

# Reserve Study and Funding Plan for Leisure Village Condominium Association, Inc.

## Introduction: What is the Reserve Study and its Funding Plan?

The Leisure Village Condominium Association Inc. Reserve Policy (effective: May 15, 2014) provides the essential requirements and descriptions of this Reserve Study and its Funding Plan. Actual reserve study and funding plan examples successfully implemented at other common interest property ownership associations have also been used.

The Reserve Study is a published physical analysis of the common interest property at the Association that is used as a tool to properly manage the financial demands of that property. The physical analysis includes the following:

- Component Inventory (identify components of the community that the Association is responsible to maintain, repair, and replace)
- Condition Assessment (determine or estimate the useful life of those components)
- Life and Valuation Estimates (establish a maintenance, repair, and replacement schedule for those components)

The Reserve Funding Plan is a published financial analysis of exactly how any work recommended by the Reserve Study to maintain the common interest property at the Association will be funded. The financial analysis includes the following:

- Fund Status (identify the finances currently available to the Association that are specifically reserved for the work of maintaining, repairing, and replacing common interest property)
- Funding Plan (establish a plan for long-term ongoing funding of such maintenance, repair, and replacement while considering the impact of inflation, projected assessment collections, and any reserve fund investment revenue)

The Reserve Study and Funding Plan should be periodically updated at least once every three to five year period.

This updated document, prepared by James T. Cook, the acting HOA President who has over 20 years of engineering consulting experience, is the first revision to the formal Reserve Study and Funding Plan report initially published by the Leisure Village Condominium Association in October 2018.

## Physical Analysis of Leisure Village: Property Description

The Leisure Village Condominium Association consists of 13 condominium units distributed in three separate buildings constructed circa 1994. Building address 2801 Leisure Drive has five units and sits on the west side of the parking lot. Building address 2803 Leisure Drive has four units and sits on the south side. Building 2805 Leisure Drive has four units and sits on the east side. The buildings are 2-stories above ground with basements. They were constructed in 1994. There are no garages. The private parking lot has 30 parking spaces. Each condo unit has two assigned and labeled parking spaces, which leaves four unassigned spaces for visitors. About 1 acre of common interest “green space” area surrounds the three buildings. Leisure Drive, a municipal street which lies to the north of Leisure Village, ends in a cul-de-sac which leads to the Leisure Village private driveway entrance. Leisure Park, a municipal public recreational space forms the eastern border. Private detached homes along Del Clair Road and Tulane Drive back up to Leisure Village and form the southern and western borders. Some older condos with a Leisure Drive entrance lie to the north of the property. All adjacent properties currently share a fence line with Leisure Village. Please see the aerial photos in the appendix for more details.

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The entrance driveway is uncurbed with asphalt pavement and a concrete drain pan running along its center. The parking lot has concrete curbs along its perimeter with asphalt pavement. There is a concrete pad area for the common garbage dumpster and receptacles with an adjacent parking space. Concrete sidewalks run along the perimeter of the parking lot and up to each condo unit entrance.

Building 2805 Leisure Drive has small wooden decks at the condo rear entrances. HOA board of director precedent has determined that these are a limited common element: they are the responsibility of the homeowner, but they must obtain written approval from the Association prior to commencing an alteration or improvement to them.

The common green space areas contain irrigated vegetation (grass, shrubs, and trees), but currently do not contain any structural apparatus (play equipment, benches, etc.) of any kind.



Leisure Village Aerial Image (from south looking north)

### Physical Analysis of Leisure Village: Component Inventory

The following **common** interest property components that must be maintained, repaired, and replaced by the Association have been identified.

1. Building structures
  - a. Roofing, asphalt shingles (3 buildings)
  - b. Siding and trim, including flue vent chimney risers (quantity=10)
  - c. Gutters and downspouts
  - d. Enclosed infrastructure (walls, plumbing, electrical, etc.)
2. Asphalt paved parking lot and driveway entrance (13,500 square feet)
3. Concrete driveway entrance drain pan (~400 square feet)
4. Concrete parking lot curbs (~350 linear feet)
5. Concrete garbage dumpster pad and adjacent parking spaces (~300 square feet)
6. Concrete sidewalks and steps (~1900 square feet)

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7. Sprinkler irrigation system
  - a. One(1) water tap valve (2775 Leisure Drive) and backflow preventer
  - b. One(1) controller clock (with 13 valves/zones)
  - c. Sprinkler valves (quantity = 13)
  - d. Piping (~1500 linear feet)
  - e. Sprinkler rotor heads/drip heads (~40)
8. Vegetation
  - a. Deciduous trees (quantity=10)
    - Ash = 3
    - Crabapple / Plum = 4
    - Cottonwood = 1
    - Locust = 2
  - b. Evergreen trees (quantity=7)
    - Austrian Pine = 2
    - Blue Spruce = 1
    - Scotch Pine = 2
    - Spruce = 2
  - c. Shrubs (approximately 50)
  - d. Grass (approximately 1 acre)

The following **shared** interest property components that must be maintained, repaired, and replaced by the Association have been identified.

1. Vegetation beds between condo unit entrances (quantity=7)

HOA board of director precedent has determined that these areas must be maintained by the homeowner. The Association will reimburse the homeowner for any approved improvement material costs, but the labor must be provided by the homeowner. Therefore, this expense is normally included in the operating budget, not the reserve funds.
2. Common property line fencing

HOA board of director precedent has determined that maintenance or replacement of these fences must be negotiated with adjacent property owners on an as-needed basis. Therefore, this expense is normally included in the operating budget, not the reserve funds.
3. Exterior security light fixtures (quantity=3)

HOA board of director precedent has determined that maintenance or replacement of these light fixtures must be a relatively small expense. Therefore, this expense is included in the operating budget, not the reserve funds.

The following **limited common** interest property components that are not maintained, repaired, and replaced by the Association have been identified and are, therefore, not included in the reserve study.

1. Windows and doors
2. Rear entrance decks
3. Exterior front and rear door light fixtures
4. All interior improvements

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### Physical Analysis of Leisure Village: Component Assessment and Projected Expenditures

The following estimates will be assumed for the common interest property components that have been identified:

1. Building structures

a. Roofing, asphalt shingles (3 buildings)

Cost of new roof on 3 buildings: **\$32,110** (2015 actual replacement cost)

Expected roof useful life: 25 years

Roof (replaced in 2015) remaining life: 17 years

b. Siding and trim, including flue vent chimney risers (quantity=10)

Cost of *repairing/replacing* siding and trim including flue vent chimney risers on 3 buildings: **\$19,045** (2015 actual cost)

Expected siding and trim, chimney risers useful life: 20 years

Siding and trim, chimney risers (repaired in 2015) remaining life: 12 years

Cost of *painting* siding and trim including flue vent chimney risers on 3 buildings: **\$12,225** (2016 actual cost)

Expected siding and trim, chimney risers *paint* useful life: 7 years

Siding and trim, chimney risers *paint* (repainted in 2016) remaining life: 0 year

Please note: Siding and trim condition was inspected in 2022. Overall paint condition was still favorable, but a few specific areas needed repair and paint attention. Contractor was selected to perform observed repairs and painting.

Cost of this targeted repairing/replacing and painting siding and trim: **\$4,070** (2022 actual cost)

Revised expected siding and trim *paint* remaining life: 5 years

Please note: The trim paint on the chimney risers and the fascia board behind the gutters was observed to need attention in 2022, but was not included in the work done by the contractor. The HOA board of directors decided to delay this work until the gutters were replaced, which is slated for 2023.

c. Gutters and downspouts

Gutters and downspouts were inspected in 2022 after reports of gutter leakage. It was determined that some sections had reached their effective life and needed to be replaced. New quotes were obtained. The plan is to commence gutter and downspout replacement in 2023.

Cost of gutters and downspouts on 3 buildings: **\$11,094**

Expected gutters and downspouts useful life: 30 years

Gutters and downspouts remaining life: 1 year

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- d. Enclosed infrastructure (walls, plumbing, electrical, etc.)

It is anticipated that the enclosed infrastructure will only need to be repaired or replaced due to fire, severe wind damage, or other insurable event. Therefore, the Association will continue to maintain an adequate insurance policy for such damages. In 2023, such insurance policy cost \$8,337; however, it is always included in the Association operating budget and will not be included in the reserve study.

2. Asphalt paved parking lot and driveway entrance (13,500 square feet)

Please note: The parking lot pavement received an overlay repair circa 2008, about 14 years after the condos were built in 1994.

Cost of asphalt parking lot and driveway entrance:

Option 1—2 inch overlay: **\$27,000** (2017 quote)

Option 2—remove and replace: **\$65,000**

Expected overlay (option 1) asphalt pavement useful life: 15 years

Expected new (option 2) asphalt pavement useful life: 30 years

Asphalt pavement remaining life: 0 year

3. Concrete driveway entrance drain pan (~400 square feet)

Please note: The existing drain pan was installed circa 2008, not 1994 when condos were new.

Cost of concrete driveway drain pan: **\$4,000** (2018 estimate)

Expected concrete driveway drain pan useful life: 30 years (revised down from 40)

Concrete driveway drain pan remaining life: 15 years

4. Concrete parking lot curbs (~350 linear feet)

Cost of concrete parking lot curbs: **\$6,250** (2018 estimate)

Expected concrete parking lot curbs useful life: 30 years (revised down from 40)

Concrete parking lot curbs remaining life: 1 year

5. Concrete garbage dumpster pad and adjacent parking spaces (~300 square feet)

Cost of concrete garbage dumpster pad and adjacent parking spaces: **\$3,000** (2018 estimate)

Expected concrete sidewalks and steps useful life: 30 years (revised down from 40)

Concrete sidewalks and steps remaining life: 1 year

6. Concrete sidewalks and steps (~1900 square feet)

Cost of concrete sidewalks and steps: **\$7,125** (2018 estimate)

Expected concrete sidewalks and steps useful life: 30 years (revised down from 40)

Concrete sidewalks and steps remaining life: 1 year

Please note: The driveway entrance, parking lot, curbs, sidewalks, and steps were inspected in 2022. Certain concrete sections need repaired or replaced, and the asphalt pavement is getting

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very worn but has been maintained by simply filling the occasional pothole during the past few years. The concrete section repairs should be scheduled in conjunction with (just prior to) the asphalt replacement. Since this project will be quite costly and require careful planning, the HOA board of directors has delayed the work until adequate funds are available which is anticipated in 2 to 3 years. In this revised study, it is estimated that 0% of the driveway entrance drain pan, 50% of the sidewalks and steps, 50% of the curbs, and 100% of the garbage dumpster pad and adjacent parking spaces will need to be replaced when the work is scheduled.

### 7. Sprinkler irrigation system

- a. One(1) water tap valve (2775 Leisure Drive) and backflow preventer

Cost of new water tap PVB (pressure vacuum breaker) backflow prevention valve: **\$500**  
Expected water tap PVB backflow prevention valve useful life: 30 years  
Water tap PVB backflow prevention valve remaining life: 1 year

- b. One(1) controller clock (with 13 valves/zones capability)

Cost of new sprinkler controller: **\$200**  
Expected sprinkler controller useful life: 30 years  
Sprinkler controller remaining life: 29 years

Please note: The irrigation controller clock was replaced at a cost of \$194.04 in 2022.

- c. Sprinkler valves (quantity = 13)

Cost of new sprinkler valves: **\$520** (\$40 each)  
Expected sprinkler valves useful life: 30 years  
Sprinkler valves remaining life: 1 year

Please note: sprinkler valves are normally replaced by the landscape contractor on an as-needed basis and their age is not tracked. This expense is normally included in the operating budget, not the reserve funds.

- d. Piping (approximately 1500 linear feet)

Cost of new sprinkler piping: **\$1,125** (\$0.75 linear foot)  
Expected sprinkler piping useful life: 40 years  
Sprinkler controller remaining life: 11 years

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- e. Sprinkler rotor heads/drip heads (approximately 40)

Cost of new sprinkler rotor heads/drip heads: **\$800** (\$20 each)

Expected sprinkler rotor heads/drip heads useful life: 20 years

Please note: sprinkler rotor heads and drip heads are normally replaced by the landscape contractor on an as-needed basis and their age is not tracked. This expense is normally included in the operating budget, not the reserve funds.

### 8. Vegetation

Please note: damaged or deteriorated vegetation (like broken tree limbs) is normally removed and replaced on an as-needed basis and its age is not tracked. This expense is normally included in the operating budget, not the reserve funds.

- a. Deciduous trees (quantity =10)

Cost of new deciduous trees: **\$1,500** (\$150 each)

Expected deciduous tree useful life: 60 years

Estimated remaining deciduous tree useful life: 31 years

- b. Evergreen trees (quantity =7)

Cost of new evergreen trees: **\$700** (\$100 each)

Expected evergreen tree useful life: 50 years

Estimated remaining evergreen tree useful life: 21 years

- c. Shrubs (approximately 50)

Cost of new shrubs: **\$1,250** (\$25 each)

Expected shrub useful life: 40 years

Estimated remaining shrub useful life: 11 years

- d. Grass

Cost of new grass: **\$5,000**

Expected grass useful life: 100 years

Estimated remaining grass useful life: 71 years



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### Financial Analysis of Leisure Village: Assumptions/Considerations

The assumed annual inflation rate is now **2.75%** (based on historical averages of 2.48% last 10 years, 2.49% last 30 years, and 3.26% last 110 years).

The assumed reserve fund investment revenue rate (“savings” account interest rate) is now **2.25%** (based on historical 6-month CD average rates of about 0.5% last 10 years and 4.0% last 40 years). The HOA purchased a \$50,000 10-month CD in November 2022 that is earning 5% APY for an estimated \$2,500 net interest earnings.

The Leisure Village Condominium Association operating funds (“checking”) account balance was \$5,797.93 and the reserve funds (“savings”) account balance was **\$54,669.54** (\$4,375.16 in regular bank savings account plus \$50,294.34 in CD account) at the end of calendar/fiscal year 2022. Both figures are significant improvements from the previous report published in 2018.

Historical records indicate that the reserve balance was only around \$4500 ten years ago in 2013 and \$19,000 five years ago in 2018. During the past five years, reserve contributions have averaged just over \$8500 per year. No reserve withdrawals have been made since 2016, which was according to the plan previously published in 2018.

The budget for calendar/fiscal year 2023 estimates \$41,500 in total revenue and \$28,560 in operating expenses, with an additional \$11,480 added to the reserve savings account. However, the budget also includes an estimated \$12,500 being used from the reserve savings account to pay for new gutters and downspouts during 2023, so the reserve savings account balance is predicted to stay about the same this year.

The homeowner assessment revenue has increased about **4.2%** annually (based on the increases during the past 10-year period where dues were \$175, \$195, \$195, \$220, \$220, \$220, \$235, \$235, \$235, and \$250 for years 2014 to 2023 respectively). This exceeded both the annual inflation rate during this period and the actual increase in operating expenses which was only about 1% annually (\$27,152 in 2013 to \$29,903 in 2022).

Other revenue sources (transfer fees due to sale of condo units, late fees, etc.) can sometimes be present, but are highly variable, so they have been disregarded in this reserve study and funding plan.

### Financial Analysis of Leisure Village: Cash Flow Projections

Please see the attached financial spreadsheet for projected cash flows for the next 50 years.



### **Financial Analysis of Leisure Village: Conclusions**

The HOA has made significant progress in the past 5 years preparing for future financial obligations by setting aside funds in the reserve savings that met or even exceeded the previously published plan. With HOA dues now set at \$250 per month, reserve funds should be sufficient to meet future obligations. Once damaged concrete features (sidewalks, curbs, etc.) and the asphalt parking lot pavement is replaced, which are the largest pending reserve savings financial obligations, the HOA due assessments could begin to simply increase at a rate that matches annual inflation rates.

### **Financial Analysis of Leisure Village: Recommendations**

1. Replace the gutters and downspouts this year using reserve savings funds if needed.
2. Keep HOA dues set at \$250 per month per homeowner during the next 3 years.
3. Replace damaged concrete features (curbs, sidewalks, etc.) and the asphalt parking lot pavement in about 2 years using reserve savings funds as needed.
4. Update/revise this report sometime in the next 3-5 years.
5. Continue to invest an appropriate portion of the reserve funds in fixed income assets (e.g. certificates of deposit, bonds, etc.) with an annual return equal or greater than the rate of inflation if available.

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## Cash Flow Projection Spreadsheet

Year	Monthly HOA dues	Total Dues Revenue	Total Operating Expenses	Reserve Deposit	Estimated Reserve Expense (adjusted for inflation)	Reserve (Savings) Balance	Scheduled Reserve Item Description
2013	\$175		\$27,152				
2014	\$175		\$27,226				
2015	\$195		\$26,685				Replaced roof due to hailstorm damage--covered by insurance; repaired siding
2016	\$195		\$26,942			\$4,270	Painted siding and trim
2017	\$220		\$26,798	\$7,170		\$11,443	
2018	\$220	\$35,460	\$26,844	\$7,902		\$19,349	
2019	\$220	\$33,987	\$25,265	\$10,000		\$29,357	
2020	\$235	\$39,601	\$28,347	\$8,000		\$37,365	
2021	\$235	\$36,834	\$26,798	\$8,500		\$45,871	
2022	\$235	\$36,970	\$29,903	\$8,505		\$54,380	Replaced irrigation system clock; repaired and painted lower siding and trim
2023	\$250	\$39,000	\$28,560	\$11,480	\$12,500	\$54,584	Replace gutters and downspouts
2024	\$250	\$39,000	\$29,345	\$9,655	\$514	\$64,952	Replace irrigation system PVB
2025	\$250	\$39,000	\$30,152	\$8,848	\$19,799	\$55,463	Repair/replace concrete (curbs, steps, sidewalks, dumpster pad/parking)
2026	\$257	\$40,073	\$30,982	\$9,091	\$34,467	\$31,334	Replace asphalt pavement (overlay)
2027	\$264	\$41,174	\$31,834	\$9,341		\$41,380	
2028	\$271	\$42,307	\$32,709	\$9,598	\$16,929	\$34,980	Paint siding and trim
2029	\$279	\$43,470	\$33,609	\$9,862		\$45,629	
2030	\$286	\$44,666	\$34,533	\$10,133		\$56,788	
2031	\$294	\$45,894	\$35,482	\$10,412		\$68,478	
2032	\$302	\$47,156	\$36,458	\$10,698	\$1,596	\$79,120	Replace shrubs
2033	\$311	\$48,453	\$37,461	\$10,992	\$2,471	\$89,422	Replace irrigation pipe
2034	\$319	\$49,785	\$38,491	\$11,294	\$31,889	\$70,839	Repair siding and trim
2035	\$328	\$51,154	\$39,549	\$11,605	\$20,469	\$63,569	Paint siding and trim
2036	\$337	\$52,561	\$40,637	\$11,924		\$76,923	
2037	\$346	\$54,007	\$41,755	\$12,252		\$90,906	
2038	\$356	\$55,492	\$42,903	\$12,589		\$105,540	
2039	\$365	\$57,018	\$44,083	\$12,935		\$120,850	
2040	\$376	\$58,586	\$45,295	\$13,291	\$63,268	\$73,592	Replace roof
2041	\$386	\$60,197	\$46,541	\$13,656	\$51,776	\$37,128	Replace asphalt pavement (overlay)
2042	\$396	\$61,852	\$47,820	\$14,032	\$24,750	\$27,246	Paint siding and trim
2043	\$407	\$63,553	\$49,135	\$14,418		\$42,277	
2044	\$419	\$65,301	\$50,487	\$14,814	\$1,237	\$56,805	Replace evergreen trees
2045	\$430	\$67,097	\$51,875	\$15,222		\$73,305	
2046	\$442	\$68,942	\$53,302	\$15,640		\$90,594	
2047	\$454	\$70,838	\$54,767	\$16,070		\$108,703	
2048	\$467	\$72,786	\$56,274	\$16,512		\$127,661	
2049	\$479	\$74,787	\$57,821	\$16,966	\$29,936	\$117,564	Paint siding and trim
2050	\$493	\$76,844	\$59,411	\$17,433		\$137,642	
2051	\$506	\$78,957	\$61,045	\$17,912	\$3,478	\$155,174	Replace deciduous trees
2052	\$520	\$81,129	\$62,724	\$18,405	\$439	\$176,631	Replace irrigation system clock
2053	\$534	\$83,360	\$64,449	\$18,911	\$25,035	\$174,481	Replace gutters and downspouts
2054	\$549	\$85,652	\$66,221	\$19,431	\$1,159	\$196,679	Replace irrigation system PVB
2055	\$564	\$88,007	\$68,042	\$19,966	\$56,371	\$164,699	Repair siding and trim
2056	\$580	\$90,428	\$69,913	\$20,515	\$36,184	\$152,735	Paint siding and trim
2057	\$596	\$92,914	\$71,836	\$21,079	\$55,594	\$121,657	Repair/replace concrete (curbs, steps, sidewalks, dumpster pad/parking,
2058	\$612	\$95,470	\$73,811	\$21,658	\$82,114	\$63,938	Replace asphalt pavement (overlay)
2059	\$629	\$98,095	\$75,841	\$22,254		\$87,631	
2060	\$646	\$100,793	\$77,927	\$22,866		\$112,468	
2061	\$664	\$103,564	\$80,070	\$23,495		\$138,494	
2062	\$682	\$106,412	\$82,272	\$24,141		\$165,751	
2063	\$701	\$109,339	\$84,534	\$24,805	\$43,752	\$150,533	Paint siding and trim
2064	\$720	\$112,346	\$86,859	\$25,487		\$179,407	
2065	\$740	\$115,435	\$89,247	\$26,188	\$124,661	\$84,970	Replace roof
2066	\$760	\$118,610	\$91,702	\$26,908		\$113,790	
2067	\$781	\$121,871	\$94,223	\$27,648		\$143,998	
2068	\$803	\$125,223	\$96,815	\$28,408		\$175,646	
2069	\$825	\$128,666	\$99,477	\$29,189		\$208,788	
2070	\$847	\$132,205	\$102,213	\$29,992	\$52,901	\$190,577	Paint siding and trim
2071	\$871	\$135,840	\$105,023	\$30,817		\$225,682	
2072	\$895	\$139,576	\$107,912	\$31,664	\$4,723	\$257,701	Replace shrubs
2073	\$919	\$143,414	\$110,879	\$32,535	\$123,352	\$172,683	Replace asphalt pavement (overlay)

# Reserve Study and Funding Plan for Leisure Village Condominium Association, Inc.

## Leisure Village Aerial Views

View from north	
View from west	
View from south	
View from east	