EA
Estimate:	51 EA X 100% X \$1,199.93/EA = \$61,196 + tax = \$67,010		
Notes:	The chimneys appear to be weathering well. No problems were reported. We continue to budget funds to repair and maintain the chimney chases every 25 years.		

10.4.1 Signage - Replace

Maintenance Cycle:	12 years	Next Maintenance:	Year 2 (2018)
Quantity:	1 Lump Sum	Unit Cost:	\$2,630.00 / LS
Estimate:	1 LS X 100% X \$2,630.0/LS = \$2,630 + tax = \$2,880		
Notes:	It was noted while on site that the larger entry sign has significant dry rot, especially along the bottom of the sign. We have budgeted for replacement of both signs in Year 2. This is another discretionary expense that should be adjusted to meet the needs of the Association.		

10.5.1 Mailboxes - Replace

Maintenance Cycle:	20 years	Next Maintenance:	Year 3 (2019)
Quantity:	12 Each	Unit Cost:	\$949.77 / EA
Estimate:	12 EA X 100% X \$949.77/EA = \$11,397 + tax = \$12,480		
Notes:	Some of the mailboxes on site are beginning to rust. We continue to budget for replacement at the end of their typical useful life, but the timing for replacement can vary.		

15.2.1 Plumbing System - Repair Contingency

Maintenance Cycle:	10 years	Next Maintenance:	Year 7 (2023)
Quantity:	1 Lump Sum	Unit Cost:	\$6,000.00 / LS
Estimate:	\$6,000		
Notes:	No problems were reported with the plumbing system. We continue to budget a repair contingency for the sections of the plumbing system that run from the utility connection to each building. This contingency is intended to be drawn from as needed.		



15.4.1 Site Water - Repair Contingency

Maintenance Cycle:	10 years	Next Maintenance:	Year	6 (2022)
Quantity:	1 Lump Sum	Unit Cost:	\$12,000.00	/ LS
Estimate:	\$12,000			

Notes: This component provides a repair contingency for site drainage and the creek as needed. No problems were noted at the time of our site visit. It was reported that the Association completes yearly maintenance on the creek.

16.3.1 Electrical System - Repair Contingency

Maintenance Cycle:	5 years	Next Maintenance:	Year	5 (2021)
Quantity:	12 Buildings	Unit Cost:	\$6,000.00	/ BLDG
Estimate:	\$6,000			

Notes: The electrical meters are protected by exterior enclosures, which reduces the need to replace the meter bases. We continue to budget a repair contingency for periodic inspections, which are recommended for buildings over 20 years old, and for unexpected repairs. This fund should be drawn from as needed.

16.6.1 Exterior Lighting - Replace

Maintenance Cycle:	20 years	Next Maintenance:	Year	19 (2035)
Quantity:	128 Fixtures	Unit Cost:	\$125.06	/ FIXT
Estimate:	128 FIXT X 50% X \$125.06/FIXT = \$8,004 + tax = \$8,760			

Notes: We understand that the exterior light fixtures were recently converted to LED. We have budgeted for future replacement in 20 years; the true life expectancy for LED fixtures is still unknown since it is newer technology.



FINANCIAL ANALYSIS & RESERVE CONTRIBUTION RECOMMENDATIONS

For budgeting purposes, we recommend that Somerset Creek set the contribution rate at \$152,500 for reserves beginning in 2017. This amount should increase annually with inflation. This amount is determined using the Cash Flow method with a Threshold Funding plan, to provide adequate reserves each time an expense is anticipated, with a minimum level of reserves (the threshold) equal to one year's contribution to reserves at all times during the study period, so that no special assessments will be required. Somerset Creek should determine the best reserve funding level for their association based on their maintenance needs and risk aversion.

Recommended 2017 Contribution	\$152,500
Recommended Contribution per Month	\$12,708
Average Contribution per Unit per Year	\$2,990
Average Contribution per Unit Per Month	\$ 249

The contribution as a percentage of average unit value is calculated to provide a way for owners, and prospective owners, to compare the reserve requirements of one association with that of another association or of single-family home ownership. Using an average unit value of \$387,000, the average contribution per unit per year as a percentage of the average unit value at Somerset Creek is 0.77%.

Typically, condominium associations in the Puget Sound area need to set aside from 1/2% to 1% of their average unit value, homeowners' associations need to put aside 1/3% to 1/2% and single family homeowners should put aside 1% to 2% each year.

FUNDING PLANS

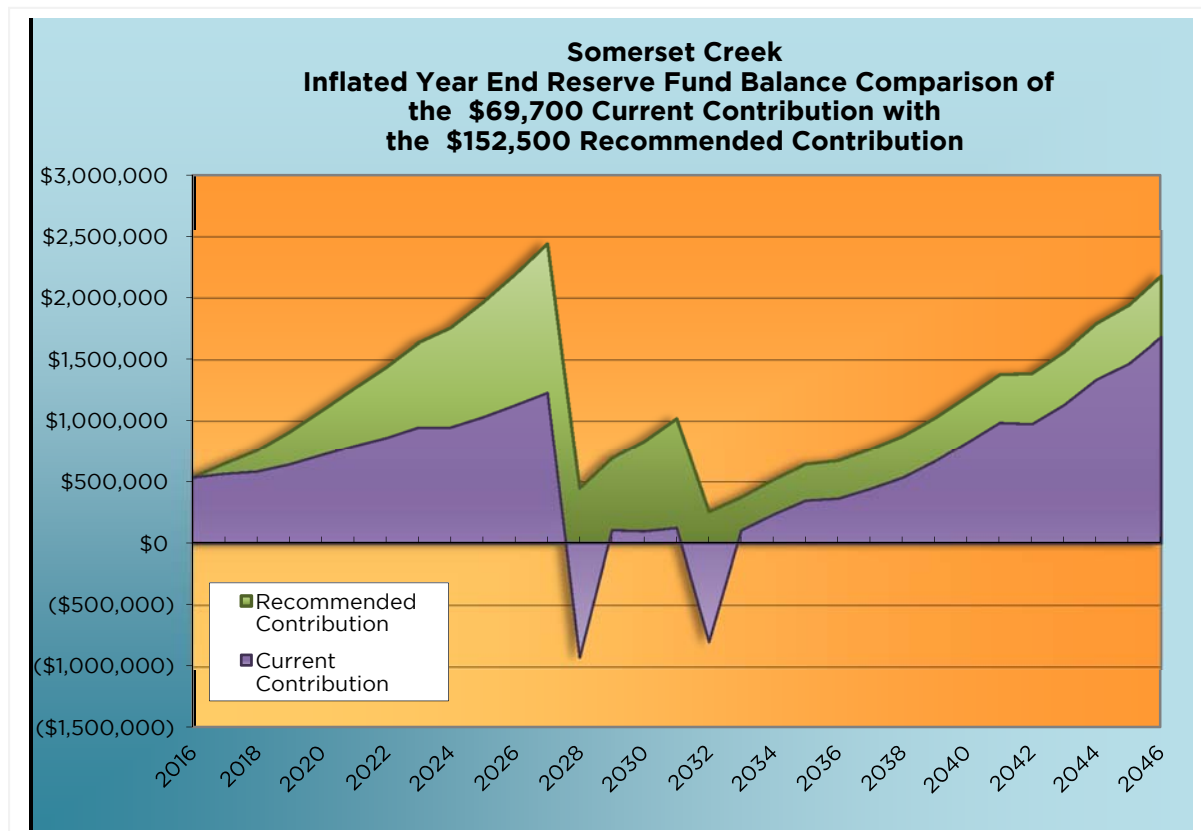
An annual contribution of \$152,500 is a Threshold Funding plan to provide funding as expenses are incurred over time, while maintaining a minimum reserve balance of one year's contribution to reserves. Absent specific instructions from clients, or unusual circumstances, this is our recommended funding plan.

An alternative strategy Somerset Creek could employ is Baseline Funding. This provides for necessary expenditures without maintaining a minimum reserve balance. To pursue such a strategy, the recommended Baseline Funding contribution rate would be \$142,400.

Somerset Creek could also consider contributions to obtain and maintain the level of reserves to be Fully Funded, so that the Percent Fully Funded is 100% by Year 30. The recommended Full Funding contribution rate would be \$142,400.

We recommend that Somerset Creek adopt a policy regarding their reserve funding which would address the level of funding that the Association would strive to maintain, as well as methods of investing reserve funds to best match risk with return and investment length with expected expenses.

Below is a graph illustrating the projected year end reserve fund balance using both the current budgeted annual contribution and the recommended funding.





Five Year Funding Plan Comparison

Below is a comparison of the fully funded balance and year end reserve balance using the budgeted reserve funding for 2016 and the three funding plans presented in the report. The calculations include inflated values, interest and special assessments through Year 5 (2021).

Somerset Creek Five Year Funding Plan Comparison Including Inflated Values, Interest and Special Assessments

\$69,700 Current Funding Plan

Year	Annual Reserve Contribution	Special Assessment	Year End Reserve Balance	% Funded	Funding Status
1 (2017)	\$69,700	\$0	\$564,677	38%	Adequately Funded
2 (2018)	\$73,227	\$0	\$582,401	37%	Adequately Funded
3 (2019)	\$75,424	\$0	\$640,750	38%	Adequately Funded
4 (2020)	\$77,686	\$0	\$717,371	39%	Adequately Funded
5 (2021)	\$80,017	\$0	\$793,288	40%	Adequately Funded

\$142,400 Baseline Funding Plan

Year	Annual Reserve Contribution	Special Assessment	Year End Reserve Balance	% Funded	Funding Status
1 (2017)	\$142,400	\$0	\$637,740	43%	Adequately Funded
2 (2018)	\$149,605	\$0	\$734,068	47%	Adequately Funded
3 (2019)	\$154,094	\$0	\$874,907	52%	Adequately Funded
4 (2020)	\$158,716	\$0	\$1,038,052	57%	Adequately Funded
5 (2021)	\$163,478	\$0	\$1,204,678	61%	Well Funded

\$152,500 Recommended (Threshold) Funding Plan

Year	Annual Reserve Contribution	Special Assessment	Year End Reserve Balance	% Funded	Funding Status
1 (2017)	\$152,500	\$0	\$647,891	43%	Adequately Funded
2 (2018)	\$160,217	\$0	\$755,139	48%	Adequately Funded
3 (2019)	\$165,023	\$0	\$907,438	54%	Adequately Funded
4 (2020)	\$169,974	\$0	\$1,082,603	60%	Adequately Funded
5 (2021)	\$175,073	\$0	\$1,261,831	64%	Well Funded

\$142,400 Full Funding Plan

Year	Annual Reserve Contribution	Special Assessment	Year End Reserve Balance	% Funded	Funding Status
1 (2017)	\$142,400	\$0	\$637,740	43%	Adequately Funded
2 (2018)	\$149,605	\$0	\$734,068	47%	Adequately Funded
3 (2019)	\$154,094	\$0	\$874,907	52%	Adequately Funded
4 (2020)	\$158,716	\$0	\$1,038,052	57%	Adequately Funded
5 (2021)	\$163,478	\$0	\$1,204,678	61%	Well Funded

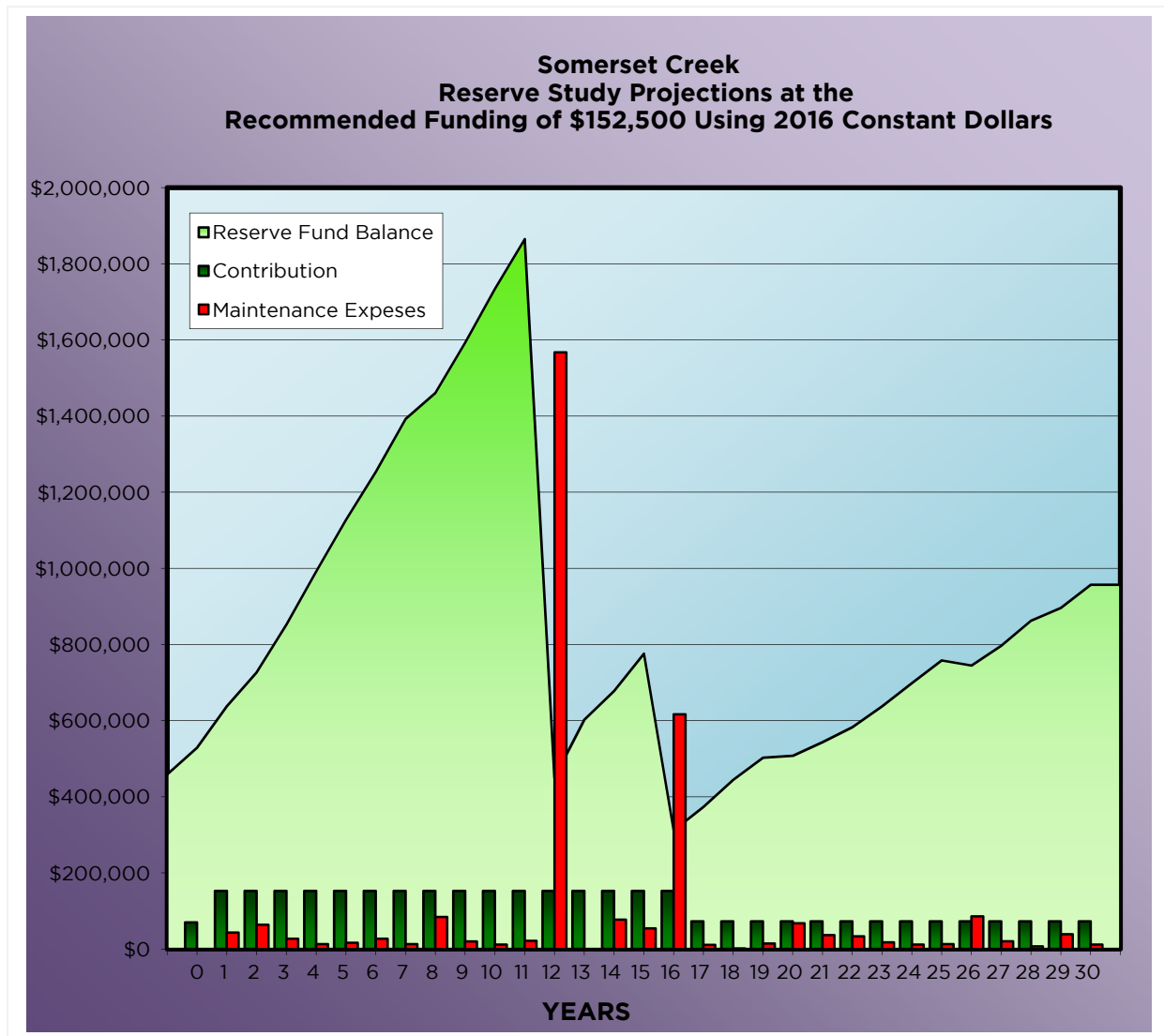
Reserve Study Projections using Constant Dollar Values

Below is a graph depicting the projected fiscal year end reserve fund balance over 30 years, the annual contribution and the anticipated yearly maintenance expenses.

The year-end reserve fund balance is shown as a line graph in bright green. Our recommended funding plan is a threshold funding plan which ensures that the reserve account balance does not dip below a designated “threshold”, which is set at one year’s contribution to reserves.

The annual reserve fund contributions are shown as green bars. This chart depicts the annual contribution in constant dollars, so the contributions are constantly \$152,500 over the 30 year timeline of the study.

The anticipated yearly maintenance expenses are shown as red bars, clearly illustrating the anticipated expenses over the next 30 years.





**Reserve Study Projections at the Recommended Funding of \$152,500
Using Constant Dollar Values**



Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	1 2017	2 2018	3 2019	4 2020	5 2021
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2		\$51,010			
2.6.2	Sports Court - Maintenance	10	2		\$5,000			
2.7.1	Fencing - Repair	6	3			\$14,490		
2.8.1	Tree - Maintenance	3	2		\$5,000			\$5,000
2.8.1	Site Fixtures - Repair Contingency	10	4				\$6,000	
3.3.1	Concrete Paving - Repair	7	4				\$1,420	
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1	\$12,380				
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7					
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1	\$16,000				
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2		\$2,630			
10.5.1	Mailboxes - Replace	20	3			\$12,480		
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$43,380	\$63,640	\$26,970	\$13,020	\$16,600
CARRY OVER RESERVES				\$528,820	\$637,940	\$726,800	\$852,330	\$991,810
ANNUAL RESERVE CONTRIB				\$152,500	\$152,500	\$152,500	\$152,500	\$152,500
RESERVE EXPENDITURES				\$43,380	\$63,640	\$26,970	\$13,020	\$16,600
ACCUMULATED RESERVES				\$637,940	\$726,800	\$852,330	\$991,810	\$1,127,710
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$637,940	\$726,800	\$852,330	\$991,810	\$1,127,710

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Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	6 2022	7 2023	8 2024	9 2025	10 2026
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2			\$51,010		
2.6.2	Sports Court - Maintenance	10	2					
2.7.1	Fencing - Repair	6	3				\$14,490	
2.8.1	Tree - Maintenance	3	2			\$5,000		
2.8.1	Site Fixtures - Repair Contingency	10	4					
3.3.1	Concrete Paving - Repair	7	4					
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1			\$12,380		
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7		\$6,930			
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1			\$16,000		
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2					
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7		\$6,000			
15.4.1	Site Water - Repair Contingency	10	6	\$12,000				
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$27,000	\$12,930	\$84,390	\$20,090	\$11,600
CARRY OVER RESERVES				\$1,127,710	\$1,253,210	\$1,392,780	\$1,460,890	\$1,593,300
ANNUAL RESERVE CONTRIB				\$152,500	\$152,500	\$152,500	\$152,500	\$152,500
RESERVE EXPENDITURES				\$27,000	\$12,930	\$84,390	\$20,090	\$11,600
ACCUMULATED RESERVES				\$1,253,210	\$1,392,780	\$1,460,890	\$1,593,300	\$1,734,200
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$1,253,210	\$1,392,780	\$1,460,890	\$1,593,300	\$1,734,200

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Reserve Study Projections at Recommended Funding of \$152,500

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30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	11 2027	12 2028	13 2029	14 2030	15 2031
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2				\$51,010	
2.6.2	Sports Court - Maintenance	10	2		\$5,000			
2.7.1	Fencing - Repair	6	3					\$14,490
2.8.1	Tree - Maintenance	3	2	\$5,000			\$5,000	
2.8.1	Site Fixtures - Repair Contingency	10	4				\$6,000	
3.3.1	Concrete Paving - Repair	7	4	\$1,420				
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1					\$12,380
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12		\$1,238,450			
7.3.1	Gutters & Downspouts - Repair	7	7				\$6,930	
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12		\$324,180			
9.8.1	Exterior Paint - Maintenance	7	1					\$16,000
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2				\$2,630	
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$21,420	\$1,567,630		\$77,170	\$54,470
CARRY OVER RESERVES				\$1,734,200	\$1,865,280	\$450,150	\$602,650	\$677,980
ANNUAL RESERVE CONTRIB				\$152,500	\$152,500	\$152,500	\$152,500	\$152,500
RESERVE EXPENDITURES				\$21,420	\$1,567,630		\$77,170	\$54,470
ACCUMULATED RESERVES				\$1,865,280	\$450,150	\$602,650	\$677,980	\$776,010
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$1,865,280	\$450,150	\$602,650	\$677,980	\$776,010

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Reserve Study Projections at Recommended Funding of \$152,500

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30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	16 2032	17 2033	18 2034	19 2035	20 2036
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2					\$51,010
2.6.2	Sports Court - Maintenance	10	2					
2.7.1	Fencing - Repair	6	3					
2.8.1	Tree - Maintenance	3	2		\$5,000			\$5,000
2.8.1	Site Fixtures - Repair Contingency	10	4					
3.3.1	Concrete Paving - Repair	7	4			\$1,420		
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1					
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7					
7.3.1	Gutters & Downspouts - Replace	25	16	\$69,260				
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16	\$453,330				
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1					
10.3.1	Chimney Chases - Maintenance	25	16	\$67,010				
10.4.1	Signage - Replace	12	2					
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7		\$6,000			
15.4.1	Site Water - Repair Contingency	10	6	\$12,000				
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19				\$8,730	
TOTAL EXPENDED BY YEAR				\$616,600	\$11,000	\$1,420	\$14,330	\$67,610
CARRY OVER RESERVES				\$776,010	\$311,910	\$373,410	\$444,490	\$502,660
ANNUAL RESERVE CONTRIB				\$152,500	\$72,500	\$72,500	\$72,500	\$72,500
RESERVE EXPENDITURES				\$616,600	\$11,000	\$1,420	\$14,330	\$67,610
ACCUMULATED RESERVES				\$311,910	\$373,410	\$444,490	\$502,660	\$507,550
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$311,910	\$373,410	\$444,490	\$502,660	\$507,550

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Reserve Study Projections at Recommended Funding of \$152,500

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30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	21 2037	22 2038	23 2039	24 2040	25 2041
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2					
2.6.2	Sports Court - Maintenance	10	2		\$5,000			
2.7.1	Fencing - Repair	6	3	\$14,490				
2.8.1	Tree - Maintenance	3	2			\$5,000		
2.8.1	Site Fixtures - Repair Contingency	10	4				\$6,000	
3.3.1	Concrete Paving - Repair	7	4					\$1,420
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1		\$12,380			
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7	\$6,930				
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1		\$16,000			
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2					
10.5.1	Mailboxes - Replace	20	3			\$12,480		
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$36,420	\$33,380	\$17,480	\$11,600	\$13,020
CARRY OVER RESERVES				\$507,550	\$543,630	\$582,750	\$637,770	\$698,670
ANNUAL RESERVE CONTRIB				\$72,500	\$72,500	\$72,500	\$72,500	\$72,500
RESERVE EXPENDITURES				\$36,420	\$33,380	\$17,480	\$11,600	\$13,020
ACCUMULATED RESERVES				\$543,630	\$582,750	\$637,770	\$698,670	\$758,150
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$543,630	\$582,750	\$637,770	\$698,670	\$758,150

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Reserve Study Projections at Recommended Funding of \$152,500

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30-YEAR SPREADSHEET WITH CONSTANT DOLLARS

PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	26 2042	27 2043	28 2044	29 2045	30 2046
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2	\$51,010				
2.6.2	Sports Court - Maintenance	10	2					
2.7.1	Fencing - Repair	6	3		\$14,490			
2.8.1	Tree - Maintenance	3	2	\$5,000			\$5,000	
2.8.1	Site Fixtures - Repair Contingency	10	4					
3.3.1	Concrete Paving - Repair	7	4					
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1				\$12,380	
6.2.1	Exterior Siding - Cleaning	5	1	\$15,000				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7			\$6,930		
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$5,600
7.4.1	Roofing - Demoss	5	4				\$5,600	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1				\$16,000	
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2	\$2,630				
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7		\$6,000			
15.4.1	Site Water - Repair Contingency	10	6	\$12,000				
16.3.1	Electrical System - Repair Contingency	5	5					\$6,000
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$85,640	\$20,490	\$6,930	\$38,980	\$11,600
CARRY OVER RESERVES				\$758,150	\$745,010	\$797,020	\$862,590	\$896,110
ANNUAL RESERVE CONTRIB				\$72,500	\$72,500	\$72,500	\$72,500	\$72,500
RESERVE EXPENDITURES				\$85,640	\$20,490	\$6,930	\$38,980	\$11,600
ACCUMULATED RESERVES				\$745,010	\$797,020	\$862,590	\$896,110	\$957,010
INTEREST EARNED								
SPECIAL ASSESSMENT								
YEAR-END BALANCE				\$745,010	\$797,020	\$862,590	\$896,110	\$957,010

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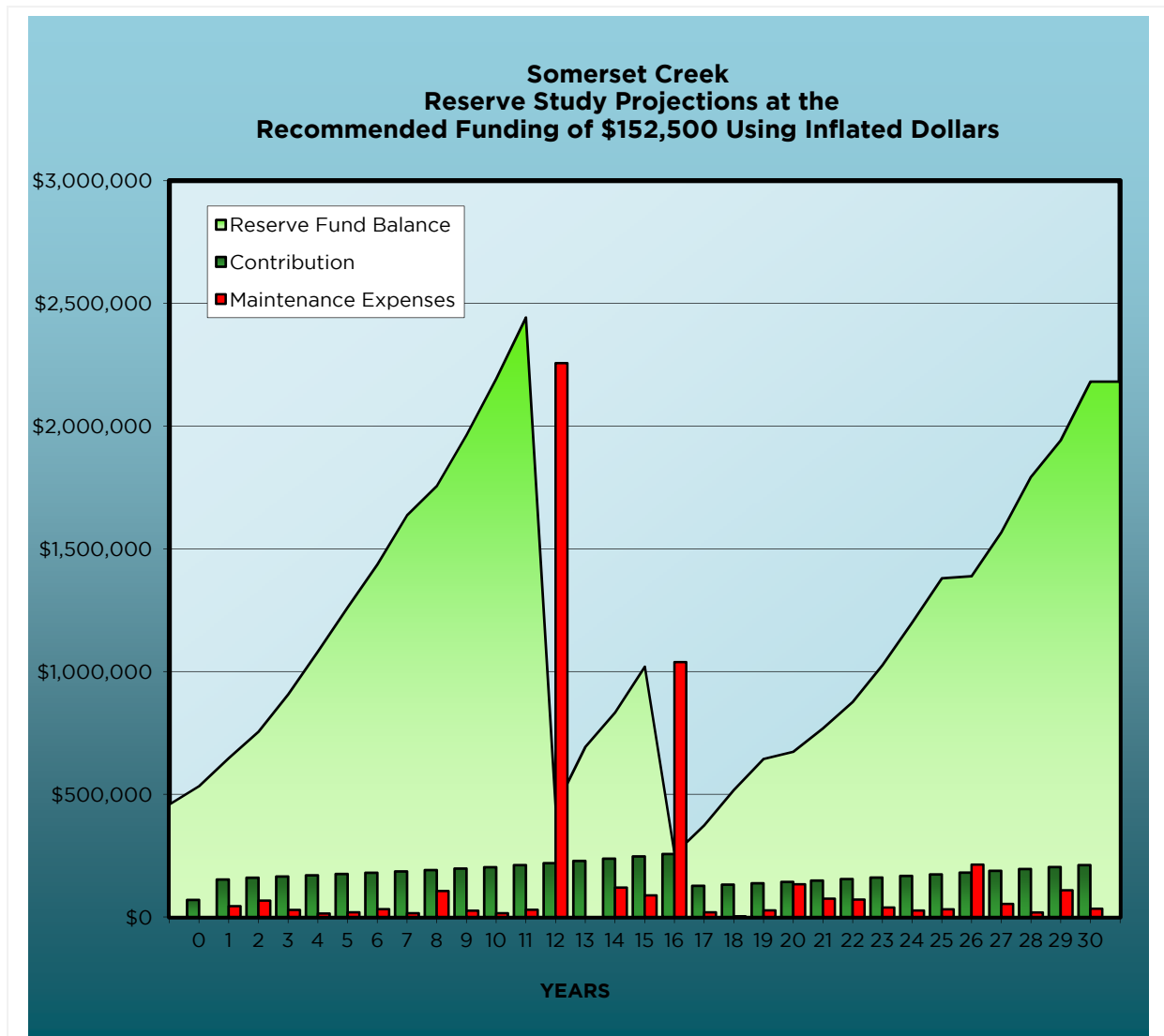
Reserve Study Projections using Inflated Dollar Values

Below is a graph depicting the projected fiscal year end reserve fund balance over 30 years, the annual contribution and the anticipated yearly maintenance expenses.

The year-end reserve fund balance is shown as a line graph in bright green. Our recommended funding plan is a threshold funding plan which ensures that the reserve account balance does not dip below a designated “threshold”, which is set at one year’s contribution to reserves.

The annual reserve fund contributions are shown as green bars. This chart depicts the annual contribution inflated each year, so the contributions gradually increase over the 30 year timeline of the study from the initial contribution of \$152,500.

The anticipated yearly maintenance expenses are shown as red bars, clearly illustrating the anticipated expenses over the next 30 years.





**Reserve Study Projections at the Recommended Funding of \$152,500
Using Inflated Dollar Values**



Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	1 2017	2 2018	3 2019	4 2020	5 2021
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2		\$53,591			
2.6.2	Sports Court - Maintenance	10	2		\$5,253			
2.7.1	Fencing - Repair	6	3			\$15,680		
2.8.1	Tree - Maintenance	3	2		\$5,253			\$5,740
2.8.1	Site Fixtures - Repair Contingency	10	4				\$6,687	
3.3.1	Concrete Paving - Repair	7	4				\$1,583	
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1	\$12,628				
6.2.1	Exterior Siding - Cleaning	5	1	\$15,300				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7					
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$6,429
7.4.1	Roofing - Demoss	5	4				\$6,242	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1	\$16,320				
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2		\$2,763			
10.5.1	Mailboxes - Replace	20	3			\$13,505		
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$6,888
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$44,248	\$66,860	\$29,185	\$14,512	\$19,057
CARRY OVER RESERVES				\$533,760	\$647,891	\$755,139	\$907,438	\$1,082,603
ANNUAL RESERVE CONTRIB				\$152,500	\$160,217	\$165,023	\$169,974	\$175,073
RESERVE EXPENDITURES				\$44,248	\$66,860	\$29,185	\$14,512	\$19,057
ACCUMULATED RESERVES				\$642,012	\$741,247	\$890,977	\$1,062,900	\$1,238,619
INTEREST EARNED				\$5,879	\$13,891	\$16,461	\$19,703	\$23,212
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0
YEAR-END BALANCE				\$647,891	\$755,139	\$907,438	\$1,082,603	\$1,261,831
YEARS		0-1	2-10	11-30				
INFLATION MULTIPLIER		2%	3%	4%	1.02	1.05	1.08	1.11
INTEREST RATE MULTIPLIER		1%	2%	3%	0.01	0.02	0.02	0.02

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Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	6 2022	7 2023	8 2024	9 2025	10 2026	
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2			\$63,991			
2.6.2	Sports Court - Maintenance	10	2						
2.7.1	Fencing - Repair	6	3				\$18,723		
2.8.1	Tree - Maintenance	3	2			\$6,272			
2.8.1	Site Fixtures - Repair Contingency	10	4						
3.3.1	Concrete Paving - Repair	7	4						
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1			\$15,530			
6.2.1	Exterior Siding - Cleaning	5	1	\$17,737					
6.2.1	Exterior Siding - Replace	40	12						
7.3.1	Gutters & Downspouts - Repair	7	7		\$8,440				
7.3.1	Gutters & Downspouts - Replace	25	16						
7.4.1	Roofing - Repair	5	5					\$7,453	
7.4.1	Roofing - Demoss	5	4				\$7,236		
7.4.1	Roofing - Replace	25	16						
8.5.1	Exterior Windows - Replace	40	12						
9.8.1	Exterior Paint - Maintenance	7	1			\$20,072			
10.3.1	Chimney Chases - Maintenance	25	16						
10.4.1	Signage - Replace	12	2						
10.5.1	Mailboxes - Replace	20	3						
15.2.1	Plumbing System - Repair Contingency	10	7		\$7,308				
15.4.1	Site Water - Repair Contingency	10	6	\$14,190					
16.3.1	Electrical System - Repair Contingency	5	5					\$7,985	
16.6.1	Exterior Lighting - Replace	20	19						
TOTAL EXPENDED BY YEAR				\$31,926	\$15,748	\$105,865	\$25,958	\$15,438	
CARRY OVER RESERVES				\$1,261,831	\$1,436,951	\$1,637,376	\$1,756,420	\$1,964,347	
ANNUAL RESERVE CONTRIB				\$180,325	\$185,735	\$191,307	\$197,046	\$202,957	
RESERVE EXPENDITURES				\$31,926	\$15,748	\$105,865	\$25,958	\$15,438	
ACCUMULATED RESERVES				\$1,410,230	\$1,606,938	\$1,722,818	\$1,927,508	\$2,151,867	
INTEREST EARNED				\$26,721	\$30,439	\$33,602	\$36,839	\$41,162	
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0	
YEAR-END BALANCE				\$1,436,951	\$1,637,376	\$1,756,420	\$1,964,347	\$2,193,029	
YEARS		0-1	2-10	11-30					
INFLATION MULTIPLIER		2%	3%	4%	1.18	1.22	1.25	1.29	1.33
INTEREST RATE MULTIPLIER		1%	2%	3%	0.02	0.02	0.02	0.02	0.02

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Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	11 2027	12 2028	13 2029	14 2030	15 2031
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2				\$79,419	
2.6.2	Sports Court - Maintenance	10	2		\$7,197			
2.7.1	Fencing - Repair	6	3					\$23,462
2.8.1	Tree - Maintenance	3	2	\$6,921			\$7,785	
2.8.1	Site Fixtures - Repair Contingency	10	4				\$9,342	
3.3.1	Concrete Paving - Repair	7	4	\$1,965				
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1					\$20,046
6.2.1	Exterior Siding - Cleaning	5	1	\$20,762				
6.2.1	Exterior Siding - Replace	40	12		\$1,782,709			
7.3.1	Gutters & Downspouts - Repair	7	7				\$10,790	
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$9,068
7.4.1	Roofing - Demoss	5	4				\$8,719	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12		\$466,647			
9.8.1	Exterior Paint - Maintenance	7	1					\$25,907
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2				\$4,095	
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$9,715
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$29,647	\$2,256,552	\$0	\$120,148	\$88,198
CARRY OVER RESERVES				\$2,193,029	\$2,442,969	\$448,669	\$693,854	\$833,712
ANNUAL RESERVE CONTRIB				\$211,076	\$219,519	\$228,300	\$237,432	\$246,929
RESERVE EXPENDITURES				\$29,647	\$2,256,552	\$0	\$120,148	\$88,198
ACCUMULATED RESERVES				\$2,374,457	\$405,936	\$676,969	\$811,137	\$992,442
INTEREST EARNED				\$68,512	\$42,734	\$16,885	\$22,575	\$27,392
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0
YEAR-END BALANCE				\$2,442,969	\$448,669	\$693,854	\$833,712	\$1,019,835
YEARS		0-1	2-10	11-30				
INFLATION MULTIPLIER		2%	3%	4%	1.38	1.44	1.50	1.56
INTEREST RATE MULTIPLIER		1%	2%	3%	0.03	0.03	0.03	0.03

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Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	16 2032	17 2033	18 2034	19 2035	20 2036
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2					\$100,490
2.6.2	Sports Court - Maintenance	10	2					
2.7.1	Fencing - Repair	6	3					
2.8.1	Tree - Maintenance	3	2		\$8,757			\$9,850
2.8.1	Site Fixtures - Repair Contingency	10	4					
3.3.1	Concrete Paving - Repair	7	4			\$2,586		
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1					
6.2.1	Exterior Siding - Cleaning	5	1	\$25,260				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7					
7.3.1	Gutters & Downspouts - Replace	25	16	\$116,632				
7.4.1	Roofing - Repair	5	5					\$11,032
7.4.1	Roofing - Demoss	5	4				\$10,608	
7.4.1	Roofing - Replace	25	16	\$763,396				
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1					
10.3.1	Chimney Chases - Maintenance	25	16	\$112,843				
10.4.1	Signage - Replace	12	2					
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7		\$10,508			
15.4.1	Site Water - Repair Contingency	10	6	\$20,208				
16.3.1	Electrical System - Repair Contingency	5	5					\$11,820
16.6.1	Exterior Lighting - Replace	20	19				\$16,537	
TOTAL EXPENDED BY YEAR				\$1,038,338	\$19,265	\$2,586	\$27,144	\$133,192
CARRY OVER RESERVES				\$1,019,835	\$257,175	\$374,213	\$516,845	\$644,191
ANNUAL RESERVE CONTRIB				\$256,806	\$126,972	\$132,050	\$137,332	\$142,826
RESERVE EXPENDITURES				\$1,038,338	\$19,265	\$2,586	\$27,144	\$133,192
ACCUMULATED RESERVES				\$238,303	\$364,882	\$503,677	\$627,033	\$653,825
INTEREST EARNED				\$18,872	\$9,331	\$13,168	\$17,158	\$19,470
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0
YEAR-END BALANCE				\$257,175	\$374,213	\$516,845	\$644,191	\$673,295
YEARS		0-1	2-10	11-30				
INFLATION MULTIPLIER		2%	3%	4%	1.68	1.75	1.82	1.89
INTEREST RATE MULTIPLIER		1%	2%	3%	0.03	0.03	0.03	0.03

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Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	21 2037	22 2038	23 2039	24 2040	25 2041
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2					
2.6.2	Sports Court - Maintenance	10	2		\$10,654			
2.7.1	Fencing - Repair	6	3	\$29,687				
2.8.1	Tree - Maintenance	3	2			\$11,080		
2.8.1	Site Fixtures - Repair Contingency	10	4				\$13,828	
3.3.1	Concrete Paving - Repair	7	4					\$3,403
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1		\$26,379			
6.2.1	Exterior Siding - Cleaning	5	1	\$30,732				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7	\$14,198				
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$13,422
7.4.1	Roofing - Demoss	5	4				\$12,906	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1		\$34,092			
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2					
10.5.1	Mailboxes - Replace	20	3			\$27,656		
15.2.1	Plumbing System - Repair Contingency	10	7					
15.4.1	Site Water - Repair Contingency	10	6					
16.3.1	Electrical System - Repair Contingency	5	5					\$14,381
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$74,618	\$71,125	\$38,736	\$26,734	\$31,207
CARRY OVER RESERVES				\$673,295	\$768,523	\$876,185	\$1,026,223	\$1,199,468
ANNUAL RESERVE CONTRIB				\$148,539	\$154,480	\$160,660	\$167,086	\$173,769
RESERVE EXPENDITURES				\$74,618	\$71,125	\$38,736	\$26,734	\$31,207
ACCUMULATED RESERVES				\$747,216	\$851,879	\$998,109	\$1,166,576	\$1,342,030
INTEREST EARNED				\$21,308	\$24,306	\$28,114	\$32,892	\$38,122
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0
YEAR-END BALANCE				\$768,523	\$876,185	\$1,026,223	\$1,199,468	\$1,380,153
YEARS		0-1	2-10	11-30				
INFLATION MULTIPLIER		2%	3%	4%	2.05	2.13	2.22	2.30
INTEREST RATE MULTIPLIER		1%	2%	3%	0.03	0.03	0.03	0.03

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Somerset Creek

Reserve Study Projections at Recommended Funding of \$152,500

Reserve Consultants LLC

30-YEAR SPREADSHEET WITH INFLATED DOLLARS
PER YEAR EXPENSES IN 2016 DOLLARS

DATE: 30-Mar-16

#	COMPONENT NAME	MAINT. CYCLE	NEXT EXP.	26 2042	27 2043	28 2044	29 2045	30 2046
2.6.1	Asphalt Paving - Seal Coat & Repair	6	2	\$127,152				
2.6.2	Sports Court - Maintenance	10	2					
2.7.1	Fencing - Repair	6	3		\$37,564			
2.8.1	Tree - Maintenance	3	2	\$12,463			\$14,020	
2.8.1	Site Fixtures - Repair Contingency	10	4					
3.3.1	Concrete Paving - Repair	7	4					
6.2.1	Exterior Siding & Trim - Repair Contingency	7	1				\$34,713	
6.2.1	Exterior Siding - Cleaning	5	1	\$37,390				
6.2.1	Exterior Siding - Replace	40	12					
7.3.1	Gutters & Downspouts - Repair	7	7			\$18,684		
7.3.1	Gutters & Downspouts - Replace	25	16					
7.4.1	Roofing - Repair	5	5					\$16,330
7.4.1	Roofing - Demoss	5	4				\$15,702	
7.4.1	Roofing - Replace	25	16					
8.5.1	Exterior Windows - Replace	40	12					
9.8.1	Exterior Paint - Maintenance	7	1				\$44,863	
10.3.1	Chimney Chases - Maintenance	25	16					
10.4.1	Signage - Replace	12	2	\$6,556				
10.5.1	Mailboxes - Replace	20	3					
15.2.1	Plumbing System - Repair Contingency	10	7		\$15,554			
15.4.1	Site Water - Repair Contingency	10	6	\$29,912				
16.3.1	Electrical System - Repair Contingency	5	5					\$17,497
16.6.1	Exterior Lighting - Replace	20	19					
TOTAL EXPENDED BY YEAR				\$213,474	\$53,118	\$18,684	\$109,298	\$33,827
CARRY OVER RESERVES				\$1,380,153	\$1,388,312	\$1,566,815	\$1,793,254	\$1,942,449
ANNUAL RESERVE CONTRIB				\$180,720	\$187,949	\$195,467	\$203,286	\$211,417
RESERVE EXPENDITURES				\$213,474	\$53,118	\$18,684	\$109,298	\$33,827
ACCUMULATED RESERVES				\$1,347,399	\$1,523,143	\$1,743,598	\$1,887,242	\$2,120,040
INTEREST EARNED				\$40,913	\$43,672	\$49,656	\$55,207	\$60,937
SPECIAL ASSESSMENT				\$0	\$0	\$0	\$0	\$0
YEAR-END BALANCE				\$1,388,312	\$1,566,815	\$1,793,254	\$1,942,449	\$2,180,977
YEARS		0-1	2-10	11-30				
INFLATION MULTIPLIER		2%	3%	4%	2.49	2.59	2.70	2.80
INTEREST RATE MULTIPLIER		1%	2%	3%	0.03	0.03	0.03	0.03

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30 Year Summary at the Recommended Funding of \$152,500 Using Inflated Dollar Values

Inflation & Interest Assumptions						Percent Funded		
		Inflation	Interest					
Years 0-1		2%	1%			Fully Funded	100% and above	
Years 2-10		3%	2%			Well Funded	60% 99%	
Years 11-30		4%	3%			Adequately Funded	25% to 59%	
						At Risk for Special Assessment	0% to 24%	
Fiscal Year End	Fiscal Year Beginning Reserve Balance	Recommended Annual Reserve Contribution	Projected Reserve Expenditures	Special Assessment	Projected Interest Earned	Fiscal Year End Reserve Balance	Projected Fully Funded Balance	% Funded
1 (2017)	\$533,760	\$152,500	(\$44,248)	(\$0)	\$5,879	\$647,891	\$1,491,470	43%
2 (2018)	\$647,891	\$160,217	(\$66,860)	(\$0)	\$13,891	\$755,139	\$1,565,064	48%
3 (2019)	\$755,139	\$165,023	(\$29,185)	(\$0)	\$16,461	\$907,438	\$1,681,412	54%
4 (2020)	\$907,438	\$169,974	(\$14,512)	(\$0)	\$19,703	\$1,082,603	\$1,818,880	60%
5 (2021)	\$1,082,603	\$175,073	(\$19,057)	(\$0)	\$23,212	\$1,261,831	\$1,958,974	64%
6 (2022)	\$1,261,831	\$180,325	(\$31,926)	(\$0)	\$26,721	\$1,436,951	\$2,093,539	69%
7 (2023)	\$1,436,951	\$185,735	(\$15,748)	(\$0)	\$30,439	\$1,637,376	\$2,251,551	73%
8 (2024)	\$1,637,376	\$191,307	(\$105,865)	(\$0)	\$33,602	\$1,756,420	\$2,327,515	75%
9 (2025)	\$1,756,420	\$197,046	(\$25,958)	(\$0)	\$36,839	\$1,964,347	\$2,489,092	79%
10 (2026)	\$1,964,347	\$202,957	(\$15,438)	(\$0)	\$41,162	\$2,193,029	\$2,669,569	82%
11 (2027)	\$2,193,029	\$211,076	(\$29,647)	(\$0)	\$68,512	\$2,442,969	\$2,872,796	85%
12 (2028)	\$2,442,969	\$219,519	(\$2,256,552)	(\$0)	\$42,734	\$448,669	\$862,291	52%
13 (2029)	\$448,669	\$228,300	(\$0)	(\$0)	\$16,885	\$693,854	\$1,033,163	67%
14 (2030)	\$693,854	\$237,432	(\$120,148)	(\$0)	\$22,575	\$833,712	\$1,096,177	76%
15 (2031)	\$833,712	\$246,929	(\$88,198)	(\$0)	\$27,392	\$1,019,835	\$1,199,336	85%
16 (2032)	\$1,019,835	\$256,806	(\$1,038,338)	(\$0)	\$18,872	\$257,175	\$362,381	71%
17 (2033)	\$257,175	\$126,972	(\$19,265)	(\$0)	\$9,331	\$374,213	\$517,158	72%
18 (2034)	\$374,213	\$132,050	(\$2,586)	(\$0)	\$13,168	\$516,845	\$701,186	74%
19 (2035)	\$516,845	\$137,332	(\$27,144)	(\$0)	\$17,158	\$644,191	\$874,654	74%
20 (2036)	\$644,191	\$142,826	(\$133,192)	(\$0)	\$19,470	\$673,295	\$955,915	70%
21 (2037)	\$673,295	\$148,539	(\$74,618)	(\$0)	\$21,308	\$768,523	\$1,106,181	69%
22 (2038)	\$768,523	\$154,480	(\$71,125)	(\$0)	\$24,306	\$876,185	\$1,273,416	69%
23 (2039)	\$876,185	\$160,660	(\$38,736)	(\$0)	\$28,114	\$1,026,223	\$1,487,493	69%
24 (2040)	\$1,026,223	\$167,086	(\$26,734)	(\$0)	\$32,892	\$1,199,468	\$1,730,211	69%
25 (2041)	\$1,199,468	\$173,769	(\$31,207)	(\$0)	\$38,122	\$1,380,153	\$1,986,563	69%
26 (2042)	\$1,380,153	\$180,720	(\$213,474)	(\$0)	\$40,913	\$1,388,312	\$2,079,636	67%
27 (2043)	\$1,388,312	\$187,949	(\$53,118)	(\$0)	\$43,672	\$1,566,815	\$2,345,870	67%
28 (2044)	\$1,566,815	\$195,467	(\$18,684)	(\$0)	\$49,656	\$1,793,254	\$2,666,635	67%
29 (2045)	\$1,793,254	\$203,286	(\$109,298)	(\$0)	\$55,207	\$1,942,449	\$2,919,441	67%
30 (2046)	\$1,942,449	\$211,417	(\$33,827)	(\$0)	\$60,937	\$2,180,977	\$3,268,048	67%

Note: The long term nature of this study requires that certain assumptions and predictions be made about future events. Since there can be no guarantee that these future events will occur as assumed, this analysis must be viewed in light of the circumstances under which it was conducted. Reasonable effort has been made to ensure that the conclusions of this report are based on reliable information and sound reasoning.



FULLY FUNDED BALANCE CALCULATIONS

RCW 64.34.382 (2)(j) states that a reserve study shall include: “Projected reserve account balance for thirty years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned special assessments”.

Furthermore, RCW 64.34.382 (2)(e) stipulates that a reserve study shall include “The percentage of the fully funded balance that the reserve account is funded”.

“Fully funded balance” means the current value of the deteriorated portion, not the total replacement value, of all the reserve components. The fully funded balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component’s useful life. The sum total of all reserve components’ fully funded balances is the association’s fully funded balance. RCW 64.34.020 (22)

$$FFB = \text{the sum of } \frac{\text{replacement cost} * \text{effective age}}{\text{useful life}} \text{ for all reserve components}$$

The **percent fully funded** relates to how much the building has deteriorated, or been used up, compared to the cost of making it new again. Another way of thinking of this is the percent fully funded illustrates how much you should have saved thus far to pay for the future replacement of a component, based on the replacement cost and how many years you have to save.

For example, if you have a roof that will last 10 years and cost \$100,000 to replace:

- To pay for the future replacement in 10 years, you should save \$10,000 each year to have enough money to cover the replacement cost.
- When it is 2 years old, it is 20% used up, and the Fully Funded Balance for its future replacement is \$20,000. If you have saved \$10,000 for the future replacement in 2 years, you are 50% fully funded. If you have saved \$20,000, you are 100% fully funded.
- When the roof is 8 years old it will be 80% deteriorated, and its Fully Funded Balance would be \$80,000. If you have saved only \$10,000 by Year 8 you are 13% fully funded. If you have saved \$20,000, you are at 25%, and at \$80,000 you are at 100% fully funded.

In effect the percent fully funded is a measure of how well an association can withstand the risk of unexpected expenses. Such unexpected expenses include: emergency expenses not covered by insurance, expenses that are more expensive than predicted, and expenses that are required earlier than anticipated.

A higher percent funded means more money is in the bank, and that lowers the risk of special assessment when unexpected expenses occur. A poorly funded association would have less money available for unexpected expenses, and a higher risk of a special assessment to generate the needed funds.



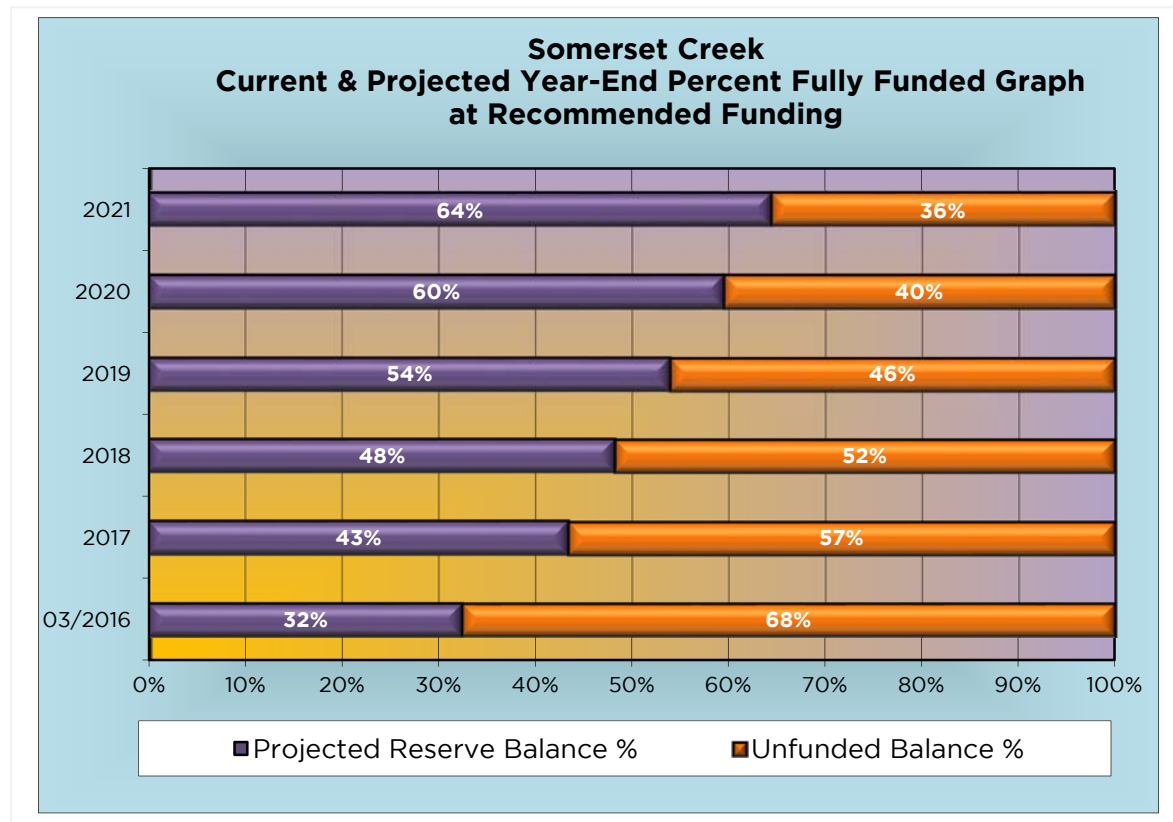
We typically recommend that an association select a minimum reserve account balance (or Threshold) it wants to maintain, and select a contribution rate to maintain that minimum rather than try to build their account to 100% fully funded. We typically recommend that an association consider a threshold equal to the recommended annual reserve contribution because this is the average maintenance expense over the thirty years. However, each association must judge their unique risk tolerance.

The Fully Funded Balance for Somerset Creek is \$1,414,506. The actual current funding is \$459,120. The Association is approximately 32% funded. This means that based on a straight line savings for each reserve component, the Association saved 32% of the accumulated depreciation of the reserve components.

Percent Funded	Considered
100% or more	Fully Funded
60% to 99%	Reasonably Well Funded
25% to 59%	Adequately Funded
24% or less	At High Risk for a Special Assessment

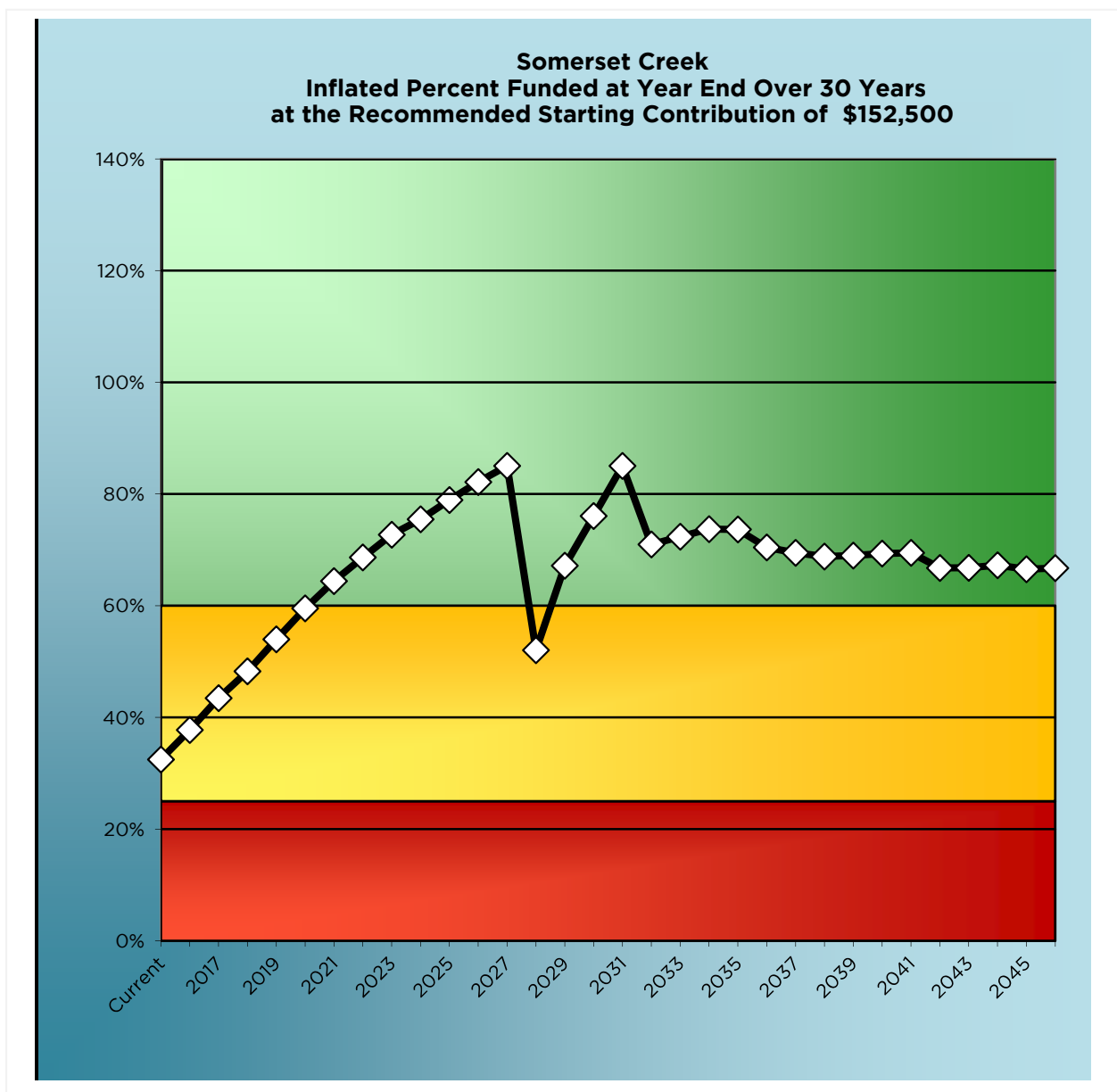
At 32%, Somerset Creek is considered adequately funded.

Below is a graph with the current and projected year-end percent fully funded calculated at the recommended annual reserve contribution of \$152,500.



The following chart illustrates the projected percent funded at year end over the next 30 years at the recommended starting contribution rate of \$152,500. The values include interest and inflation rate assumptions.

Note: The long term nature of this study requires that certain assumptions and predictions be made about future events. Since there can be no guarantee that these future events will occur as assumed, this analysis must be viewed in light of the circumstances under which it was conducted. Reasonable effort has been made to ensure that the conclusions of this report are based on reliable information and sound reasoning.





FULLY FUNDED BALANCE CALCULATION TABLE



Fully Funded Balance Calculations

Somerset Creek

Component Description	Quantity	Unit	Maintenance Cycle	Remaining Useful Life	Current Replacement Cost	Fully Funded Balance
2.6.1 Asphalt Paving - Seal Coat & Repair	37270	SF	6	2	\$ 51,010	\$ 34,007
2.6.2 Sports Court - Maintenance	1	LS	10	2	\$ 5,000	\$ 4,000
2.7.1 Fencing - Repair	3150	LF	6	3	\$ 14,490	\$ 7,245
2.8.1 Tree - Maintenance	1	LS	3	2	\$ 5,000	\$ 1,667
2.8.1 Site Fixtures - Repair Contingency	1	LS	10	4	\$ 6,000	\$ 3,600
3.3.1 Concrete Paving - Repair	3840	SF	7	4	\$ 1,420	\$ 609
6.2.1 Exterior Siding & Trim - Repair Contingency	78000	SF	7	1	\$ 12,380	\$ 10,611
6.2.1 Exterior Siding - Cleaning	78000	SF	5	1	\$ 15,000	\$ 12,000
6.2.1 Exterior Siding - Replace	78000	SF	40	12	\$ 1,238,450	\$ 866,915
7.3.1 Gutters & Downspouts - Repair	11500	LF	7	7	\$ 6,930	\$ -
7.3.1 Gutters & Downspouts - Replace	11500	LF	25	16	\$ 69,260	\$ 24,934
7.4.1 Roofing - Repair	920	SQ	5	5	\$ 5,600	\$ -
7.4.1 Roofing - Demoss	920	SQ	5	4	\$ 5,600	\$ 1,120
7.4.1 Roofing - Replace	920	SQ	25	16	\$ 453,330	\$ 163,199
8.5.1 Exterior Windows - Replace	6885	SF	40	12	\$ 324,180	\$ 226,926
9.8.1 Exterior Paint - Maintenance	51	UNITS	7	1	\$ 16,000	\$ 13,714
10.3.1 Chimney Chases - Maintenance	51	EA	25	16	\$ 67,010	\$ 24,124
10.4.1 Signage - Replace	1	LS	12	2	\$ 2,630	\$ 2,192
10.5.1 Mailboxes - Replace	12	EA	20	3	\$ 12,480	\$ 10,608
15.2.1 Plumbing System - Repair Contingency	1	LS	10	7	\$ 6,000	\$ 1,800
15.4.1 Site Water - Repair Contingency	1	LS	10	6	\$ 12,000	\$ 4,800
16.3.1 Electrical System - Repair Contingency	12	BLDG	5	5	\$ 6,000	\$ -
16.6.1 Exterior Lighting - Replace	128	FIXT	20	19	\$ 8,730	\$ 437
FULLY FUNDED BALANCE					Total	\$ 1,414,506

CURRENT RESERVE BALANCE = \$ 459,120

PERCENT FULLY FUNDED = 32%

March 30, 2016

ABBREVIATION KEY

EA each
BLDG building(s)
FIXT fixture(s)

LF linear foot
LS lump sum
SF square feet

SQ roofing square
SY square yard
ZN zone



SUPPLEMENTAL BUDGET INFORMATION (SBI)

RCW 64.34.308 states that within thirty days after adoption of any proposed budget for the condominium, the board of directors shall provide a summary of the budget to all the unit owners and shall set a date for a meeting of the unit owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. As part of the summary of the budget to all owners, the board of directors shall disclose supplemental budget information as outlined in RCW 64.34.308 section (4), which we refer to as the Supplemental Budget Information (SBI). Below is an incomplete sample of the SBI we will compile when the association is ready to provide a summary of the budget to the unit owners. Please contact RCL one week before the Association plans on sending the budget summary to unit owners and we will issue a completed SBI at no additional charge (within one year of issuing the draft of the reserve study report).

Association - Fiscal Year End 2017 Proposed Budget
 Supplemental Budget Information on Reserves
 In Compliance with RCW 64.34.308 & RCW 64.38.025
 January 11, 2016

Funding Information	
_____	Proposed annual contribution to reserves for the fiscal year ending in 2017 per the budget.
_____	Projected fiscal year end 2016 reserve balance per the budget.
_____	Budgeted annual contribution to reserves for the current fiscal year ending in 2016.

Information from the Most Recent Reserve Study	
_____	Percent fully funded as of the date of the most recent reserve study.
_____	Recommended annual contribution to reserves for the fiscal year ending in 2017.
_____	Type of funding plan used for recommended annual funding per the most recent reserve study.
_____	Projected fiscal year end 2016 reserve balance per the most recent reserve study.
_____	Based upon the most recent reserve study, will the Association have funds to meet obligations for the next 30 years at the current contribution rate*?

* - We assume the current contribution rate will be adjusted annually for inflation. Not doing so may cause a failure to meet obligations

Anticipated Shortfalls Over the Next 30 Years at the \$ Current Fiscal Year Contribution

Year	Projected Funding Shortfall	Average Per Unit Per Year	Year	Projected Funding Shortfall	Average Per Unit Per Year
2017			2032		
2018			2033		
2019			2034		
2020			2035		
2021			2036		
2022			2037		
2023			2038		
2024			2039		
2025			2040		
2026			2041		
2027			2042		
2028			2043		
2029			2044		
2030			2045		
2031			2046		

Proposed Additional Regular or Special Assessment for Fiscal Year End 2017

_____	Is additional funding (Regular or Special Assessment) planned?	
_____	Amount of additional Regular or Special Assessment.	The purpose for the additional funding:
_____	Average amount per unit per year.	N/A
_____	Average amount per unit per month.	
_____	Date assessment is due.	

5 Year Projections Using the Fiscal Year End 2016 Current Reserve Funding

\$ Current Reserve Funding	2017	2018	2019	2020	2021
Projected Account Balance at End of Fiscal Year					
Projected Percent Fully Funded at end of Fiscal Year					

Contributions & Expenses both Inflated

5 Year Projections Using the Fiscal Year End 2017 Recommended Reserve Funding

\$ Recommended Reserve Funding	2017	2018	2019	2020	2021
Projected Account Balance at End of Fiscal Year					
Projected Percent Fully Funded at end of Fiscal Year					

Contributions & Expenses both Inflated

5 Year Projections Using the Fiscal Year End 2017 Proposed Reserve Funding

\$ Proposed Contribution	2017	2018	2019	2020	2021
Projected Account Balance at End of Fiscal Year					
Projected Percent Fully Funded at end of Fiscal Year					

Contributions & Expenses both Inflated

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DISCLOSURES

- 1 - Reserve Consultants LLC also provides construction inspection services for condominiums, and does design and construction oversight for major repair projects, including roofing, decks and building envelope replacement.
- 2 - No shareholder or employee of Reserve Consultants LLC has any interest in, or obligation to, any construction company, management company, or development entity that creates condominiums.
- 3 - Reserve Consultants LLC has been a member of Community Association Institute since about 1993, and has performed work for many association managers.
- 4 - This report and analysis is based upon observations of the visible and apparent condition of the building and its major components on the date of the inspection. Although care has been taken in the performance of this inspection, Reserve Consultants LLC (and/or its representatives) make no representations regarding latent or concealed defects which may exist and no warranty or guarantee is expressed or implied. This report is made only in the best exercise of our ability and judgment. Conclusions in this report are based on estimates of the age and normal working life of various items of equipment and appliances. Predictions of life expectancy and the balance of useful life are necessarily based on industry and/or statistical comparisons. It is essential to understand that actual conditions can alter the useful life of any item. The previous use or misuse, irregularity of servicing, faulty manufacture, unfavorable conditions, acts of god, and unforeseen circumstances make it impossible to state precisely when each item would require replacement. The client herein should be aware that certain components within the above referenced property may function consistent with their purpose at the time of inspection, but due to their nature, are subject to deterioration without notice.
- 5 - Unless otherwise noted, all reserve components are assumed to meet the building code requirements in force at the time of construction. Any on-site inspection should not be considered a project audit or quality inspection.
- 6 - Conclusions reached in this report assume responsible ownership and competent management of the property. Information provided by others is believed to be reliable. Information provided by others was not audited; we assume no responsibility for accuracy thereof.
- 7 - The reserve study is a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analyses or background checks of historical records.



APPENDIX - GLOSSARY OF TERMS

Baseline Funding (contribution rate) – A Reserve Contribution Rate that is constant, increasing with inflation, to provide funds for all anticipated Reserve Expenses so that no special assessments are required for 30 years, but with no contingency some years.

Building Codes - Nationally recognized standards used to gauge the acceptability of a particular material or building procedure. Typically, if something is built to "code," it is acceptable to all concerned. Some often used codes are International Building Code (IBC) (applicable to most multifamily housing), International Residential Code (IRC) (applicable to one and two family structures), Washington Energy Code, National Electric Code (NEC), Uniform Plumbing Code (UPC) , and the National Fire Protection Association Standards (NFPA). These are usually amended slightly by each city or county.

Building Component – see “Reserve Component”.

Component Number - A number assigned to each building component that allows grouping of like components. Based roughly on Construction Industry Standards.

Common Elements – Those portions of the building which are owned collectively by all Unit owners in a condominium, and for which the association is responsible.

“Contribution Rate” means, in a Reserve Study as described in RCW 64.34, the amount contributed to the reserve account so that the association will have cash reserves to pay major maintenance, repair, or replacement costs without the need of a special assessment. RCW 64.34.020 (10)

Constant Dollars - Pretends that inflation does not exist. Shows all costs and contributions in today’s dollars, no matter how far in the future they occur.

“Effective Age” means the difference between the useful life and the remaining useful life. RCW 64.34.020 (19)

“Fully Funded Balance” means the value of the deteriorated portion of all the reserve components. The fully funded balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component’s useful life. The sum total of all reserve components’ fully funded balances is the association’s fully funded balance. RCW 64.34.020 (22)

Fully Funded (contribution rate) - A Reserve Contribution Rate that is constant, increasing with inflation, that will bring the Reserve Account balance up to the “Fully Funded Balance” level and keep it there.

Inflated Dollars - As opposed to constant dollars, inflated dollars recognize that costs in the future will probably be higher than today because each dollar will buy fewer goods and services. A rate of inflation must be assumed and applied to all future costs. Also referred to as future cost.



Inflation Multiplier - 100% plus the assumed rate of inflation. Thus, for an assumed yearly inflation rate of 5%, the "multiplier" would be 105% or 1.05 if expressed as a decimal number rather than as a percentage. Each successive year the previous year's "multiplier" is multiplied by this number to arrive at the next year's "multiplier."

Interest Rate Multiplier - The assumed rate of interest earned on the average annual reserve bank account balance. Thus, 4% interest would be 0.04 expressed as a decimal number. A rate of interest earned must be assumed for all future years. Typically this is lower than the rate of inflation.

Limited Common Element - those common elements which are assigned exclusively to one or some Units. Unit owners may be responsible for the cost to repair and maintain limited common elements, so those costs may not appear in a Reserve Study.

Next Repair - the next time the "Repair Cycle" starts with work on a component.

Percent Fully Funded - The percentage of the "Fully Funded Balance" which the current condominium Reserve Account actually has in it.

RCW - the Revised Code of Washington. RCW 64.34 is the Washington Condominium Act, the statute that governs condominiums.

"Remaining useful life" means the estimated time, in years, that a reserve component can be expected to continue to serve its intended function. RCW 64.34.020 (31)

Repair Cycle - the frequency of repair to maintain a component to reach or extend its Useful Life. Often shorter than the full "Useful Life" for repairs less than complete replacement.

"Replacement cost" means the current cost of replacing, repairing, or restoring a reserve component to its original functional condition. RCW 64.34.020 (32)

Reserve Account - Money set aside for future repair and replacement projects. For condominiums, the RCW requires a separate Reserve Account be maintained to hold reserves to fund repair or replacement of Reserve Components.

"Reserve components" means common elements whose cost of maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget. RCW 64.34.020 (34)

Reserve Contribution - The amount of money saved to fund "replacement Costs" for maintenance and repairs of Common Elements. See "Contribution Rate". Current contributions and recommended contributions may be different.

Reserve Specialist - A designation for those professionals who have met the standards established by Community Associations Institute (www.caionline.org) for Reserve Study providers.

Reserve Study - A physical assessment of a building and a subsequent report which estimates the anticipated major maintenance, repair, and replacement costs, whose infrequent and significant nature make them impractical to be included in an annual budget, which will need to be repaired or replaced over the next 30 years. It



provides estimates of these replacement costs and details expected annual expenditures. It is used to calculate the Reserve Contribution Rate required to maintain a facility in good condition both functionally and cosmetically. The Washington Condominium Act sets out requirements for annual reserve studies.

"Reserve study professional" means an independent person suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study in accordance with RCW 64.34. RCW 64.34.020 (35)

Special Assessment - A levy against all unit owners that is necessary when a needed repair/replacement/upgrade has not been planned for, and for which insufficient money has been saved.

Threshold Funding (contribution rate) - A Reserve Contribution Rate that is constant, increasing with inflation, to provide funds for all anticipated Reserve Expenses for the life of the study, but leaving a minimum level of Reserves (the "threshold") at all times. Our default minimum threshold is one year's contribution.

Typ. - Abbreviation for 'typical'; used on photographs and in text to refer to a problem that is shown or described once, but applies to many locations.

Typical Life - An average expected life for an average building component. As in any statistical average, there is a range of years over which each individual item might fall. This is the same as "Useful life"

"Useful life" means the estimated time, in years, that a reserve component can be expected to serve its intended function. RCW 64.34.020 (40)

Year End Balance or Reserve Balance - What is projected to be left in the reserve account after the expected yearly expenses and contributions are added to the prior year's carryover balance. Assumes that the reserve contributions and expenses occur as predicted.

Yearly Expenses - The total labor and material costs associated with all of the repairs/maintenance that are scheduled in that particular year.

30 Year Spreadsheet - A summary listing each building component and its yearly cost to maintain/repair over the next 30 years. It also lists the annual reserve balance, reserve contributions, reserve expenses and bank interest earned on any reserve balance.



APPENDIX - EVALUATORS' CREDENTIALS

Denise Dana

Principal, Reserve Consultants LLC
B.S. Education, M. Architecture
Washington Registered Architect, #8702
LEED Accredited Professional

Denise Dana first obtained licensure as an Architect and became a LEED accredited professional in 2003. She is currently a licensed Architect in the State of Washington and is certified by the National Council of Architectural Registration Boards. With over fifteen years of experience in architecture, her resume includes a variety of project types ranging from residential to corporate. She has worked through all phases of construction including design development, construction documentation and construction administration with project budgets varying from a few thousand dollars to over sixty million dollars. Denise has been conducting reserve studies since joining Reserve Consultants in 2008; in 2011 she was recognized as a "Reserve Specialist" by the Community Association Institute.