

Board of Directors
Bridle Springs Homeowners Association

October 1st 2020

Most homeowner associations in Oregon are required to conduct regular studies to evaluate their capital assets and determine the amount of funds that should be collected during the lifetime of those assets to ensure adequate money is available at a projected future date to repair, refurbish, or replace the assets as they wear out. Oregon law requires the review and updating of these studies annually. It also requires preparation of a maintenance plan to ensure that the assets are well cared for during their lifetime.

WCM has prepared two documents for the Bridle Springs Homeowners Association (BSHOA) to inform the Board in these areas and to assist in the necessary analysis and planning for informed decision-making.

Reserve Study (Pages 2 - 8). A Reserve Study identifies the major components of an association's physical assets which are expected to require funding during a period of one to thirty years for major repair, refurbishment, or replacement. The study estimates the useful life of those components and the cost of repair/replacement of those items at the appropriate times. The study then summarizes the amount of money the Board would have to dedicate each year to have the necessary funds available without requiring special assessments.

The Reserve Study is broken out into the following sections

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Maintenance Plan (Pages 7-8). A Maintenance Plan identifies on-going inspection, repair and maintenance items that should be completed at regular intervals to optimize the expected useful life of the association's assets. The Maintenance plan is broken out into two sections: The General Maintenance Plan Information, and the Bridle Springs Maintenance Scheduling Information.

These two documents are intended to (1) comply with the applicable state law, (2) provide a means to help protect the market value of the association's capital assets, and consequently each owner's property investment, and (3) protect current owners and future buyers from unexpected costs and special assessments.

The Board should carefully review these documents to ensure they accurately reflect the policies established by the Board and the requirements described in the association's governing documents. The Board should also regularly review the reserve account bank balances to ensure the anticipated funds are being properly allocated to the reserve accounts. Failure to maintain the proper reserve balances will have compounding negative effects on future association operations.

Sincerely,
Kurt Powell,
Beth Powell,
and Jon Eick
Community Managers

Bridle Springs Homeowners Association

RESERVE STUDY - GENERAL INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) requires homeowner associations to establish a Reserve Account and conduct a Reserve Study:

(2)(a) A reserve account shall be established to fund major maintenance, repair or replacement of all items of common property which will normally require major maintenance, repair or replacement, in whole or in part, in more than one and less than 30 years, for exterior painting if the common property includes exterior painted surfaces, for other items, whether or not involving common property, if the association has responsibility to maintain the items and for other items required by the declaration or bylaws...

(3)(a) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements...

Why does our Association need a Reserve Study?

The purpose of a reserve study is to estimate the cost to the association in future years of replacement or major repair/refurbishment of its capital assets with a useful life of one to thirty years and to calculate the funds necessary to be set aside in the current year to achieve that level of funding.

GENERAL RESERVE FUNDING DECISION ALTERNATIVES

- **Funding levels.** A very conservative approach to funding is to commit funds based on 100% of the amount computed for each reserve element for each year until replacement. A less conservative and perhaps 'lowest acceptable' funding level is to commit funds sufficient to ensure that the total reserve balance always remains positive. Because not all elements require replacement in the same year, the effect of the second strategy is to 'borrow' funds for items to be replaced in a given year from the balance reserved for other items and then 'replacing' the funds in years when the 'replaced' item is not scheduled for expense. Many intermediate funding levels are available to the Board of Directors to use.
- **Interest allocation.** Interest earned on reserve fund balances can be dedicated to the reserve fund or it can be recorded as operating income. When an association determines the necessary allocation to reserves, the transfer of funds from the assessment collections (operating account) to the reserves can either be a full transfer (interest was recorded as operating income) or a transfer amounting to the difference between the determined allocation less the interest recorded directly to the reserve account.
- **Taxes.** Homeowners associations are subject to income/excise taxes on certain taxable income which often is primarily the interest earned on investments of funds in the reserve accounts. Since much of the interest is attributable to the reserve funds (which usually exceed excess operating balances), the association must determine whether tax payments will be made from the operating budget or allocated to the respective source of income. Since this is an annual expense, it usually is appropriate to budget for this expense in the operating budget.

GENERAL ASSUMPTIONS MADE IN THIS STUDY

- The reserve study is for budget and planning purposes. Therefore, the numbers depicted are estimates and will vary continuously depending on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), change in cost factors (inflation rate) and external factors such as weather.
- The values are "best guesses" and should be adjusted at least annually to meet the local environment and observable changes in the condition of the assets.

- Calculations shown in this report for the allocation of funds to reserve accounts do not include interest earnings, and therefore, are independent of interest rates earned on existing investments.
- An inflation rate of 3% has been used in computing future values of both replacement cost and assessment rate increases to allocate to reserve accounts. Changes in this rate may dramatically affect future cost estimates and must be updated at least annually to ensure reasonable projections.
- Life expectancies contained in this document assume that recommended maintenance on all elements will be performed by qualified personnel in a timely, consistent, complete, and professional manner to high industry standards.
- Values estimated in this report are based on (1) association cost and longevity experience with the respective element, (2) experiences of similar associations, (3) estimates from local vendors who have worked on similar projects, or (4) general industry expectations.
- The cost of regular day-to-day maintenance activities is to be included in the association's annual operating budget and is not provided for in this reserve study.
- The cost of removal and disposal of worn out components is included as part of the replacement cost.

GENERAL CAVEATS

- Although the information contained in this report is accurate and obtained from reliable sources in our opinion, we cannot guarantee nor assume liability for data, estimates, or opinions furnished by others in developing this analysis.
- We have not confirmed the ownership/title status of, nor liabilities/liens against, any of the property described in this report.
- Actual bid prices for any work to be performed in response to these plans may vary (sometimes substantially) from the planning projections contained in the study due to price levels or labor conditions existing at the time bids are obtained. In addition, the scope of work may be defined differently depending on individuals involved in the contracting process.
- State Law requires review of these documents annually. This review is critical because data influencing accuracy of the information used in decision-making changes continuously and often rapidly. The condition of the assets may be affected by harsh weather or usage conditions, costs may be affected by sudden changes in the inflation rate or stricter regulatory decisions, and member/user willingness to continue use of assets may change with economic conditions.

Bridle Springs Homeowners Association

BRIDLE SPRINGS RESERVE STUDY COMMENTARY

The Bridle Springs HOA Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Articles 3.4.(g), 4.21, and 5.2 require the following maintenance responsibilities:

- Association: Common Areas
 - Landscaping and irrigation
 - Common sidewalks/paths
 - Specifically identified fencing (e.g., along Knox Butte)
 - Playground facilities
- Owner: Lot and all Improvements thereon

RESERVE STUDY HISTORY:

- In 2011, BSHOA had a reserve study completed by WCM and was modified from the previous versions.
- Since 2011, every few years, BSHOA has made changes to the spreadsheet calculating reserve fund requirements but has not updated the actual written study.
- In the 2018 study, new items were added since the 2011 study - including the BBQ's, picnic tables, new play equipment, an extra bench, higher value for trees for removal and replacement, a second monument sign, higher value for staining of fence along Knox Butte and the addition of staining of the fence on Goldfish Farm Rd, the bus stop powder coating and replacement plexiglass, and park lighting.

BRIDLE SPRINGS SPECIFIC ASSUMPTIONS:

- Maintenance of the natural area in Tract H has been paid for out of operations accounts on a yearly basis. During 2017, the spraying was not completed based on a recommendation by Santiam Spray Company. Controlling of invasive plants will continue in 2019.

EXCLUSIONS: Features (assets) excluded from this study: (line items are listed in the report, but items are not funded

- Concrete sidewalks/pathways since their useful life should significantly exceed 30 years (scope of analysis). This applies only to sidewalks in common areas, since sidewalks on and adjacent to Building Lots are the responsibility of the respective owner. This also assumes continuing inspection and corrective action when damage or deterioration is detected.
- Tree and Shrub replacement in the “street/park strips” as the City of Albany has in the past paid for removal and replacement.

30 Year Summary

Year	Asset Value	Estimated Contrib	Estimated Expense	Reserve Balance	Reserve Needed	Percent Funded
2020-2021	\$167,429	\$9,976	\$15,884	\$96,364	\$111,479	86%
2021-2022	\$172,452	\$11,724	\$18,677	\$89,411	\$108,353	83%
2022-2023	\$177,626	\$12,075	\$0	\$101,486	\$133,246	76%
2023-2024	\$182,954	\$12,438	\$3,872	\$110,052	\$144,880	76%
2024-2025	\$188,443	\$12,811	\$20,181	\$102,681	\$140,329	73%
2025-2026	\$194,096	\$13,195	\$53,174	\$62,703	\$103,445	61%
2026-2027	\$199,919	\$13,591	\$750	\$75,543	\$120,812	63%
2027-2028	\$205,917	\$13,998	\$2,132	\$87,410	\$136,821	64%
2028-2029	\$212,094	\$14,419	\$1,491	\$100,338	\$153,536	65%
2029-2030	\$218,457	\$14,851	\$2,262	\$112,927	\$169,528	67%
2030-2031	\$225,011	\$15,296	\$83,417	\$44,806	\$104,434	43%
2031-2032	\$231,761	\$15,755	\$24,569	\$35,992	\$101,518	35%
2032-2033	\$238,714	\$16,228	\$0	\$52,219	\$123,972	42%
2033-2034	\$245,875	\$16,715	\$2,546	\$66,389	\$143,880	46%
2034-2035	\$253,252	\$17,216	\$0	\$83,605	\$166,411	50%
2035-2036	\$260,849	\$17,733	\$88,091	\$13,247	\$100,852	13%
2036-2037	\$268,675	\$18,265	\$6,362	\$25,150	\$120,786	21%
2037-2038	\$276,735	\$18,813	\$4,544	\$39,419	\$142,744	28%
2038-2039	\$285,037	\$19,377	\$47,280	\$11,516	\$122,108	9%
2039-2040	\$293,588	\$19,959	\$4,432	\$27,043	\$146,134	19%
2040-2041	\$302,396	\$20,557	\$43,583	\$4,017	\$131,148	3%
2041-2042	\$311,468	\$21,174	\$4,393	\$20,798	\$156,975	13%
2042-2043	\$320,812	\$21,809	\$8,649	\$33,958	\$178,681	19%
2043-2044	\$330,436	\$22,464	\$3,421	\$53,001	\$205,896	26%
2044-2045	\$340,349	\$23,137	\$2,065	\$74,073	\$234,571	32%
2045-2046	\$350,560	\$23,832	\$96,038	\$1,866	\$138,784	1%
2046-2047	\$361,076	\$24,547	\$1,354	\$25,059	\$172,725	15%
2047-2048	\$371,909	\$25,283	\$5,614	\$44,728	\$202,450	22%
2048-2049	383,066	26,041	7,634	63,135	230,331	27%
2049-2050	394,558	26,823	6,859	83,099	259,234	32%
2050-2051	406,395	27,628	38,553	72,173	256,658	28%

Replacement Scheduling Assumptions

(Sorted by Replacement Year)

Project Title	Life (yrs)	Year Next Sched	Number Of Units	Asset Value
Landscape/Trees	5	2020-2021	1.00	\$8,232
Benches Wood Slats	7	2020-2021	3.00	\$1,177
Financial Review Reserve	5	2020-2021	1.00	\$7,651
Barkdust	2	2021-2022	3.00	\$1,733
Bus Stop Plexi Glass Replacement	5	2021-2022	1.00	\$628
			3,530.0	
Fence-maintenance	7	2021-2022	0	\$14,594
Bus Stop Powder Coating	7	2023-2024	1.00	\$1,016
Pet Waste Station	8	2023-2024	2.00	\$794
			5,800.0	
Cedar Chips (playground)	6	2024-2025	0	\$3,337
Fence-cedar	20	2025-2026	950.00	\$22,628
Irrigation Controllers	10	2025-2026	1.00	\$3,970
Monument-maintenance	10	2025-2026	1.00	\$662
Mailbox Maintenance	10	2025-2026	50.00	\$992
Play Structure	25	2030-2031	1.00	\$41,834
Fence-3-rail vinyl	30	2035-2036	96.00	\$1,524
			1,130.0	
Fence-Chain link	30	2035-2036	0	\$22,429
Benches	30	2035-2036	3.00	\$3,923
Monument-replace	30	2035-2036	1.00	\$2,646
Backflow Device	30	2035-2036	6.00	\$2,263
Lights	26	2038-2039	1.00	\$13,178
Picnic Tables / BBQs	30	2040-2041	3.00	\$6,167
Trash Container	30	2040-2041	2.00	\$2,080
Concrete Path	30+			
Private Street Interest	30+			

Bridle Springs Homeowners Association

GENERAL MAINTENANCE PLAN INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) now requires homeowner associations to develop a maintenance plan "...for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility..."

(4)(a) The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration or bylaws or ORS 94.550 to 94.783. The maintenance plan shall:

- (A) Describe the maintenance, repair and replacement to be conducted;
 - (B) Include a schedule for the maintenance, repair and replacement;
 - (C) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the association; and
 - (D) Address issues that include but are not limited to warranties and the useful life of the items for which the association has maintenance, repair and replacement responsibility.
- (b) The board of directors shall review and update the maintenance plan described under this subsection as necessary.

This responsibility usually encompasses Common Elements and Limited Common Elements as defined in the governing documents, but may extend to certain other features in the community if the Association has a contractual relationship with owners for 'common' maintenance functions.

The principle component of such a maintenance plan addresses the valuable physical elements which an association owns and which are usually considered "capital investment" property which have a useful lifespan from one to thirty years. These properties are defined in the required reserve study and funded by the reserve account(s). However, the Board also must be cognizant of general maintenance requirements that are frequently not seen as having capital investment implications, but which occur on a repetitive day-to-day basis. For example, custodial functions and general repairs, such as removing moss from walkways, must be provided for in custodial service contracts. Mowing grass, controlling weeds, and maintaining irrigation systems must be provided for in landscape maintenance service contracts. Although many of these services do not directly affect capital replacement requirements, they contribute to the general appearance of the community and to owner satisfaction with the living environment, and likely contribute in an immeasurable way to the overall condition and lifespan of all association assets.

The purpose of any maintenance plan is to assist the Association/Board in preserving the value and life expectancy of its real assets by establishing a routine and systematic schedule of activities that will help assure longevity of those assets through proper operation and maintenance during their lifetime. The plan is a suggested sequence of events which must be regularly reviewed and adjusted based on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), and external factors such as weather. Actual procedures and specific timing of events should be governed by the manufacturer's instruction manuals. Trained professional technicians (with proper knowledge, training, tools, and equipment) should generally be used to accomplish these services.

This plan cannot make important decisions for the Association/Board. Regular, complete, consistent maintenance activities will cost money in the present time period, but will reap benefits of significantly lower major maintenance and/or replacement costs in the future. The Association/Board must make the policy decisions which establish their tolerance for these trade-offs in risk versus cost.

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BRIDLE SPRINGS MAINTENANCE SCHEDULING INFORMATION

Category	Life (yr)	Frequency	Description
Barkdust	2	2 or 3 years	Apply new layer of barkdust 1-3" thick.
		Seasonally	Inspect for thinning areas, washouts, and scattered bark. Rake/sweep to return bark to proper area and distribute evenly.
Concrete Surfaces & Stairs	30+	Annually	Inspect surfaces for appearance, continuity and proper operation. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
Irrigation Controllers & Sprinkler Heads	10-15	Monthly (Seasonal)	The landscape contractor should inspect irrigation controllers and sprinkler heads at least monthly to ensure proper operation and coverage. Maintenance should be performed by qualified technicians.
Landscape	10	Seasonal	Ensure the landscape contractor regularly inspects the condition of all elements of the landscape environment (turf, shrubs, trees, drainage, irrigation and 'natural' areas) and informs HOA about deficiencies and makes recommendations for correction. Time intervals will vary depending on weather conditions and HOA appearance standards.
Mailboxes	30	Annually	BSHOA should inspect mailboxes periodically to ensure functional and appearance standards. Remove graffiti immediately.
Stucco	15	3 years	Pressure wash every three years to keep plant material growth at a minimum.
		15 years	Every 15-20 years, a new layer of stucco should be applied to the retaining wall

This plan is not a "Maintenance Handbook". It does not provide "how to" instructions for maintenance activities, terms of warranties, or provisions of contracts which the Board must negotiate with its service providers.