

# Kiwanda Shore Maintenance Association 2020 Reserve Study & Funding Assessment

May 18, 2020

*Final*

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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 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 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 and advice from Scott Culp, Roads and Maintenance Chairman and Board Member Ray Kimball, Civil Engineer and designer/planner of the Ocean Drive repaving project.

Component – common areas	Estimated Replace-ment 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
Signage	\$1000	4-7 years	Annually	Includes wooden entry signs, road signs, etc. New fire warning signs.
Roadways, annual sand clearing, speed bump maintenance	\$1500 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

Component – common areas	Estimated Replacement or Repair Costs	Remaining Useful Life	Projected Year of Expenditure	Comments
Further roadway improvement project –Kiwanda Drive from South gate to Ocean Drive	\$15,000	10-15 yrs w/ maintenance	2021?	To be decided by board with community input; not in 2020 approved budget; to be discussed
Gate maintenance (North & South entrance/exit)	\$2000 annually	2-8 years, depending on usage, accidental damage	Annually	Beach air is hard on metal; frequent opening & closing. Gates are 13 years old.
Gate replacement	\$43,500 both – North gate only: \$28K; South gate only: \$15.5K	If damage or wear necessitates replacement	One-time as needed; w/preventative maintenance should outlast 15yr life span	The current gates were installed in 2007 (13 years ago)
Wetlands reserve area	\$50-100	10-30 years	2020	Very little upkeep needed here. The walkway is paved and signage sufficient

#### PROJECTED EXPENDITURES FOR 2020

Based on the data in Table 1 and the current run rate, non-capital expenditures for 2020-21 can be projected at approximately \$15,000.

If one or both gates need significant repair or replacement, the additional amount could rise as much as \$43,500 for replacement.

#### CURRENT FUNDS IN RESERVE: A SNAPSHOT

According to the Brian Timm, KSMA Treasurer, and Robin Curtin, KSMA Bookkeeper, the funds on hand as of March 2, 2020 are:

**TABLE 2: CURRENT FUNDS AND TOTAL LIABILITIES AND EQUITY**

Checking/Savings	\$23,849
Money Market	\$28,786
Reserve Fund Account	\$44,563
Total liabilities and equity	\$136,170*

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-December budget, an estimated 2020 KSMA projected income is approximately \$54,000. 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 2020 Income of \$54,120, less the projected 2020 Expenses of \$36,714, leaves a projected 2020 Net Ordinary Income of \$17,406. This may be sufficient to pay for the proposed non-capital expenditure of \$15,000 to repave Kiwanda Drive, if approved, rather than use the Reserve Fund Account.

#### **WHERE DID IT GO: OUTGO SOURCES**

In 2020, revenues from membership fees and other miscellaneous income are projected to be \$54,120. Expenses as of March 2, 2020 totaled \$284.20 on the website, storage and utilities. Additional expenses are expected through the rest of the year totalling \$36,430.

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 2018, we spent no dollars on sand removal because we did not have a permit to do so until later in the year. 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 2020, our average annual income from property owners is currently \$51,300. 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. A special assessment of \$337 per lot partially paid for the 2019 Ocean Drive asphalt paving project. The balance was taken from the reserve funds. When or if the reserve/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: 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:

Projected reserves at mid-year 2020	\$44,563
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KSMA Reserve Study Calculations			3/15/2020
Line	Item	Amount	Comments
1	Estimated budget, projected income, for 2020	\$54,120	January-December 2020
2	Estimated remaining expenses for 2020	\$36,430	We have March-Dec. costs to cover; this is estimated based on 2019
3	<b>Total of estimated expenses through end of 2020</b>	\$36,714	
4	Amount on hand in checking and money market	\$52,636	
5	March 2020 Reserve Funds	\$44,563	Reserve Fund Account savings
6	Total Current assets in bank	\$97,199	Total in bank, checking and savings
7	Expected dues from membership for 2020	\$51,320	Membership fees are due by March 31, 2020
8	Total current assets + 2020 dues	\$148,519	
9	Minus remaining estimated expenses through 2020	-\$36,430	
10	<b>Estimated assets at 2020 year end</b>	<b>\$184,949</b>	Includes, Checking, Money Market & Reserve Fund Accounts
	<b>Possible Reserve expenditures in 2020</b>		January to December
11	Repaving of Kiwanda Drive	\$15,000	This may be taken from Ordinary Operating Checking & Money Market Accounts, not the Reserve Fund Account
	<b>2020 Total Capital Expenses</b>		Amount needed for 2020 above ordinary expenses
12	Line 11 (2020 capital expenses)	\$15,000	Repaving of Kiwanda Drive, if approved & treated as capital expense
	<b>December 2020 Reserve Fund Balance</b>		
	Projected December 2020 Reserve Fund Balance	\$44,563	Where we will be in 2020 if projections and expenditures are correct

**PERCENT FUNDED: CONCLUSIONS**

KSMA is 100% funded for 2020 capital expenditures, barring large unexpected capital 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 bi-annually to ensure that the funds are receiving competitive yields and will make prudent adjustments as needed.

Signed: May 18, 2020



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Susan Caney-Peterson

Board of Directors, Membership Co-chair

Kiwanda Shores Maintenance Association