

**SUDDEN VALLEY COMMUNITY ASSOCIATION**  
**MAILBOX**  
**RESERVE STUDY**  
**LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION**  
**2019**



## SUDDEN VALLEY COMMUNITY ASSOCIATION - MAILBOX

### Executive Summary

**Year of Report:**

January 1, 2019 to December 31, 2019

**Number of Units:**

3154 Units

**Parameters:**

Beginning Balance: \$2,845

Year 2019 Current Contribution: \$23,076

Year 2019 Projected Interest Earned: \$15

Inflation: 2.50%

Annual Increase to Current Contribution: 0.00%

Lowest Cash Balance Over 30 Years (Threshold): -\$190,123

Average Reserve Assessment per Unit: \$0.61

**RCW 64.90.550 Section 4.2 Disclosures:**

- (a) A reserve component list: Please see pages 7
- (b) Date of study: February 20, 2019  
This reserve study meets the requirements of RCW 64.90.550 section 4
- (c) Level III: Update with No Visual Site Inspection
- (d) Reserve account balance as of February 20, 2019: \$2,845
- (e) Percent funded as of January 1, 2019 : 21%
- (f) Special assessments implemented or planned: Please see page 6
- (g) Interest rate: 0% Inflation rate: 2.50%
- (h) Current reserve account contribution rate: \$0
- (i) 2019 Recommended reserve contribution: \$23,076  
2019 Fully funded contribution: 33,122  
2019 Baseline contribution: 24,134
- (j) Projected account balance for thirty years: Please see page 6
- (k) This reserve study was prepared by a reserve study professional
- (l) Reserve Study deficit per unit: (\$39.10) (Please see next page)  
Fully Funded Amount at of January 1, 2019 : \$126,075.00

**Total Deficit as of 1/1/2019: Fully Funded Balance as of 1/1/2019 – Reserve Balance as of 1/1/2019**  
**\$126,075 - \$2,845 = \$123,230.00**

The fully funded balance deficit/surplus per RCW 64.90.550 effective July 1, 2018

*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.*

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**Sudden Valley Community Association - Mailbox  
Category Detail Index**

Asset ID	Description	Replacement	Page
<b>Mailboxes</b>			
1232	Mailboxes	2040	10 of 18
	Total Funded Assets	1	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	1	

**Sudden Valley Community Association - Mailbox**  
 Bellingham, Washington  
**Cash Flow Method - Current Funding Model Summary**

Report Date	February 20, 2019
Account Number	2sude
Budget Year Beginning	January 01, 2019
Budget Year Ending	December 31, 2019
Total Units	3154

<i>Report Parameters</i>	
Inflation	2.50%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	0.10%
2019 Beginning Balance	\$2,845

**Current Funding  
Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount.
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$23,076 in 2019** and increases **0.00%** each year for the remaining years of the study. A minimum balance of **-\$190,123** is maintained.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

<i>Cash Flow Method - Threshold Funding Model Summary of Calculations</i>	
Required Month Contribution	\$1,923.00
<i>\$0.61 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$1.28</u>
Total Month Allocation to Reserves	\$1,924.28
<i>\$0.61 per unit monthly</i>	

**Sudden Valley Community Association - Mailbox  
Cash Flow Method - Current Funding Model Projection**

Beginning Balance: \$2,845

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2019	23,076	15		25,936	143,585	18%
2020	23,076	38		49,051	161,893	30%
2021	23,076	62		72,188	181,025	40%
2022	23,076	85		95,349	201,014	47%
2023	23,076	108		118,533	221,888	53%
2024	23,076	131		141,740	243,681	58%
2025	23,076	154		164,970	266,424	62%
2026	23,076	178		188,224	290,152	65%
2027	23,076	201		211,501	314,901	67%
2028	23,076	224		234,801	340,705	69%
2029	23,076	247		258,124	367,603	70%
2030	23,076	271		281,471	395,633	71%
2031	23,076	294		304,841	424,834	72%
2032	23,076	317		328,235	455,248	72%
2033	23,076	341		351,651	486,918	72%
2034	23,076	364		375,092	519,886	72%
2035	23,076	388		398,556	554,199	72%
2036	23,076	411		422,043	589,902	72%
2037	23,076	435		445,554	627,044	71%
2038	23,076	458		469,088	665,674	70%
2039	23,076	482		492,646	705,844	70%
2040	23,076		705,844	-190,123	24,116	-788%
2041	23,076			-167,047	49,439	-338%
2042	23,076			-143,971	76,012	-189%
2043	23,076			-120,895	103,883	-116%
2044	23,076			-97,819	133,100	-73%
2045	23,076			-74,743	163,713	-46%
2046	23,076			-51,667	195,773	-26%
2047	23,076			-28,591	229,334	-12%
2048	23,076			-5,515	264,451	-2%

**Sudden Valley Community Association - Mailbox  
Component Summary By Area**

Description	<i>Date in Service</i>	<i>Replacement Year</i>	<i>Useful</i>	<i>Adjustment</i>	<i>Remaining</i>	<i>Units</i>	<i>Unit Cost</i>	<i>Current Cost</i>
<b>Mailboxes</b>								
Mailboxes	2010	2040	30	0	21	1 Total	420,250.00	<u>420,250</u>
Mailboxes - Total								<u>\$420,250</u>
Total Asset Summary								<u>\$420,250</u>



**Sudden Valley Community Association - Mailbox  
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2019</i>	
<i>No Replacement in 2020</i>	
<i>No Replacement in 2021</i>	
<i>No Replacement in 2022</i>	
<i>No Replacement in 2023</i>	
<i>No Replacement in 2024</i>	
<i>No Replacement in 2025</i>	
<i>No Replacement in 2026</i>	
<i>No Replacement in 2027</i>	
<i>No Replacement in 2028</i>	
<i>No Replacement in 2029</i>	
<i>No Replacement in 2030</i>	
<i>No Replacement in 2031</i>	
<i>No Replacement in 2032</i>	
<i>No Replacement in 2033</i>	
<i>No Replacement in 2034</i>	
<i>No Replacement in 2035</i>	
<i>No Replacement in 2036</i>	
<i>No Replacement in 2037</i>	
<i>No Replacement in 2038</i>	
<i>No Replacement in 2039</i>	
<b>Replacement Year 2040</b>	
Mailboxes	705,844
<b>Total for 2040</b>	<u><b>\$705,844</b></u>

**Sudden Valley Community Association - Mailbox  
Detail Report by Area**

<b>Mailboxes</b>		1 Total @ \$420,250.00
Asset ID	1232	Asset Cost \$420,250.00
	Mailboxes	Percent Replacement 100%
	Equipment	Future Cost \$705,844.27
Placed in Service	January 2010	
Useful Life	30	
Replacement Year	2040	
Remaining Life	21	

This provision is for the mailboxes. (Asset ID 000710)

According to the Association, the mailboxes were replaced in 2010 for \$351,299.

<b>Mailboxes - Total Current Cost</b>	<b>\$420,250</b>
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**Sudden Valley Community Association - Mailbox**  
 Bellingham, Washington  
**Fully Funded Method Summary**

Report Date	February 20, 2019
Account Number	2sudde
Budget Year Beginning	January 01, 2019
Budget Year Ending	December 31, 2019
Total Units	3154

<i>Report Parameters</i>	
Inflation	2.50%
Interest Rate on Reserve Deposit	0.10%
2019 Beginning Balance	\$2,845

**Full Funding  
 100% Funded Model Summary**

- This scenario uses the fully funded method. A goal of being 100% funded is used.
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with an initial contribution of **\$33,122 in 2019** and varies each year for the remaining years of the study. A goal of being 100% funded is used.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

<i>Fully Funded Method Summary of Calculations</i>	
Required Month Contribution	\$2,760.14
<i>\$0.88 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$1.73</u>
Total Month Allocation to Reserves	\$2,761.87
<i>\$0.88 per unit monthly</i>	

**Sudden Valley Community Association - Mailbox  
Fully Funded Method Projection**

Beginning Balance: \$2,845

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2019	33,122	21		35,987	143,585	25%
2020	33,122	54		69,163	161,893	43%
2021	33,122	87		102,372	181,025	57%
2022	33,122	120		135,614	201,014	67%
2023	33,122	154		168,889	221,888	76%
2024	33,122	187		202,198	243,681	83%
2025	33,122	220		235,540	266,424	88%
2026	33,122	254		268,915	290,152	93%
2027	33,122	287		302,324	314,901	96%
2028	33,122	320		335,766	340,705	99%
2029	33,122	354		369,241	367,603	100%
2030	33,122	387		402,750	395,633	102%
2031	33,122	421		436,293	424,834	103%
2032	33,122	454		469,869	455,248	103%
2033	33,122	488		503,479	486,918	103%
2034	33,122	522		537,122	519,886	103%
2035	33,122	555		570,799	554,199	103%
2036	33,122	589		604,510	589,902	102%
2037	33,122	623		638,254	627,044	102%
2038	33,122	656		672,032	665,674	101%
2039	33,122	690		705,844	705,844	100%
2040	48,613	26	705,844	48,640	24,116	202%
2041	48,613	75		97,328	49,439	197%
2042	48,613	124		146,065	76,012	192%
2043	48,613	172		194,851	103,883	188%
2044	48,613	221		243,685	133,100	183%
2045	48,613	270		292,569	163,713	179%
2046	48,613	319		341,501	195,773	174%
2047	48,613	368		390,482	229,334	170%
2048	48,613	417		439,513	264,451	166%

**Sudden Valley Community Association - Mailbox**  
 Bellingham, Washington  
**Baseline Funding Model Summary**

Report Date	February 20, 2019
Account Number	2sude
Budget Year Beginning	January 01, 2019
Budget Year Ending	December 31, 2019
Total Units	3154

<i>Report Parameters</i>	
Inflation	2.50%
Annual Assessment Increase	2.50%
Interest Rate on Reserve Deposit	0.10%
2019 Beginning Balance	\$2,845

**Baseline Funding  
 Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above 0 dollars. This scenario represents the minimum funding requirement.
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$24,134 in 2019** and increases **2.50%** each year for the remaining years of the study. A minimum balance of **\$0** is maintained.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

***Baseline Threshold Method Summary of Calculations***

Required Month Contribution	\$2,011.16
<i>\$0.64 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$1.33</u>
Total Month Allocation to Reserves	\$2,012.48
<i>\$0.64 per unit monthly</i>	

**Sudden Valley Community Association - Mailbox  
Baseline Funding Model Projection**

Beginning Balance: \$2,845

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2019	24,134	16		26,995	143,585	19%
2020	24,737	40		51,772	161,893	32%
2021	25,356	66		77,194	181,025	43%
2022	25,990	91		103,274	201,014	51%
2023	26,639	118		130,031	221,888	59%
2024	27,305	145		157,482	243,681	65%
2025	27,988	173		185,642	266,424	70%
2026	28,688	201		214,531	290,152	74%
2027	29,405	231		244,166	314,901	78%
2028	30,140	261		274,567	340,705	81%
2029	30,893	291		305,752	367,603	83%
2030	31,666	323		337,741	395,633	85%
2031	32,457	355		370,553	424,834	87%
2032	33,269	389		404,211	455,248	89%
2033	34,101	423		438,734	486,918	90%
2034	34,953	458		474,145	519,886	91%
2035	35,827	494		510,466	554,199	92%
2036	36,723	531		547,719	589,902	93%
2037	37,641	568		585,928	627,044	93%
2038	38,582	607		625,117	665,674	94%
2039	39,546	647		665,310	705,844	94%
2040	40,535		705,844	0	24,116	0%
2041				0	49,439	0%
2042				0	76,012	0%
2043				0	103,883	0%
2044				0	133,100	0%
2045				0	163,713	0%
2046				0	195,773	0%
2047				0	229,334	0%
2048				0	264,451	0%

# Additional Disclosures

## Levels of Service

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

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

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

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

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

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

- Life and Valuation Estimates
- Fund Status
- Funding Plan

## Terms and Definitions

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

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

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

**COMPONENT METHOD:** A method of developing a reserve *Funding Plan* where the total contribution is based on the sum of contributions for individual *Components*. See *Cash Flow Method*.

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

CURRENT REPLACEMENT COST: See *Replacement Cost*.

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

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

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

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

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

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

or

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

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

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

- **Baseline Funding:** Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- **Full Funding:** Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.
- **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statutes.
- **Threshold Funding:** Establishing a reserve funding goal of keeping the *Reserve Balance* above a specified dollar or *Percent Funded* amount. Depending on the threshold, this may be more or less conservative than fully funding.

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



#### FUNDING PRINCIPLES:

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

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

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

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

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

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

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

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

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

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

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

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

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

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