

Kiwanda Shore Maintenance Association Reserve Study & Funding Assessment

August 21, 2024

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PURPOSE OF RESERVE STUDY

WHEREAS, Article IV, Section 4.2 of the Amended and Restated Bylaws of Kiwanda Shore's Maintenance Association grants the general power to conduct the business and affairs of the Association to the Board of Directors, whose members shall be members of the Association; and

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

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

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

THEREFORE, in order to properly maintain the common areas, protect market value of members' homes and livability in the community, the Board of Directors conducts a periodic Reserve Study as outlined here.

SCOPE OF THE RESERVE STUDY

This Reserve Study performed includes:

- Existing common areas:
 - Landscaping
 - Signage
 - Roadways
 - Boundary fencing
- Entrance and exit gates (two—North and South)
- Wetlands reserve area
- Any future approved common area development or buildings

These and other foreseeable components are the homeowner association's responsibilities to repair or replace and have a useful life of 3 to 30 years.

BASIS FOR REPAIR/REPLACEMENT COST

The Reserve Study assigns a reasonable cost of repair or replacement to each component based on current costs for the area.

COMPONENT USEFUL LIFE CRITERIA

The Reserve Study also assigns a reasonable useful life to each component based on local condition.

PROJECTION PERIOD

A 30-Year Repair & Replacement Schedule shall identify the years when each component work will be performed, including the inflation-adjusted cost.

FUNDING PLAN

The Reserve Study shall use a 30-Year Projection Period that 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 monthly contributions from members adequate to meet projected costs without the need for special assessments.

RESERVE STUDY TERMINOLOGY

For the purposes of this study, we are calling the funds set aside in a bank account for KSMA reserved use as “The Reserve Fund Account.”

EXISTING COMMON AREAS

KSMA has a relatively small number of common areas to maintain compared to many other homeowners’ associations. There are no common buildings, pools, or other facilities for owners’ use. Existing common areas include:

- Landscaping in boundary and other common areas
- Signage, at entrances and on roadways
- Roadways
- Boundary fencing
- Wetlands reserve area
- Two lots and land beneath the “South Gate” quads

In addition, there are two entrance and exit gates (North and South). However, nothing in this list shall be interpreted to preclude or promise future common area development or buildings.

TABLE 1: PROJECTED AND POSSIBLE CAPITAL EXPENDITURES

Table 1 details the common component items, along with the basis for replacement or repair, the remaining useful life criteria, and the projection for expenditure of funds. Estimates are based on past costs (thank you Peggy Halley and Robin Curtin) and advice from Scott Culp, Roads and Maintenance Chairman and Board Member Ray Kimball, Civil Engineer, and designer/planner of multiple repaving projects.

Component – common areas	Estimated Replacement or Repair Costs	Remaining Useful Life	Projected Year of Expenditure	Comments
Landscaping, grounds-keeping, weeding, fence repair	\$7250	Varies on scope	Annually	Includes scotch broom removal and tree-trimming on common property
Fence replacement	\$15000	15 years	2026?	Some discussion has been held to replace wooden fence with a less frequently maintained material
Signage	\$500	4-7 years	Annually	Includes wooden entry signs, road signs, etc.
Roadways: annual sand clearing, speed bumps + maintenance	\$6-10K budgeted annually, based on past experience	Varies, depending on type, e.g., chip seal vs. asphalt	Annually	Hugely depends on winter storms, amount of home development & utilities digging; new speed bumps

Component – common areas	Estimated Replacement or Repair Costs	Remaining Useful Life	Projected Year of Expenditure	Comments
Further roadway improvement project –Sea Swallow and Neptune to outer north Gate	\$50,000	10-15 yrs. w/ maintenance	2025-26	To be decided by board with community input
Gate maintenance (North & South entrance/exit)	\$500-1000 annually or \$20,000 for major damage	2-8 years, depending on usage, accidental damage	Annually	Beach air is hard on metal; frequent opening & closing; cleaning and painting done in 2024 for \$3450
Gate replacement	\$36,000 for the South Gate; \$26,500 for the North gate	If damage or wear necessitates replacement	One-time as needed	The current gates were installed in 2007 (17 years ago); 2024 estimate from gate company
Wetlands reserve area, including bridge work	\$5000-10K for bridge repair	10-30 years	2025	Little upkeep is needed here. The walkway is paved and signage sufficient. But the pedestrian bridge shows dry rot and needs reinforcing.
Other common areas: Two KSMA-owned lots and the land beneath Quads near the South Gate	\$2000	As applicable; mostly annual maintenance costs	2025	One lot is vacant on Ocean Dr. for beach access. Costs are included in sand removal and sand removal permit (\$1000). Other lot is at South Gate sign with typical landscape maintenance costs. (\$200+). Land beneath southeast most “Quads” belongs to KSMA. Courtyard deck safety repair in 2023 cost \$3200. Should last 10-15 years.

POSSIBLE EXPENDITURES FOR 2025 AND BEYOND

Based on the data in Table 1 and the current run rate, non-capital expenditures for 2024-25 are estimated at approximately **\$28,750** at the higher end of projections. If approved, repaving of Sea Swallow and Neptune would add another **\$50,000**. If one or both gates need significant repair or replacement, the additional amount could rise as much as **\$36,000** for replacement (South), **\$25,500** (North), **\$62,500** (both gates) or **\$20,000** for major repair of one.

CURRENT FUNDS IN RESERVE: A SNAPSHOT

According to the Peggy Halley, KSMA Treasurer, and Robin Curtin, KSMA Bookkeeper, the financial stats as of August 1, 2024, were:

Checking/Savings	\$50,202
Money Market	\$118,929
Reserve Fund Account	\$50,130
Total liabilities and equity	\$223,043

The Treasurer maintains a minimum balance in checking to cover costs over the short term, placing the remaining funds into the Money Market account and a higher-yield savings account. Of course, there are remaining costs outside of these reserve study components that form the KSMA annual expenditures.

Based on year-to-date expenditures and current January-December budget, an estimated 2025 KSMA projected income is approximately \$52,000. This is based on January to December planning. We are on target for budgeted costs vs. expenditures.

USING SURPLUS NET ORDINARY INCOME VS. RESERVE FUND ACCOUNT

The projected 2025 Income of approximately \$52,000, less the projected 2025 Expenses of approximately \$60,000, leaves a projected 2025 Net Ordinary Income of -\$8,000. However, as noted, fund transfers across the three accounts are optimized for highest interest rates. The Reserve Fund account, combined with the money market and checking funds, are sufficient to pay for the project paving project without additional assessments.

WHERE DID IT GO: OUTGO SOURCES

In 2024, revenues from membership fees and other miscellaneous income are projected to be \$54,000. Expenses are typical and range from bookkeeping and legal to landscaping, utilities and trash removal.

In the past, the largest variable in expenses has been road maintenance and sand removal. With the road improvements of Ocean Drive from 2017-2019, sand removal has been minimal. In 2024, we spent \$7,485 on sand removal. One variable is when permits for removal are obtained from the county and the state; no removal can take place until they are issued. Another contributing factor is the fact that as the remainder of lots are built on, less sand blows onto Ocean Drive because the homes block the wind.

FUNDING PLAN: INCOME SOURCES

The funding of the Reserve Study is based on annual assessments of all owners. As of 2024, our average annual income from property owners is currently \$51,400. At present, there are 180 properties, including two owned by KSMA. As of 2020, lot owners pay \$220 annually and home owners pay \$300 annually. This total will increase modestly as remaining lots

convert to occupied homes.

While the annual fee is still very low compared to similar associations, KSMA Board members have been financially conservative in their approach to spending and have relied heavily to date on volunteer labor and contributions. This has resulted in a modest annual build-up of funds in the money market and Reserve Fund accounts. In years where the sand removal costs were low and large expenditures for roadwork, gates and fencing were absent, the reserve account grew. When or if the combination of the reserve and money market account totals dip to a lower amount, the board will consider whether additional increases in annual fees should take place. This is not the case today.

PERCENT FUNDED: CONCLUSIONS

KSMA is 100% funded for 2025 capital expenditures, barring any large, unexpected capital costs. It is also sufficient should we have to cover replacement of both gates (\$62,500 per Metro quote in August 2024), which is unlikely to occur simultaneously. It would also allow us to replace the perimeter fence with a more sustainable type, should we choose to do so. Further roadway paving may also be possible.

The KSMA Reserve Study and Funding Policy states that where the 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. The overall goal is to avoid any unnecessary increases in the annual fee, and in particular, to avoid special assessments to cover reserve study components.

The Board of Directors will use information from the reserve study to make decisions on upcoming capital expenses, amending annual fees or deferring expenses where possible.

BEST EFFORT PROJECTIONS

This Reserve Study reflects the best efforts of the Board of Directors at establishing an accurate financial picture based on past expenditures, future needs, and projected costs as told to us by vendors and others. We cannot guarantee the accuracy or actual outcome of any projections; these are best-guess consensus estimates by the Board based on circumstances open to change.

In the past, the Board voted to review the Reserve Fund investment plan at least bi-annually to ensure that the funds are receiving competitive yields and will make prudent adjustments as needed.

Signed:



Date: 21 August 2024

Susan Caney-Peterson

President

Kiwanda Shores Maintenance Association