

Kiwanda Shore Maintenance Association Reserve Study & Funding Assessment

August 27, 2018

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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.

EXISTING COMMON AREAS

KSMA has a relatively small amount of common areas to maintain compared to many 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

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

TABLE 1: PROJECTED 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 and advice from Scott Culp, Roads and Maintenance Chairman.

Component – common areas	Estimated Replacement or Repair Costs	Remaining Useful Life	Projected Year of Cost Expenditure	Comments
Landscaping, grounds-keeping, weeding, fence repair	\$5000	Varies on scope	Annually	Includes scotch broom removal and tree-trimming on common property
Signage	\$200	4-7 years	Annually	Includes wooden entry signs, road signs, etc.
Roadways, annual sand clearing, speed bump maintenance	\$15-25K 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
Further roadway improvement project –Ocean Drive	Varies, depending on type, e.g., chip seal vs. asphalt vs. other types	Varies, depending on type	To be decided by community	A proposal has been made by a board member to make further improvements to Ocean Drive
Gate maintenance (North & South entrance/exit)	\$2000 annually	2-10 years, depending on usage, accidental damage	Annually	The current gates were installed in 2007 (11 years ago)
Wetlands reserve area	\$50-100	10-30 years	2020	Very little upkeep is needed here. The walkway is paved and signage sufficient

PROJECTED EXPENDITURES FOR 2019

Based on the data in Table 1 and the current run rate, the expenditures for 2019 can be projected at approximately \$15,000 without Ocean Drive additional roadway improvement.

If gates need significant repair or replacement, the additional amount could rise as much as \$40,000 for replacement or \$10,000 for repair.

CURRENT FUNDS IN RESERVE: A SNAPSHOT

According to the Juli Bent, KSMA Treasurer, and Robin Curtin, KSMA Bookkeeper, the funds on hand as of August 2018 are:

Checking/Savings	\$10,322
Money Market	\$48,413
Reserve Account	\$24,542
Total liabilities and equity	\$89,809*

*See balance sheet details for accounts receivable, other current assets, etc.

The Treasurer maintains a minimum balance in checking to cover costs over a short-term, placing the remaining funds into the Money Market 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-August budget, an estimated 2019 KSMA operating budget is projected to be approximately \$50,000. This is based on January to December planning. We are on target for budgeted costs vs. expenditures.

WHERE DID IT GO: OUTGO SOURCES

In 2016, actual costs (budget vs. actual expenditures), was \$-34,843. Expenditures exceeded revenues because major Ocean Drive road improvements (\$52,196) and sand removal (\$19,310) costs exceeded projections by \$62,800. We covered these expenditures from the reserve fund; with \$61,926 still remaining in reserve at 2016 year end.

In 2017, these numbers compare to actual costs (budget vs. actual expenditures) of \$-41,797. Because of the major Ocean Drive road improvements (\$73,890) and sand removal costs of \$6,098, expenditures exceeded revenue during this year. We covered these expenditures from the reserve fund and also from dues; with \$24,538 still remaining in reserve at 2017 year end.

To date, the largest variable in expenses has been road maintenance and sand removal. Table 2 is a breakdown of those two expenses over 2016-2017.

TABLE 2: OVERVIEW OF MAJOR EXPENDITURES FOR 2016-2017

2016 ROAD IMPROVEMENTS – OCEAN DRIVE		
Date	Amount	Comments from vendor
May 12	17,658	Ocean Drive new road
May 26th	10,340	New road surface
June 13th	22,360	Re-grading and smoothing
Oct. 12	1,838	New speed bump
	52,196	Total road improvements w/o sand removal - 2016
2016 SAND REMOVAL – OCEAN DRIVE AND BEACH ACCESS POINTS		
May 26	12,890	
Feb. 3	6,420	
	19,310	Total sand removal costs 2016
2017 ROAD IMPROVEMENTS – OCEAN DRIVE		
May 15	23,800	Rebuild Ocean Drive (1/3 down payment)
June 1	23,800	Rebuild Ocean Drive (1/3 down payment)
July 20	23,800	Rebuild Ocean Drive (final payment)
July 20	2,490	Survey to provide center line
	73,890	Total road improvements - 2017
2017 SAND REMOVAL		
May 15	1,688	Clearing beach access
May 15	4,410	Sand clearing Ocean Drive
	6,098	Total sand removal - 2017
2016-2017 ROAD IMPROVEMENTS – OCEAN DRIVE		
2016	52,196	
2017	73,890	
	126,086	Total road improvements – Ocean Drive both years
2016-2017 SAND REMOVAL		
2016	19,310	
2017	6,098	
	25,408	Total sand removal for both years

FUNDING PLAN: INCOME SOURCES

The funding of the Reserve Study is based on annual assessments of all owners. As of 2018, our average annual income from property owners is currently \$52,760. At present, there are 180 properties, including two owned by KSMA. As of 2018, 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 accounts. In years where the sand removal costs were low and large expenditures for roadwork, gates and fencing were absent, the reserve account grew. **With the reserve/money market account totals now at a lower amount, the community should consider whether additional increases in annual fees should take place.**

PERCENT FUNDED: CALCULATIONS

Based on estimated expenditures for the next year as outlined in Table 1, Table 3 outlines a slightly simplified view of our finances and projections.

TABLE 3: RESERVE STUDY CALCULATIONS

The big picture is:

Estimated reserves at 2019 year end \$69,277

KSMA Reserve Study Calculations			8/26/2018
Line	Item	Amount	Comments
1	Estimated budget for 2019	\$50,000	January-December 2019
2	Estimated remaining expenses for 2018	\$15,000	We have Sept-Dec. costs to cover; this is estimated based on 2017 + known
3	Subtotal of estimated expenses through end of 2019	\$65,000	Lines 1+2
4	Amount on hand in checking and money market	\$58,735	
5	August 2018 Reserve Funds	\$24,542	Reserve fund savings
6	Total Current assets in bank	\$83,277	Total in bank, checking and savings - Lines 4+5
7	Expected dues from membership for 2019	\$51,000	
8	Total current assets + 2019 dues	\$134,277	Lines 6+7
9	Minus remaining estimated expenses through 2019	\$65,000	Line 3
	Estimated reserves at 2019 year end	\$69,277	Line 8-Line 9
10	Proposed 2019 budget to be presented Jan. 2019		Capital expenditures need a detailed proposal to the Board

PERCENT FUNDED: CONCLUSIONS

KSMA appears to be 100% funded for 2019 capital expenditures without further Ocean Drive road improvements, and/or barring huge sand removal costs.

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 annually to ensure that the funds are receiving competitive yields and will make prudent adjustments as needed.

Signed: August 27, 2018



Susan Caney-Peterson
Board of Directors, Membership Co-chair
Kiwanda Shores Maintenance Association