

**Lindon Creekside  
Level II – Reserve Review**

**Report Period – 01/01/2020 – 12/31/2049  
Report Finalized on – Monday, July 20, 2020**

**Property Type Single Family Homes**

**Number of Units 54**

**Fiscal Year End 12/31**

**Type of Study: Update Review**

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**Analysis Method Cash Flow**

**Funding Goal Full Funding**

## EXECUTIVE SUMMARY

Information to complete this Reserve Review did not include an on-site inspection of the common area elements. In addition, no new information was received by contacting any vendors and/or contractors that have worked on the property recently. The basis for this review is the Reserve Study conducted by Dale Gifford dated July 6, 2016. Portions of this report were copied from that study with modifications as needed for dates and dollar amounts.

To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

<b>Projected Starting Balance as of 01/01/2021</b>	<b>\$171,425</b>
<b>Ideal Reserve Balance as of 01/01/2021</b>	<b>\$258,198</b>
<b>Percent Funded as of 01/01/2021</b>	<b>68%</b>
<b>Recommended Reserve Contribution (per month)</b>	<b>\$4,246</b>
<b>Minimum Reserve Contribution (per month)</b>	<b>\$4,199</b>
<b>Recommended Special Assessment</b>	<b>\$0</b>

Lindon Creekside is a 54-unit Single Family Home community. The community offers landscaped areas as amenities. Construction on the community was completed in 2015.

### Significant Reserve Projects

The association's significant reserve projects are roofs replace (Comp# 105), stucco surfaces repair/repaint (Comp# 201), asphalt overlay (Comp# 401), and rain gutters/downspouts replace (Comp# 120). The fiscal significance of these components is approximately 58%, 18%, 9%, and 5% respectively (see page 9). A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives.

### Reserve Funding

In comparing the projected starting reserve balance of \$171,425 versus the ideal reserve balance of \$258,198 we find the association's reserve fund to be approximately 68% funded. This indicates a weak reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of \$4,246 (\$78.62/unit) per month. We have also included a minimum reserve contribution of \$4,199 (\$77.76/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

### Reserve Study Purpose

The purpose of this Reserve Study is to provide the Association with a budgeting tool to help ensure that there are adequate reserve funds available to perform future reserve projects. The detailed schedules will serve as an advance warning that major projects will need to be addressed in the future. This will allow the Association to have ample time to obtain competitive bids for each project. It will also help to ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

### Budget Breakdown

Every association conducts their business within a budget. There are typically two main parts to this budget, the Operating budget and the Reserve budget. The operating budget includes all expenses that occur on an annual basis as well as general maintenance and repairs. Typical operating budget line items include management fees, maintenance expenses, utilities, etc. The reserve budget is primarily made up of replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

## Report Sections

**Reserve Analysis:** this section contains the evaluation of the association's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

**Component Evaluation:** this section contains information regarding the physical status and replacement cost of reserve components the association is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

### Measures of reserve fund financial strength are as follows:

**0% - 30% Funded** is considered a "weak" financial position. Associations that fall into this category are more likely to have special assessments and deferred maintenance. Action should be taken to improve the financial strength of the reserve fund.

**31% - 69% Funded** is considered a "fair" financial position. Associations that fall into this category are less likely to experience special assessments and deferred maintenance than being in a weak financial position. Action should be taken to improve the financial strength of the reserve fund.

**70% - 99% Funded** is considered a "strong" financial position. Associations that fall into this category are less likely to experience special assessments and deferred maintenance than being in a fair financial position. Action should be taken to improve the financial strength of the reserve fund.

**100% Funded** is considered an "ideal" financial position. Action should be taken to maintain the financial strength of the reserve fund.

### Disclosures:

Information provided to the preparer of a reserve review by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve review will be a reflection of information provided to the preparer of the reserve review. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve review is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. A reserve review is necessarily a work in progress and subsequent Reserve Studies will vary from prior studies.

The projected life expectancy of the reserve components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each component. Failure to perform such maintenance can negatively impact the remaining useful life of the component and dramatically increase the funding needs of the reserves of the association.

This Reserve review assumes that all construction assemblies and components identified herein are built properly and are free from defects in materials and/or workmanship. Defects can lead to reduced useful life and premature failure. It was not the intent of this Reserve review to inspect for or to identify defects. If defects exist, repairs should be made so that the construction components and assemblies at the community reach the full and expected useful lives.

### Update Reserve Studies:

**Level II Studies:** Quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies.

**Inflation and Interest Rates:** The after-tax interest rate used in the financial analysis may or may not be based on reported after tax interest rate. If it is, we have not verified or audited the reported rate. The inflation rate may also be based on an amount we believe appropriate given the 30-year horizon of this study and may or may not reflect current or historical inflation rates.

## Funding Summary

### Funding Analysis Objectives

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Determine ideal funding balance for all components for 30 years  
 Funding should be adequate to prevent balance going below zero  
 Recommend funding to achieve 100% of ideal balance in 30 years

### Beginning Assumptions

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# of units - 50 attached sharing party wall and 4 detached	54
Fiscal year-end	31-Dec
2020 Budgeted monthly reserve allocation	\$3,750
Projected starting reserve balance for 2021	\$174,425
Ideal starting reserve balance	\$258,198

### Economic Assumptions

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Projected inflation rate	3%
Reported after-tax interest rate	0.10%

### Current Reserve Status

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Current balance as a % of ideal balance	68%
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### Recommendations

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Recommended montly reserve allocation	\$4,246
Per unit	\$78.62
Future annual increases	3%
For number of years	30
Increases thereafter	N/A
Minimum recommended monthly reserve allocation	\$4,199
Per unit	\$77.76
Future annual increases	3%
For number of years	30
Increases thereafter	N/A

### Changes From Prior Year

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Recommended increase to reserve allocation	\$496
as %	13%
Minimum recommended increase to reserve allocation	\$449
as %	12%

## Significant Components

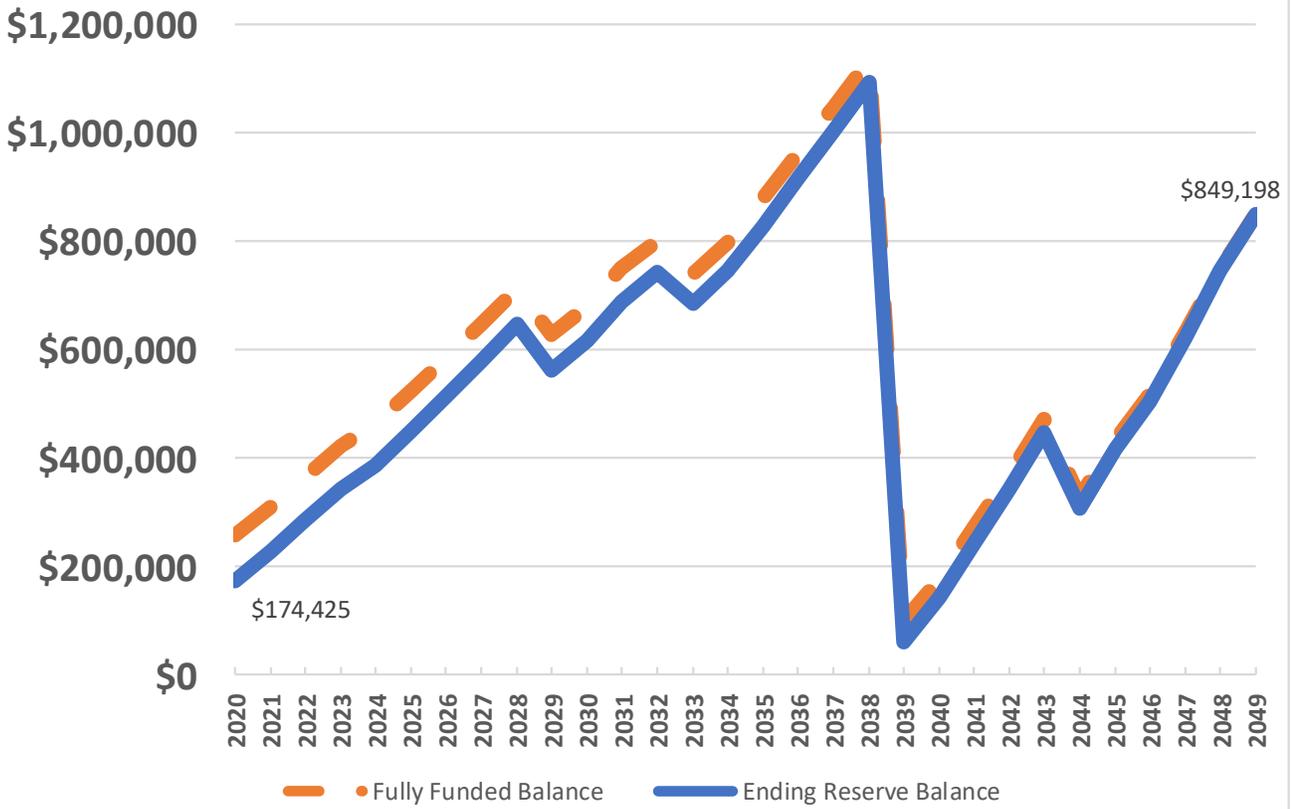
ID#	Component Name	Useful Life (Yrs)	Remaining Useful Life (Yrs)	2020 Estimated Cost	Significance (Current Cost/UL)	
					Amount	%
105	Roofs - Replace	25	19	\$580,238	\$23,210	57.5%
120	Rain gutters/Downspouts - Replace	25	19	\$52,221	\$2,089	5.2%
201	Stucco surfaces - Repair/Repaint	15	9	\$108,707	\$7,247	18.0%
401	Asphalt - Overlay	25	13	\$91,789	\$3,672	9.1%
402	Asphalt - Seal coat	5	4	\$8,917	\$1,783	4.4%
403	Concrete - Repair/Replace	10	4	\$4,371	\$437	1.1%
1002	Metal Fencing - Replace	30	20	\$8,469	\$282	0.7%
1602	Exterior light fixtures - Replace	16	10	\$11,801	\$738	1.8%
1609	Street light fixtures - Replace	20	10	\$1,311	\$66	0.2%
1812	Landscaping - Renovate	20	12	\$16,391	\$820	2.0%

**Yearly Summary**

Year	Fully Funded Balance	Starting Reserve Balance	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	% Funded
2020	\$258,198	\$174,425			\$0	\$174,425	68%
2021	\$310,934	\$174,425	\$54,362	\$174	\$0	\$228,961	74%
2022	\$365,296	\$228,961	\$55,993	\$229	\$0	\$285,183	78%
2023	\$421,335	\$285,183	\$57,672	\$285	\$0	\$343,140	81%
2024	\$464,144	\$343,140	\$59,403	\$343	\$14,956	\$387,930	84%
2025	\$523,672	\$387,930	\$61,185	\$388	\$0	\$449,503	86%
2026	\$585,031	\$449,503	\$63,020	\$450	\$0	\$512,972	88%
2027	\$648,277	\$512,972	\$64,911	\$513	\$0	\$578,396	89%
2028	\$713,466	\$578,396	\$66,858	\$578	\$0	\$645,833	91%
2029	\$627,183	\$645,833	\$68,864	\$646	\$153,473	\$561,870	90%
2030	\$678,660	\$561,870	\$70,930	\$562	\$17,621	\$615,740	91%
2031	\$749,864	\$615,740	\$73,058	\$616	\$0	\$689,413	92%
2032	\$799,885	\$689,413	\$75,249	\$689	\$23,370	\$741,982	93%
2033	\$740,710	\$741,982	\$77,507	\$742	\$134,795	\$685,436	93%
2034	\$798,416	\$685,436	\$79,832	\$685	\$20,099	\$745,854	93%
2035	\$878,591	\$745,854	\$82,227	\$746	\$0	\$828,827	94%
2036	\$961,228	\$828,827	\$84,694	\$829	\$0	\$914,350	95%
2037	\$1,046,400	\$914,350	\$87,235	\$914	\$0	\$1,002,499	96%
2038	\$1,134,183	\$1,002,499	\$89,852	\$1,002	\$0	\$1,093,353	96%
2039	\$100,000	\$1,093,353	\$92,547	\$1,093	\$1,124,657	\$62,337	62%
2040	\$176,823	\$62,337	\$95,324	\$62	\$15,296	\$142,427	81%
2041	\$271,780	\$142,427	\$98,183	\$142	\$0	\$240,753	89%
2042	\$369,675	\$240,753	\$101,129	\$241	\$0	\$342,122	93%
2043	\$470,597	\$342,122	\$104,163	\$342	\$0	\$446,627	95%
2044	\$326,646	\$446,627	\$107,288	\$447	\$247,991	\$306,371	94%
2045	\$433,648	\$306,371	\$110,506	\$306	\$0	\$417,183	96%
2046	\$518,508	\$417,183	\$113,821	\$417	\$25,450	\$505,972	98%
2047	\$632,198	\$505,972	\$117,236	\$506	\$0	\$623,714	99%
2048	\$749,398	\$623,714	\$120,753	\$624	\$0	\$745,091	99%
2049	\$849,198	\$745,091	\$124,376	\$745	\$21,013	\$849,198	100%

The fully funded cash stream is based on contributions adjusted to produce a projected balance of \$100,000 in 2039 when the largest expenditure for roof replacement is anticipated. The recommended cash stream is adjusted to produce a projected balance equal to the fully funded balance in 2049 or the end of the 30-year span of this review.

# Year-End Reserve Account Balance



### Component Funding Information

ID#	Component Name	Useful Life (Yrs)	Remaining Useful Life (Yrs)	Quantity	2020 Estimated Cost	Ideal Balance	Current Fund Balance	Monthly
105	Roofs - Replace	25	19	Approx 141,600 Sq ft	\$580,238	\$139,257	\$94,075	\$2,372
120	Rain gutters/Downspouts - Replace	25	19	Approx 7,965 Linear ft	\$52,221	\$12,533	\$8,467	\$213
201	Stucco surfaces - Repair/Repaint	15	9	Approx 73,690 Sq Ft	\$108,707	\$43,483	\$29,375	\$741
401	Asphalt - Overlay	25	13	Approx 48,000 Sq ft	\$91,789	\$44,059	\$29,764	\$751
402	Asphalt - Seal coat	5	4	Approx 48,000 Sq ft	\$8,917	\$1,783	\$1,205	\$30
403	Concrete - Repair/Replace	10	4	Extensive Sq ft	\$4,371	\$2,623	\$1,772	\$45
1002	Metal Fencing - Replace	30	20	Approx 155 Linear ft	\$8,469	\$2,823	\$1,907	\$48
1602	Exterior light fixtures - Replace	16	10	(108) fixtures	\$11,801	\$4,425	\$2,990	\$75
1609	Street light fixtures - Replace	20	10	(2) Street lights	\$1,311	\$656	\$443	\$11
1812	Landscaping - Renovate	20	12	Extensive Sq ft	\$16,391	\$6,556	\$4,429	\$112
					\$884,215	\$258,198	\$174,425	\$4,398

**Projected Reserve Expenditures by Year**

ID#	105	120	201	401	402	403	1002	1602	1609	1812	
Component	Roofs - Replace	Rain gutters/Downspouts - Replace	Stucco surfaces - Repair/Repaint	Asphalt - Overlay	Asphalt - Seal coat	Concrete - Repair/Replace	Metal Fencing - Replace	Exterior light fixtures - Replace	Street light fixtures - Replace	Landscaping - Renovate	Year Total
Year											
2020											-
2021											-
2022											-
2023											-
2024					10,036	4,920					14,956
2025											-
2026											-
2027											-
2028											-
2029			141,838			11,635					153,473
2030								15,860	1,762		17,621
2031											-
2032										23,370	23,370
2033				134,795							134,795
2034					13,488	6,612					20,099
2035											-
2036											-
2037											-
2038											-
2039	1,017,451	91,570				15,636					1,124,657
2040							15,296				15,296
2041											-
2042											-
2043											-
2044			220,979			18,126	8,885				247,991
2045											-
2046								25,450			25,450
2047											-
2048											-
2049						21,013					21,013

End Notes:

Due to the significant expenditures for roof replacement and the fact that not all units were completed in the same year, it may be possible to phase in that project over 4-6 years and thus utilize reserve funds earlier at lower costs.

The after-tax amounts generated as interest income could be increased with alternative accounts used.

There may be other potential expenditures that are the HOA's responsibility that are not included in the analysis such as the concrete perimeter fences.

This review utilized a computer model developed with Microsoft Excel patterned after the 2017 analysis. It has robust elements that allow for "what-if" analysis such as changes in inflation rates, interest income, target balances at various points in time, etc.