BOARD DECISION REPORT | WASHINGTON

Condominium Reserve Strategy

2027 through 2056

Cedar Court Condominium Association

SAMPLE ONLY · Four buildings · 25 units · Constructed 2005

Study date December 31 2026 · Level I full reserve study

Recommended board action

Adopt an annual reserve contribution of $80,000, equal to approximately $267 per unit per month, and increase that amount with inflation in future budgets. The current $40,000 contribution is projected to produce a cash deficit when the 2035 roofing and playground projects occur.

Board measure	Result	What it means
Reserves available	$180,000	Starting balance
Current contribution	$40,000 per year	Insufficient for the scheduled 2035 work
Recommended contribution	$80,000 per year	$267 per unit per month
Twenty year coverage	83%	Current resources cover 83% of the planning need
Traditional percent funded	34%	Current reserves are below the fully funded benchmark
Planned special assessments	$0	Plan does not rely on an unplanned assessment

What drives the recommendation

Year	Major work	Current dollars
2028	Private street overlay	$140,000
2030	Exterior work, gutters, and streetlights	$195,000
2035	Roofing and playground	$365,000

All property facts and costs are fictitious. This report is a sample only.

Funding recommendation

The association should budget from the pooled cash requirement, not attempt to fund each asset separately. The recommendation is the greater of the long-range planning amount and the amount needed to remain solvent through every projected year.

Funding measure	Annual amount	Purpose
Current association contribution	$40,000	Existing intake
Twenty year average requirement	$49,800	Liabilities plus margin less current reserves, divided by 20
Baseline plan	$63,400	Keeps the projected balance above zero
Full funding plan	$63,400	Reaches the full funding objective by year 30
Professional recommendation	$80,000	Maintains the 20% margin through the controlling 2035 event

Board checkpoints

- Confirm the $80,000 reserve allocation during the annual budget process.
- Obtain updated pricing for the 2028 street work before the next annual update.
- Start roofing scope and pricing work no later than 2032.
- Review excluded assets annually and move any supported major project into the funded schedule.

Funding status

Required measure	Value
Reserve account balance	$180,000
Fully funded balance	$523,306
Percent funded	34%
Current deficit	$343,306
Current deficit per unit	$13,732

The fully funded balance is a statutory funding benchmark. Reserve cash remains pooled and is not divided into component-specific accounts.

Property scope and study basis

Property information	Sample value
Community	Cedar Court Condominium Association
Common property	Four buildings, private street, 10 streetlights, and one playground
Units	25
Construction year	2005
Annual association budget	$180,000
One percent screening amount	$1,800
Projection period	January 1 2027 through December 31 2056

Asset decision rule

Every major association-controlled asset is reviewed. It is funded as a reserve component when the work is a predictable, infrequent, significant capital event; the association is responsible; the timing and cost can be estimated; and the applicable statutory component test is met. Otherwise, the asset remains visible in the reviewed but not funded schedule with a concise reason.

How the estimates are developed

- Association project records, invoices, and installation dates
- Observed condition and effective age
- Vendor pricing, specialist recommendations, or comparable project costs
- Current dollars with no assumed investment return

Study identification

Disclosure	Sample entry
Study level	Level I full reserve study funding analysis and plan
Professional assistance	Yes, sample assumption
Independent professional	Yes, sample assumption under RCW 64.90.010
Compliance statement	Designed to contain the information required by RCW 64.34.382 and RCW 64.90.550. The issuer must verify compliance before signing.

Funded reserve components

No	Component	Quantity	Life	Remain	Year	Cost	Funded balance
101	Private Street - Overlay	Approx. 22,000 SF	20	2	2028	$140,000	$126,000
201	Building Exterior - Paint/Sealants	4 buildings	8	4	2030	$90,000	$45,000
301	Gutters/Downspouts - Replace	4 buildings	25	4	2030	$55,000	$46,200
401	Streetlights - Replace	10 fixtures	25	4	2030	$50,000	$42,000
501	Fire Alarm Controls - Replace	4 systems	15	5	2031	$28,000	$18,667
102	Private Street - Seal/Major Patching	Approx. 22,000 SF	7	7	2033	$22,000	$0
601	Roofing - Major Renewal	4 buildings	29	9	2035	$320,000	$220,690
701	Playground/Surface - Replace	1 play area	20	9	2035	$45,000	$24,750

Total estimated fully funded balance: $523,306. Starting reserves equal approximately 34% of that amount.

Important interpretation

Useful life is the interval between funded major events, not necessarily the life of every piece of material. Remaining life is the estimated time until the next event. A component's funded-balance amount is a planning benchmark only; it is not a separate bank account.

Largest assumptions to verify

- The private street overlay is expected in 2028 at a current cost of $140,000.
- Exterior paint and sealant work is treated as a recurring eight-year reserve event.
- Roofing major renewal is expected in 2035 at a current cost of $320,000.

Reviewed assets not funded

Reviewed asset	Reason	Treatment and explanation
Vinyl siding - wholesale replacement	E2 E4 E8 E10	Routine cleaning, sealant work, and localized panel repair are operating maintenance. No property-specific evidence supports a predictable community-wide replacement event. Reconsider after an envelope investigation or evidence of systemic failure.
Vinyl siding - routine upkeep	E2	Fund annual washing, sealant touch-up, and isolated repairs through operations, not a wholesale replacement cycle.
Building structure and foundations	E3 E4	No identified predictable major project within the forecast. Inspect and repair defects when found.
Domestic water and sewer mains	E3 E4	No supported systemwide project. Routine repairs remain operating costs; add a reserve component if inspection identifies a defined major project.
Windows and unit doors	E1	Assumed owner responsibility. Verify against the declaration before issuing an actual report.
Landscaping and irrigation repairs	E2 E6	Recurring work and small repairs belong in the operating budget.
Casualty damage	E7	Address through insurance and deductibles rather than a scheduled replacement cycle.
Small signs, locks, and minor fixtures	E6	Individually below the materiality threshold; cover through operations or a modest miscellaneous allowance.
Decks and balconies	E11	No decks or balconies are assumed at this fictitious community. Confirm this during the site inspection.

Reason codes

E1 owner responsibility | E2 operating maintenance | E3 useful life 30 years or more | E4 no predictable major event | E5 unreliable scope timing or cost | E6 below materiality | E7 insured casualty | E8 no evidence of wholesale replacement | E9 specialist investigation required | E10 localized repair | E11 asset not present

An excluded asset is reconsidered whenever new information identifies a predictable qualifying major project. Siding remains visible here because it is specifically named under the law effective through 2027 and may be material under the later framework.

Twenty year planning model

This is the board's primary planning view. It combines all scheduled liabilities and all reserve income. It assumes no investment return and uses current dollars because future contributions are expected to rise with inflation.

Calculation	Result
Scheduled liabilities during years 1 through 20	$980,000
Uncertainty margin	20%
Planning need	$1,176,000
Current reserves	$180,000
Twenty years of current contributions	$800,000
Current resources	$980,000
Funding gap	$196,000
Coverage	83%
Simple average annual requirement	$49,800
Cash flow override	$63,400
Recommended annual contribution	$80,000

Formula

Planning need = 20 year scheduled liabilities x 1.20

Coverage = (current reserves + 20 years of current contributions) / planning need

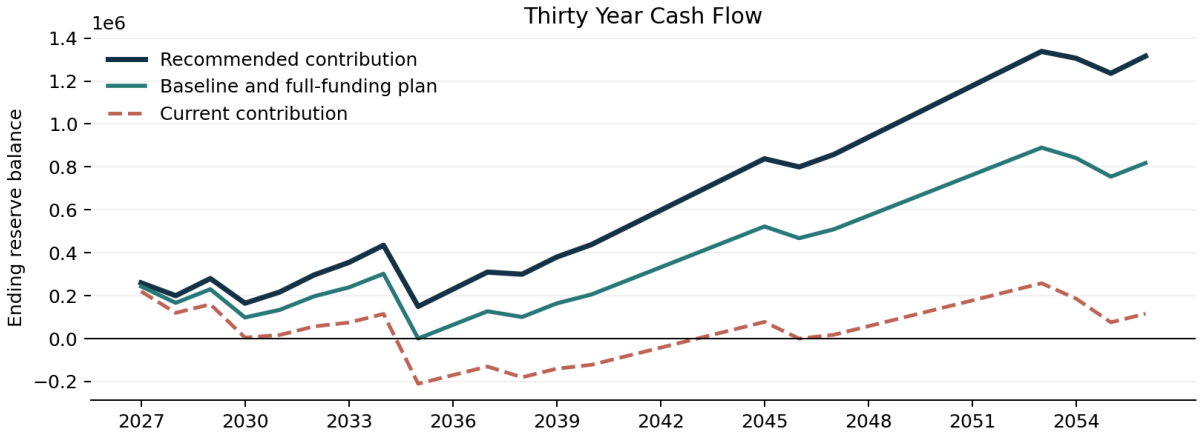
Recommended contribution = the greater of the planning average, the amount needed to prevent any annual deficit, and the professional recommendation.

Planning signal

Coverage	Board interpretation
70% or more	Generally on track, subject to the annual cash flow test
30% to 69%	Meaningful risk of contribution increases or a special assessment
Below 30%	High risk of deferred work or a special assessment

Thirty year funding comparison

The 20-year measure explains the overall gap. The annual projection below tests whether project timing causes the reserve account to fall below zero.



Plan	Annual contribution	Finding
Current	$40,000	Falls below zero during the projection
Baseline	$63,400	Stays above zero without special assessments
Full funding	$63,400	Meets the year-30 fully funded objective in this sample
Recommended	$80,000	Adds practical protection for timing and cost uncertainty

The baseline and full-funding rates happen to be the same in this example because the 2035 cash requirement is more restrictive than the year-30 funding target. They are separate statutory measures even when the calculated rates coincide.

Annual balances 2027 to 2041

Year	Current	Baseline	Full funding	Recommended
2027	$220,000	$243,400	$243,400	$260,000
2028	$120,000	$166,800	$166,800	$200,000
2029	$160,000	$230,200	$230,200	$280,000
2030	$5,000	$98,600	$98,600	$165,000
2031	$17,000	$134,000	$134,000	$217,000
2032	$57,000	$197,400	$197,400	$297,000
2033	$75,000	$238,800	$238,800	$355,000
2034	$115,000	$302,200	$302,200	$435,000
2035	$-210,000	$600	$600	$150,000
2036	$-170,000	$64,000	$64,000	$230,000
2037	$-130,000	$127,400	$127,400	$310,000
2038	$-180,000	$100,800	$100,800	$300,000
2039	$-140,000	$164,200	$164,200	$380,000
2040	$-122,000	$205,600	$205,600	$438,000
2041	$-82,000	$269,000	$269,000	$518,000

Ending reserve balances. All amounts are current dollars; investment return is zero.

Annual balances 2042 to 2056

Year	Current	Baseline	Full funding	Recommended
2042	$-42,000	$332,400	$332,400	$598,000
2043	$-2,000	$395,800	$395,800	$678,000
2044	$38,000	$459,200	$459,200	$758,000
2045	$78,000	$522,600	$522,600	$838,000
2046	$0	$468,000	$468,000	$800,000
2047	$18,000	$509,400	$509,400	$858,000
2048	$58,000	$572,800	$572,800	$938,000
2049	$98,000	$636,200	$636,200	$1,018,000
2050	$138,000	$699,600	$699,600	$1,098,000
2051	$178,000	$763,000	$763,000	$1,178,000
2052	$218,000	$826,400	$826,400	$1,258,000
2053	$258,000	$889,800	$889,800	$1,338,000
2054	$186,000	$841,200	$841,200	$1,306,000
2055	$76,000	$754,600	$754,600	$1,236,000
2056	$116,000	$818,000	$818,000	$1,316,000

Ending reserve balances. Contributions and costs are assumed to rise together with inflation outside this current-dollar presentation.

Scheduled reserve projects

Year	Planned work	Current dollars
2028	Private Street - Overlay	$140,000
2030	Building Exterior - Paint/Sealants; Gutters/Downspouts - Replace; Streetlights - Replace	$195,000
2031	Fire Alarm Controls - Replace	$28,000
2033	Private Street - Seal/Major Patching	$22,000
2035	Roofing - Major Renewal; Playground/Surface - Replace	$365,000
2038	Building Exterior - Paint/Sealants	$90,000
2040	Private Street - Seal/Major Patching	$22,000
2046	Building Exterior - Paint/Sealants; Fire Alarm Controls - Replace	$118,000
2047	Private Street - Seal/Major Patching	$22,000
2054	Building Exterior - Paint/Sealants; Private Street - Seal/Major Patching	$112,000
2055	Gutters/Downspouts - Replace; Streetlights - Replace; Playground/Surface - Replace	$150,000

Update these items first

The annual update should replace assumptions with completed-project costs, current proposals, and revised timing. A material change to street or roofing timing should trigger an immediate funding recalculation because those projects control near-term solvency.

Annual update procedure

- Record completed work at the actual date and cost.
- Advance remaining lives and update current replacement costs.
- Reconsider every excluded asset when responsibility or physical evidence changes.
- Recalculate both the 20-year board measure and the required 30-year projections.

Assumptions and limitations

Assumption	Treatment
Investment return	Zero. Earnings are optional upside and do not reduce the base requirement.
Inflation	Current-dollar costs and contributions. The association is assumed to adjust nominal contributions with inflation.
Special assessments	None implemented or planned in this sample.
Reserve pooling	All eligible expenses and income are evaluated together.
Uncertainty margin	Twenty percent for ordinary estimating, collection, and smaller-project uncertainty.

Inspection scope

This sample assumes a limited visual inspection and association-supplied records. It does not include destructive testing, engineering, code-compliance analysis, environmental testing, insurance analysis, or legal interpretation of the declaration. Concealed conditions can materially change scope, timing, and cost.

Use of exclusions

The uncertainty margin is not a substitute for a known material project. An asset is excluded only when the basis is stated. If a specialist investigation or later evidence establishes a predictable major event, the project must be added to the funded schedule and the plans recalculated.

Key terms

Term	Meaning
Fully funded balance	Estimated accumulated deterioration across funded components
Percent funded	Reserve balance divided by fully funded balance
Remaining useful life	Estimated years until the next funded major event
Baseline plan	Contribution needed to keep annual reserves above zero

Required disclosures and signoff

Disclosure effective through December 31 2027

"This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component."

Disclosure under RCW 64.90.550

"This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."

Issuance statement

This sample is organized to carry the required content under RCW 64.34.382 through December 31 2027 and RCW 64.90.550. An actual issuer must verify the governing statute, governing documents, property facts, calculations, professional status, and final compliance statement as of the report date.

Prepared by	Date	Signature
_____	_____	_____

Primary statutory references

- RCW 64.34.382 Reserve study contents effective until January 1 2028
- RCW 64.90.010 Definitions
- RCW 64.90.545 Reserve study
- RCW 64.90.550 Reserve study contents