

**Year 2011
Reserve Study & Maintenance Plan
Holland Park Homeowners Association
Beaverton Oregon**

PREPARED BY

Regenesis

☎ 503.977.7974

www.Regenesis.net

PO Box 19605
Portland OR 97280

April 26, 2010

Tim Benintendi
Affinity Group, Inc.

Regarding: **Holland Park Homeowners Association**

Enclosed is the 2010 Reserve Study and Maintenance Plan you requested.

Reserve Study Highlights.

Reserve Funding Methodology A Full Funding method was used which seeks to attain and maintain reserves at or near 100% funded. This method is the most secure approach because it will build the highest level of reserves and is the fairest since all members along the 30 year time line will pay a fair share. The Full Funding model includes an **Inflation Rate**, **Investment Yield on Reserves** and **Tax Rate** described in more detail below.

Level of Service **Full Reserve Study Update with Site Inspection**

Starting Balance **\$11,703**

Percent Funded & Starting Balance Adequacy Based on the current Starting Balance, this homeowner association is **248% Percent Funded**. Based on a scale of A-F, the **Starting Balance Adequacy** is currently A+++.

Recommended Annual Reserve Contribution. A contribution of **\$264** is recommended for the current Fiscal Year.

Investment Yield on Reserves. One of the benefits of the Reserve Study is that it allows long range investment planning. A **.54% Yield** is projected based on your invested reserves. Investing in the highest yet insured investments can substantially lower owner contributions. See www.BankRate.com for local options.

Tax Rate of 30% has been used which assumes that taxes will be filed using IRS Form 1120H which has a 30% Tax Rate. Filing Form 1120 is more complex and costly to prepare but when the taxable interest earned on reserve funds warrants it (tax savings exceed additional CPA charges), filing Form 1120 should be considered.

Inflation Rate. **.18%** was used based on the most recent 12 month average published by www.inflationdata.com/inflation/Inflation_Rate/CurrentInflation.asp

Maintenance Plan. The proper care and maintenance of substantial assets have been entrusted to the homeowner association. The key to any effective Maintenance Plan is consistency and expertise. The goal of the Maintenance Plan is to provide general information and direction on how to maintain those assets to produce the highest livability and market values for member units. While specific items are included, the plan is not exhaustive and some issues may develop over time which should be added to the plan.

Annual Review & Update Service. An annual review and update of the Reserve Study and Maintenance Plan is necessary for continued accuracy and required by state statute. A review and update provides a new 30 year projection with current inflation factor, investment rates and any known component cost changes. There are two options:

1. No Site Inspection. \$299 based on the current component list and assuming that annual updates with Regenesis are performed.

2. With Site Inspection. \$599 based on the current component list and assuming that annual updates with Regenesis are performed. Recommended at least every three years. **The last site inspection was performed April 23, 2010.**

Regenesis Bonuses.

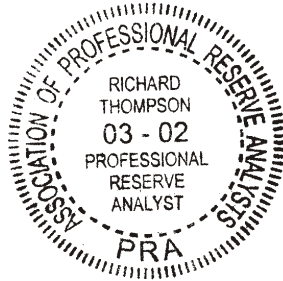
- **The Regenesis Report.** One year subscription to my monthly newsletter. To subscribe, email rich@regenesis.net.
- **Regenesis.net.** One year subscription to my website. To activate the subscription, email rich@regenesis.net and include:
 1. First and Last Name
 2. Subscriber's email address
 3. User Name (5 to 10 letters and/or numbers, case sensitive)
 4. Password (5 to 10 letters and/or numbers, case sensitive)
- **Reserve Study & Funding Policy.** Enclosed is a sample policy which the homeowner association can adapt for its use. It gives the Board and members specific direction and responsibility regarding the reserve planning process.

It's been my pleasure to provide this valuable financial and maintenance planning information for your association. I would be happy to meet with the Board for up to one hour to review this Reserve Study.

Regards,



Richard L. Thompson PRA
PROFESSIONAL RESERVE ANALYST
rich@regenesis.net



(Name of Homeowner Association)
Policy Resolution # ____
Reserve Study & Funding

WHEREAS, Section ____ of the Bylaws of (Name of Homeowner Association) grants the general power to conduct the business and affairs to the Board of Directors; and

WHEREAS, the Board of Directors has the responsibility to plan for the proper maintenance, repair and replacement of the common area; and

WHEREAS, the members have the responsibility to fund the proper care of common area; and,

WHEREAS, proper care of the common area directly impacts the value of members' homes,

NOW, THEREFORE, BE IT RESOLVED THAT in order to properly maintain the common area, protect market value of members' homes and livability in the community, the Board of Directors establishes a policy as follows:

Reserve Study Defined. The Board of Directors shall have a Reserve Study performed that includes this criteria:

1. **List of Components Criteria.** All components shall be included that are the homeowner association's responsibility to repair or replace that have a useful life of 2 to 30 years.
2. **Basis for Repair/Replacement Cost.** Assigns a reasonable cost of repair or replacement to each component based on current costs for the area.
3. **Component Useful Life Criteria.** Assigns a reasonable useful life to each component based on local conditions.
4. **Projection Period.** A 30 Year Repair & Replacement Schedule shall identify the years when each component work will be performed including the inflation adjusted cost.
5. **Funding Plan.** The Reserve Study shall use a 30 Year Projection Period which takes into consideration the costs of repairs and replacements, contributions from members, impact of inflation, revenue generated from invested reserve funds and taxes owing on interest earned. The Funding Plan shall include contributions from members adequate to meet projected costs without the need for special assessments which are collected annually according to the normal fee collection schedule (usually monthly, quarterly or annually).
6. **Percent Funded.** The Funding Plan shall include a "Percent Funded" factor (percent of actual reserve funds on hand versus the ideal of 100%). If Percent Funded balance is below 100%, the Funding Plan shall provide regular contribution increases over coming years to attain the 100% level without special assessments, if possible.

7. **Permitted Uses of Reserve Funds.** Reserve funds are to be used only for the specific components identified in the Reserve Study.
8. **Borrowing Reserve Funds.** The Board of Directors may borrow money from reserves for emergencies or unexpected expenditures however, the money must be repaid with reasonable interest within one year.
9. **Investing Reserve Funds.** In order to reduce the amount of member contributions, the Board of Directors shall invest reserve funds to generate interest revenue that will accrue to the reserve funds balance. Unless otherwise approved by the membership, all investments will be insured by private insurance against loss or guaranteed by the United States Government. Investments should take into consideration the repair and replacement schedule so that there is no interest penalty for early withdrawal. The Board of Directors may hire an investment counselor to assist in formulating an investment plan. The Board of Directors shall review the reserve fund investment plan at least annually to ensure that the funds are receiving competitive yields and make prudent adjustments as needed.
10. **Annual Review & Revision.** The Board of Directors shall review and revise the Reserve Study annually to reflect changes in costs, inflation, interest yield on invested funds plus modification, addition or deletion of components. With this revised information, a new 30 Year Reserve Study projection shall be used in conjunction to assist in the annual budget process.
11. **Who Performs the Reserve Study, Annual Review & Revision.** To ensure objectivity and competence, the Board of Directors shall hire only a third party professional with experience, references and credentials to do reserve planning analysis.

Recorded in the Book of Minutes on _____, 201__

 President - Board of Directors

Attested to by:

 Secretary - Board of Directors

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**Year 2011
Reserve Study**

**Holland Park Homeowners Association
Beaverton Oregon**

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Reserve Study

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METHODOLOGY

Explains the purpose of the reserve study, how the information was gathered and the sources used.

LIMITATIONS & ASSUMPTIONS

Explains what a Reserve Study does and does not do.

WORKSHEET REPORT

Alphabetical listing of the reserve components by type, cost, year put in service, useful life and replacement year

FUNDING PLAN SUMMARY REPORT

- **Percent Funded:** Starting Balance divided by the Ideal Balance
- **Ideal Balance:** Each component is measured, assessed for useful and remaining useful life plus cost of repair or replacement. Based on this analysis, each component should have a certain amount of money set aside as of the year in question. The Ideal Balance is the sum of all these component amounts as adjusted by the inflation factor.
- **Starting Balance:** Reserve funds total at beginning of each year
- **Annual Contribution:** Funds needed to meet the reserve schedule
- **Interest Income:** Yield on invested reserve funds
- **Tax Liability:** Federal taxes owed on investment interest earned

ANNUAL EXPENDITURES REPORT

Chronological repair and replacement schedule

STARTING BALANCE FUNDS DISTRIBUTION

Allocates available funds to the components. If funds are insufficient to fully fund each component, funds are allocated to components that are scheduled to happen sooner.

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Reserve Study Methodology

DEFINITIONS

Reserve Study Identifies the components all or part of which will normally require major maintenance, repair or replacement in more than one and less than thirty years and the cost of repair or replacement of each at recommended intervals.

RESERVE STUDY CRITERIA

1. Identify current reserve funds balance
2. Identify components to be included
3. Establish reasonable life of each component
4. Establish remaining life of each component
5. Estimate replacement or repair cost of each component
6. Assemble data in Reserve Study
7. Generate Reserve Funding Plan.

FUNDING PLAN CRITERIA

The Funding Plan goal is to reach 100% Funding of the Ideal Balance during the life of the study period. If reserves are initially severely underfunded, the Funding Plan accelerates quickly to address immediate cash needs but then eases into a gradual annual increase. Due to cash inflows and outflows, the plan rarely hits 100% exactly but hovers below or over that mark.

The Funding Plan charts the annual beginning balance, yearly expenditures, contribution requirements and ending balance. It factors in interest earned on invested reserve funds, taxes paid on interest earned and area inflation.

SOURCES OF INFORMATION (as applicable):

Original plans and specifications
Original builder and developer
Contractors and vendors
Industry Professionals (engineers, architects, construction managers, etc.)
Property Manager
Resident Manager
Cost Estimating Services

To remain accurate, the Reserve Study must be updated annually.

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Reserve Study Limitations & Assumptions

1. The Reserve Study is intended for the sole use of the Client and is not to be construed as a guarantee, warranty or an opinion on the advisability of purchase.
2. The information provided by the Reserve Study are effective for one year from the completion date of the report. An annual review and update of this Reserve Study is required to adjust known cost changes and to maintain accuracy.
3. Consultant's financial liability for errors and omissions is limited to the charge made to Client to perform the Reserve Study.
4. The scope of the Reserve Study is expressly limited to the components included.
5. The remaining useful life estimates of the Reserve Study assumes normal weather conditions and does not factor in damage by flood, wind, storm, earthquake or other insurable events. The useful life estimates assume proper construction, installation, design plus adequate preventive maintenance. Improper construction, installation, design or failure to maintain will lead to shortened useful lives.
6. The cost estimates of the Reserve Study are based in current pricing for similar installations and materials and/or based in actual costs paid by Client. Future costs are subject to change according to supply and demand, material costs, effects of inflation and other forces which are not under Consultant's control.
7. The conclusions of the Reserve Study do not involve forensic or destructive testing of the components and were arrived at by either visual inspection and/or information provided by Client.
8. The Reserve Study is not intended to address or discover construction defects, asbestos, mold, water intrusion or lead paint. Client agrees to indemnify, defend and hold Consultant harmless from all related claims.

Worksheet

April 26, 2010

Sorted Alphabetically

Holland Park Homeowners Association

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Item Cost</u>	<u>Year Built</u>	<u>Useful Life</u>	<u>Life Adj</u>	<u>Replace</u>	<u>YearLeft</u>	<u>One Time?</u>
Barkdust	0	0	1	Total	1,500.000	100	1,500	2010	3	0	2013	3	no
Comments:													
Concrete Safety Repairs	0	0	1	Total	500.000	100	500	2010	5	0	2015	5	no
Comments:													
Fence-Wood-Board 6'	0	0	200	Linear Feet	25.000	100	5,000	2005	20	0	2025	15	no
Comments:													
Irrigation Controllers	0	0	1	Total	1,000.000	100	1,000	2005	10	0	2015	5	no
Comments:													
Landscape Renovation	0	0	1	Total	1,000.000	100	1,000	2010	5	0	2015	5	no
Comments:													
Lights-Exterior-Street Poles (Heads Only)	0	0	9	Each	600.000	100	5,400	2005	20	0	2025	15	no
Comments:													
Treework	0	0	1	Total	1,000.000	100	1,000	2010	5	0	2015	5	no
Comments:													
Total	<i>7 items</i>												

Funding Plan Summary

April 26, 2010

Holland Park Homeowners Association

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Balance	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2011	248%	4,720	4,720	11,703	264	64	(19)	0	0
2012	189%	6,340	6,351	12,012	263	66	(20)	0	0
2013	154%	7,960	7,989	12,320	763	60	(18)	(1,505)	(1,500)
2014	143%	8,080	8,124	11,620	351	64	(19)	0	0
2015	123%	9,700	9,770	12,016	954	48	(15)	(3,525)	(3,500)
2016	120%	7,820	7,891	9,479	1,238	46	(14)	(1,514)	(1,500)
2017	115%	7,940	8,026	9,235	1,066	53	(16)	0	0
2018	107%	9,560	9,681	10,338	1,059	59	(18)	0	0
2019	101%	11,180	11,342	11,438	1,547	58	(17)	(1,522)	(1,500)
2020	100%	11,300	11,484	11,504	1,637	53	(16)	(2,541)	(2,500)
2021	100%	10,420	10,609	10,637	1,622	62	(19)	0	0
2022	100%	12,040	12,281	12,302	1,645	63	(19)	(1,530)	(1,500)
2023	100%	12,160	12,425	12,461	1,638	72	(22)	0	0
2024	100%	13,780	14,106	14,149	1,616	81	(24)	0	0
2025	100%	15,400	15,793	15,821	1,633	5	(1)	(15,793)	(15,400)
2026	100%	1,620	1,664	1,664	1,664	13	(4)	0	0
2027	100%	3,240	3,335	3,338	1,664	23	(7)	0	0
2028	100%	4,860	5,011	5,018	1,667	23	(7)	(1,547)	(1,500)
2029	100%	4,980	5,144	5,154	1,663	32	(10)	0	0
2030	100%	6,600	6,829	6,840	1,666	27	(8)	(2,587)	(2,500)
2031	100%	5,720	5,929	5,938	1,677	28	(8)	(1,555)	(1,500)
2032	100%	5,840	6,065	6,080	1,675	37	(11)	0	0
2033	100%	7,460	7,761	7,781	1,666	47	(14)	0	0
2034	100%	9,080	9,463	9,479	1,673	47	(14)	(1,563)	(1,500)
2035	100%	9,200	9,606	9,622	1,684	37	(11)	(3,654)	(3,500)
2036	100%	7,320	7,657	7,677	1,675	46	(14)	0	0
2037	100%	8,940	9,368	9,383	1,692	47	(14)	(1,572)	(1,500)
2038	100%	9,060	9,511	9,537	1,688	56	(17)	0	0
2039	100%	10,680	11,232	11,264	1,672	65	(20)	0	0
2040	100%	12,300	12,959	12,981	1,702	52	(16)	(4,214)	(4,000)
Total					42,421	1,433	(430)	(44,621)	(43,400)
Average				9,626	1,414	48	(14)	(1,487)	(1,447)
Maximum			15,793	15,821	1,702	81	(24)	(15,793)	(15,400)
Minimum			1,664	1,664	263	5	(1)	0	0

0.54% Investment Rate
 30.00% Tax Rate
 0.18% Inflation Rate
 0.00% Contingency Rate

Annual Expenditures

April 26, 2010

Holland Park Homeowners Association

Year	Amount	Item Description
2013	1,505	Barkdust
	<u>1,505</u>	
2015	504	Concrete Safety Repairs
	1,007	Irrigation Controllers
	1,007	Landscape Renovation
	1,007	Treework
	<u>3,525</u>	
2016	1,514	Barkdust
	<u>1,514</u>	
2019	1,522	Barkdust
	<u>1,522</u>	
2020	508	Concrete Safety Repairs
	1,016	Landscape Renovation
	1,016	Treework
	<u>2,541</u>	
2022	1,530	Barkdust
	<u>1,530</u>	
2025	513	Concrete Safety Repairs
	1,025	Irrigation Controllers
	5,538	Lights-Exterior-Street Poles (Heads Only)
	1,538	Barkdust
	1,025	Landscape Renovation
	5,127	Fence-Wood-Board 6'
	1,025	Treework
	<u>15,793</u>	

Annual Expenditures

April 26, 2010

Holland Park Homeowners Association

Year	Amount	Item Description
2028	1,547	Barkdust
	<u>1,547</u>	
2030	517	Concrete Safety Repairs
	1,035	Landscape Renovation
	1,035	Treework
	<u>2,587</u>	
2031	1,555	Barkdust
	<u>1,555</u>	
2034	1,563	Barkdust
	<u>1,563</u>	
2035	522	Concrete Safety Repairs
	1,044	Irrigation Controllers
	1,044	Landscape Renovation
	1,044	Treework
	<u>3,654</u>	
2037	1,572	Barkdust
	<u>1,572</u>	
2040	527	Concrete Safety Repairs
	1,580	Barkdust
	1,054	Landscape Renovation
	1,054	Treework
	<u>4,214</u>	

Total: 44,621

Starting Balance Funds Distribution

Sorted Alphabetically

April 26, 2010

Holland Park Homeowners Association

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2011</u>	
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>	
Barkdust	3	3	2013	1,500	500	1,500	0
Concrete Safety Repairs	5	5	2015	500	100	500	0
Fence-Wood-Board 6'	20	15	2025	5,000	1,500	5,000	0
Irrigation Controllers	10	5	2015	1,000	600	1,000	0
Landscape Renovation	5	5	2015	1,000	200	1,000	0
Lights-Exterior-Street Poles (Heads Only)	20	15	2025	5,400	1,620	1,703	264
Treework	5	5	2015	1,000	200	1,000	0
Total		<i>7 items</i>		15,400	4,720	11,703	264
		0.54% Investment Rate		Contingency	0	0	0
		30.00% Tax Rate		Total	4,720	11,703	264
		0.18% Inflation Rate					
		0.00% Contingency Rate					

**Year 2011
Maintenance Plan**

**Holland Park Homeowners Association
Beaverton Oregon**

PREPARED BY

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Maintenance Plan for Holland Park Homeowners Association

The proper care and maintenance of substantial assets have been entrusted to the homeowner association. The key to any effective Maintenance Plan is consistency and expertise. The goal of this Maintenance Plan is to provide general information and direction on how to maintain those assets to produce the highest livability and market values for member units. While many specific items are included, the list is not exhaustive and some issues may develop over time which should be added to the Plan.

Many reserve components require specific maintenance to ensure their proper function. Many of the tasks are suitable only to trained professionals with a thorough understanding of the systems. It is highly recommended that only licensed, bonded and insured workman with the training, knowledge, tools and equipment to handle the maintenance of those systems or components be used to ensure highest service quality.

The Maintenance Plan is divided into two parts: **Annual Maintenance** and **Reserve Repairs & Replacements**. The first deals with annual tasks while the second deals with cyclical tasks. Close attention to both are required to achieve the desired results.

Annual Maintenance

The following tasks should be performed on according to a regular and adequate schedule as preventive maintenance:

Landscape-Maintenance Landscaping is an extremely important aspect of livability and market value. Having a contractor that is competent and regularly attending to the landscaping is the proper approach. When the contractor completes work, a job slip should be left with a designated Committee member so the work can be reviewed. If there are deficiencies, the contractor should be notified immediately. If the contractor is consistently unresponsive or the quality of work deficient, a change in contractors is indicated. For details on landscape maintenance, refer to the landscape contractor's agreement.

Lights-Exterior For appearance and security, exterior light fixtures should be in good working order. Repair fixture or replace bulbs as needed.

Pressure Washing Each year, selected areas of asphalt and concrete sidewalks and steps should be pressure washed to remove oil spots, algae and moss which could cause slipping hazards.

Reserve Repairs & Replacements

The following items should be performed according to the schedule outlined in the Reserve Study:

Barkdust Barkdust beautifies, reduces irrigation water and retards weed growth. Install 2" of medium fresh fir on all planting beds.

Concrete Safety Repairs

1. Inspect all flatwork and sidewalks for tripping hazards of 3/8" or more.
2. Grind down or remove and replace selected sections as needed.

Landscape Renovation Bushes and plants mature, overgrow their location and die. This fund is to remove and replace those specimens that need it. It is recommended to use drought and pest resistant native species.

Treework Have all trees inspected by certified arborist; Perform corrective pruning as needed to insure maximum health and beauty of trees.