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Access Passcode: PMSM.WSCA.0428

Long Term Capital Plan & Reserve Study

Meeting of the Association

April 28, 2022



Property Management Services of Maine, LLC
Your key to a better property management experience!

Presentation Flow

- What is a Long-Term Capital Plan & Reserve Study & Why it's important.
- Whispering Sands Study.
- Interpreting the Results.
- Additional Considerations.
- Next Steps for WSCA.

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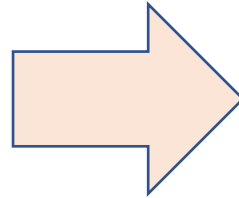
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Long-Term Capital Plan (LTCP): A Definition

What is an LTCP Plan?

LTCP plan identifies association infrastructure that will need to be replaced; when and at what estimated cost, and what reserve funds will be need at that time to fund the project.



What is the LTCP Objective?

Maintain the quality, integrity, beauty, and value of the property in the association by carefully planning and funding these projects.

The goal of the Study is to construct a *fact-based*, quantified long-term plan for funding the replacement of the Association's infrastructure, and to inform and gain consensus of the membership for the actions needed to maintain a viable long-term plan.



Managing Infrastructure (a/k/a 'Components)



Roofing, siding, driveways, roadways, pumps, utility connections, even tired landscaping. WSCA Declarations define what infrastructure is included.

Who's Responsible – How is it Managed:

- The Declarations require Common Elements be maintained.
- The Board will take the lead with community participation.
- Property managers will advise on estimating useful life, replacement costs, & inflation factors.

Widely Held Principles:

1. Proactive preventative maintenance can extend useful life...but don't throw good money at tired infrastructure.
2. Common elements are everyone's asset...and everyone's liability.
3. You want the Common Elements to be well maintained...your property values depend on it.
4. The more time, the better. Advance planning makes the burden easier to manage.



Managing Reserves

Reserves are an association's nest egg. Contributing the right amount regularly lessens the burden on owners when infrastructure replacement comes due.



A special purpose fund that you contribute to every month with a percentage of your HOA fee.

How Reserve Planning Works:

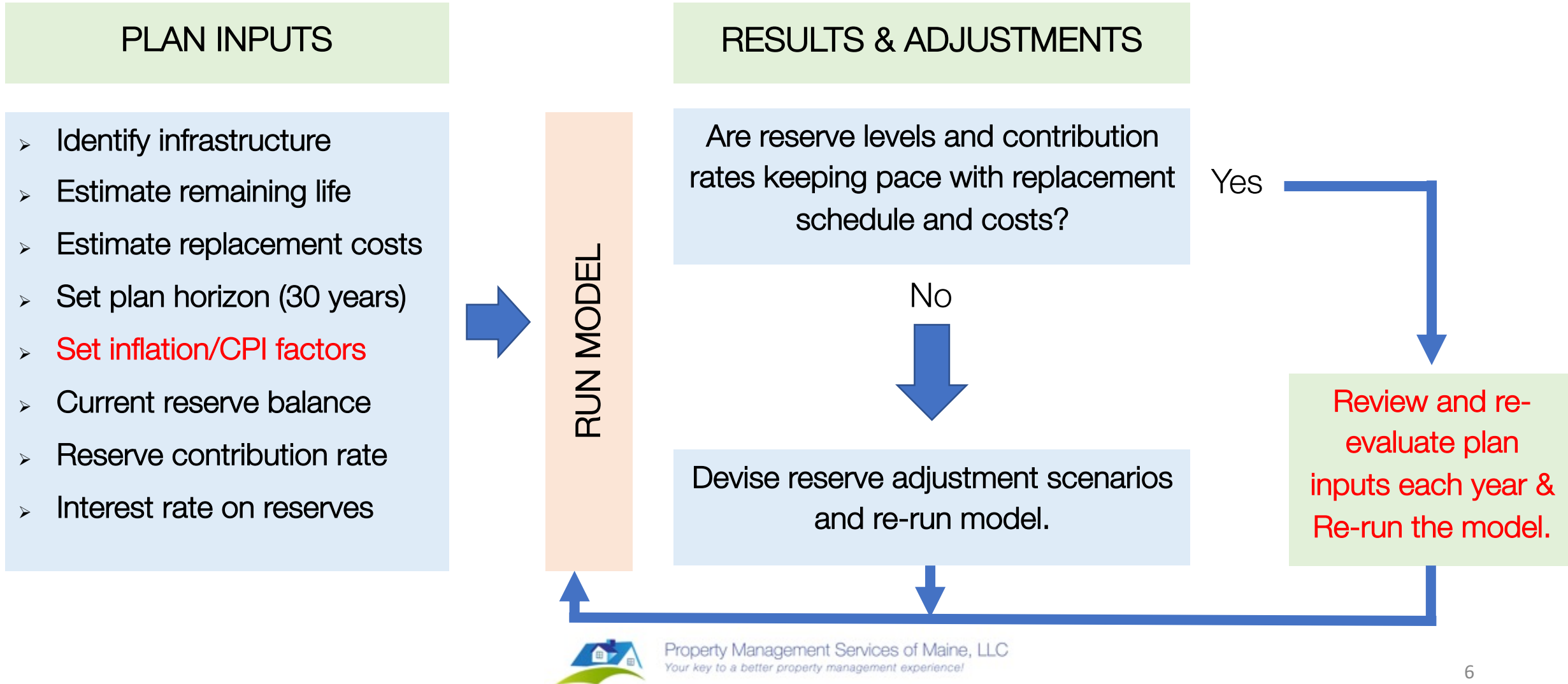
- Develop a LTCP, review and adjust annually.
- Assess reserve contributions to achieve targeted levels (~70% of replacement costs).
- Adjust contribution rates early during the annual budget ratification process.

Golden Rules on Reserves:

1. Plan early, adjust early – You want to avoid large (and surprise) assessments.
2. Reserves should be used only for infrastructure replacement, not general maintenance.



How is a Long-Term Capital Plan Developed & Utilized?



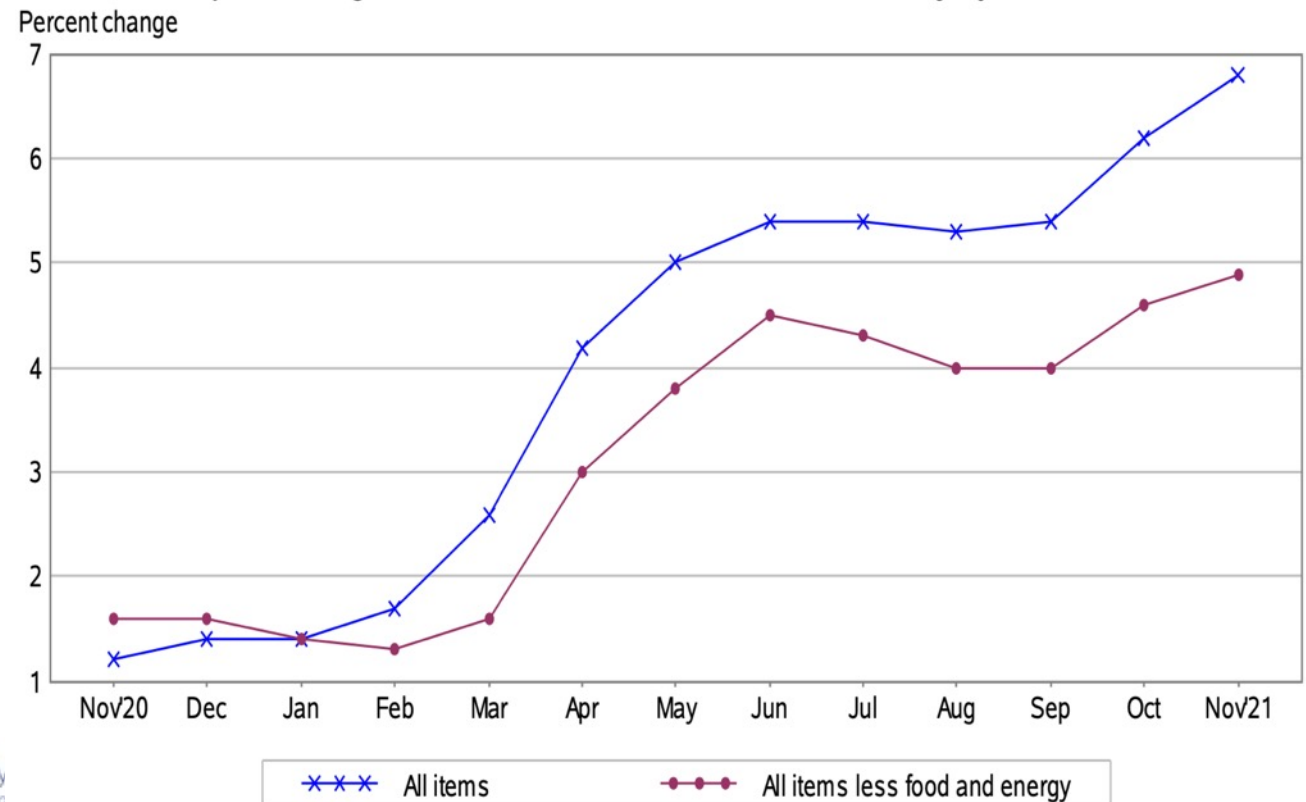
Inflationary Effects

New inflation data has significantly increased the estimated replacement costs of infrastructure (as valued in 2022 and through the Study horizon (2053)).

Input Considerations:

- Inflation cost increases have accelerated over the past 11 months and the rate of acceleration continues to increase.
- Building material costs are running 3-5x the rate of consumer CPI rate of 6%+.
- Trade labor costs are now in “uncharted territory” with demand far exceeding supply and compensation wars exacerbating the problem.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Nov. 2020 - Nov. 2021



Important Facts to Keep in Mind...

- Property values are directly influenced by well maintained common area infrastructure and the reserves needed to fund replacement of infrastructure.
- Mortgage originators are looking more closely at reserves when considering mortgage applications.
 - New standards for **Fannie Mae** and **Freddie Mac** effective 1/1/2022.
 - Failure of a property to qualify for Fannie Mae will impact buyer interest.
- Buyers are also looking more closely at how the property in an association is being managed.
- Special assessments – especially those which are unplanned – can be devastating.

It's a Fact

The Institute of Real Estate Management (REMI) and the Community Association Institute (CAI) – two leading organizations in property management of associations – estimate that as many as 70% of associations nationwide have underfunded reserves, and upwards of 50% of those are severely underfunded ($\leq 10\%$).



Whispering Sands Study



Property Management Services of Maine, LLC
Your key to a better property management experience!

WSCA Study Inputs

Inputs/Assumptions:

- 42 Units.
- Beginning year: 2022 through 2052
- 30-year period – targeting a 70% funded reserve level.
- Reserve balance: \$132,168. ⁽¹⁾
- Interest rate (avg) on reserves: 1.300%
- Operating expense inflation = 3.00% ⁽³⁾
- Reserve expense (replacement cost) inflation = 3.50% ⁽²⁾

(1) FY 2021 year-end reserve balance (source: association forecast of 6/30/2021; Projected at year-end 6/30/2022).

(2) Base line inflation rates for Building Materials/Labor are national averages.

(3) FY 2022 expense reflect a 3% inflation rate.



YEAR	HOA FEE					OPERATING EXPENSE BUDGET			RESERVES - REGULAR MONTHLY CONTRIBUTION			
	Per Month	Per year	Total all Units	Y/Y increase		Budget	Y/Y Increase		Balance	Contributions	% of HOA	Ending Bal
2022	\$ 375	\$ 4,500	\$ 189,000	3.0%		\$ 170,100			\$ 132,168	\$ 18,900	10%	\$ 151,068
2023	\$ 390	\$ 4,680	\$ 196,560	4.0%		\$ 175,203	2.9%		\$ 151,068	\$ 21,357	11%	\$ 172,425
2024	\$ 406	\$ 4,867	\$ 204,422	4.0%		\$ 180,459	2.9%		\$ 172,425	\$ 23,963	12%	\$ 196,388
2025	\$ 422	\$ 5,062	\$ 212,599	4.0%		\$ 185,873	2.9%		\$ 196,388	\$ 26,726	13%	\$ 223,115
2026	\$ 439	\$ 5,264	\$ 221,103	4.0%		\$ 191,449	2.9%		\$ 223,115	\$ 29,654	13%	\$ 252,769
2027	\$ 456	\$ 5,475	\$ 229,947	4.0%		\$ 197,193	2.9%		\$ 252,769	\$ 32,755	14%	\$ 285,524
2028	\$ 474	\$ 5,694	\$ 239,145	4.0%		\$ 203,108	2.9%		\$ 285,524	\$ 36,037	15%	\$ 321,561
2029	\$ 493	\$ 5,922	\$ 248,711	4.0%		\$ 209,202	2.9%		\$ 321,561	\$ 39,510	16%	\$ 361,070
2030	\$ 513	\$ 6,159	\$ 258,660	4.0%		\$ 215,478	2.9%		\$ 361,070	\$ 43,182	17%	\$ 404,252
2031	\$ 534	\$ 6,405	\$ 269,006	4.0%		\$ 221,942	2.9%		\$ 404,252	\$ 47,064	17%	\$ 451,316
2032	\$ 555	\$ 6,661	\$ 279,766	4.0%		\$ 228,600	2.9%		\$ 451,316	\$ 51,166	18%	\$ 502,482
2033	\$ 577	\$ 6,928	\$ 290,957	4.0%		\$ 235,458	2.9%		\$ 502,482	\$ 55,499	19%	\$ 557,981
2034	\$ 600	\$ 7,205	\$ 302,595	4.0%		\$ 242,522	2.9%		\$ 557,981	\$ 60,073	20%	\$ 618,054
2035	\$ 624	\$ 7,493	\$ 314,699	4.0%		\$ 249,798	2.9%		\$ 618,054	\$ 64,901	21%	\$ 682,955
2036	\$ 649	\$ 7,793	\$ 327,287	4.0%		\$ 257,292	2.9%		\$ 682,955	\$ 69,995	21%	\$ 752,951
2037	\$ 675	\$ 8,104	\$ 340,378	4.0%		\$ 265,010	2.9%		\$ 752,951	\$ 75,368	22%	\$ 828,319
2038	\$ 702	\$ 8,428	\$ 353,993	4.0%		\$ 272,961	2.9%		\$ 828,319	\$ 81,033	23%	\$ 909,352
2039	\$ 730	\$ 8,766	\$ 368,153	4.0%		\$ 281,149	2.9%		\$ 909,352	\$ 87,004	24%	\$ 996,356
2040	\$ 760	\$ 9,116	\$ 382,879	4.0%		\$ 289,584	2.9%		\$ 996,356	\$ 93,295	24%	\$ 1,089,651
2041	\$ 790	\$ 9,481	\$ 398,194	4.0%		\$ 298,271	2.9%		\$ 1,089,651	\$ 99,923	25%	\$ 1,189,574
2042	\$ 822	\$ 9,860	\$ 414,122	4.0%		\$ 307,220	2.9%		\$ 1,189,574	\$ 106,903	26%	\$ 1,296,477
2043	\$ 855	\$ 10,254	\$ 430,687	4.0%		\$ 316,436	2.9%		\$ 1,296,477	\$ 114,251	27%	\$ 1,410,728
2044	\$ 889	\$ 10,665	\$ 447,915	4.0%		\$ 325,929	2.9%		\$ 1,410,728	\$ 121,985	27%	\$ 1,532,713
2045	\$ 924	\$ 11,091	\$ 465,831	4.0%		\$ 335,707	2.9%		\$ 1,532,713	\$ 130,124	28%	\$ 1,662,838
2046	\$ 961	\$ 11,535	\$ 484,464	4.0%		\$ 345,778	2.9%		\$ 1,662,838	\$ 138,686	29%	\$ 1,801,524
2047	\$ 1,000	\$ 11,996	\$ 503,843	4.0%		\$ 356,152	2.9%		\$ 1,801,524	\$ 147,691	29%	\$ 1,949,215
2048	\$ 1,040	\$ 12,476	\$ 523,997	4.0%		\$ 366,836	2.9%		\$ 1,949,215	\$ 157,161	30%	\$ 2,106,376
2049	\$ 1,081	\$ 12,975	\$ 544,957	4.0%		\$ 377,841	2.9%		\$ 2,106,376	\$ 167,115	31%	\$ 2,273,491
2050	\$ 1,125	\$ 13,494	\$ 566,755	4.0%		\$ 389,176	2.9%		\$ 2,273,491	\$ 177,578	31%	\$ 2,451,070
2051	\$ 1,169	\$ 14,034	\$ 589,425	4.0%		\$ 400,852	2.9%		\$ 2,451,070	\$ 188,573	32%	\$ 2,639,643
2052	\$ 1,216	\$ 14,595	\$ 613,002	4.0%		\$ 412,877	2.9%		\$ 2,639,643	\$ 200,125	33%	\$ 2,839,768
2053	\$ 1,265	\$ 15,179	\$ 637,522	4.0%		\$ 425,264	2.9%		\$ 2,839,768	\$ 212,259	33%	\$ 3,052,026
TOTAL			\$ 11,850,578			\$ 8,930,719				\$ 2,919,858		

- HOA fee is increased by 4% Y/Y.
- OPEX is increased 3% Y/Y
- Reserve rate as a % of income grows proportionately increasing the reserve contributions from 10% to a high of 33%.



Current Component List – 1

ITEM#	REF#	Reserve Component Name	Original Cost	Replacement Value in 2023	Last Service Date	Nat'l Avg Useful Life	Adjusted Useful Life	Remaining Useful Life	Planned Replacement	Estimated Cost
32	6	Pool fencing - 1	\$ 6,200	\$ 18,000	2005	20	-2	0	2023	\$ 18,000
34	5	Replace pool pump/ filter-1	\$ 1,500	\$ 2,500	2016	5	5	3	2026	\$ 2,812
28	11	Clubhouse entrance doors	\$ 7,500	\$ 29,596	1988	40		5	2028	\$ 36,008
41	3	Pedestrian Bridge	\$ 36,250	\$ 143,046	1988	40		5	2028	\$ 174,037
42	4	Stockade fencing - 1	\$ 18,933	\$ 34,097	2008	15	5	5	2028	\$ 41,485
30	13	Clubhouse carpet - 1	\$ 3,650	\$ 5,195	2014	10	5	6	2029	\$ 6,573
40	2	Resurface roadway	\$ 85,250	\$ 336,404	1988	30	6	6	2029	\$ 425,658
39	1	Resurface sidewalks	\$ 17,250	\$ 68,070	1988	35	7	7	2030	\$ 89,576
31	27	Clubhouse linoleum	\$ 2,600	\$ 9,486	1990	41		8	2031	\$ 12,982
1	15	Roof Replacement: A Building	\$ 45,000	\$ 74,929	2010	25		12	2035	\$ 119,963
2	14	Roof Replacement: B Building	\$ 15,250	\$ 25,392	2010	25		12	2035	\$ 40,654
3	15	Roof Replacement: C Building	\$ 45,000	\$ 74,929	2010	25		12	2035	\$ 119,963
4	23	Roof Replacement: D Building	\$ 45,000	\$ 77,925	2009	25	1	12	2035	\$ 124,761
5	23	Roof Replacement: E Building	\$ 45,000	\$ 77,925	2009	25	1	12	2035	\$ 124,761
6	23	Roof Replacement: F Building	\$ 45,000	\$ 77,925	2009	25	1	12	2035	\$ 124,761
7	23	Roof Replacement: G Building	\$ 45,000	\$ 77,925	2009	25	1	12	2035	\$ 124,761
8	23	Roof Replacement: H Building	\$ 45,000	\$ 77,925	2009	25	1	12	2035	\$ 124,761
26	9	Clubhouse roof replacement	\$ 8,975	\$ 14,808	2014	30	-9	12	2035	\$ 23,708

Next 5 years is
~\$21,000

2028-29
\$683,761

2035
\$928,092



Current Component List – 2

ITEM#	REF#	Reserve Component Name	Original Cost	Replacement Value in 2023	Last Service Date	Nat'l Avg Useful Life	Adjusted Useful Life	Remaining Useful Life	Planned Replacement	Estimated Cost
34	5	Replace pool pump/ filter - 2	\$ -	\$ -	2026	10			2036	\$ 4,162
35	22	Pool resurfacing	\$ 4,299	\$ 5,440	2017	20		14	2037	\$ 9,420
9	24	Siding Replacement: A Building	\$ 22,625	\$ 89,281	1988	50		15	2038	\$ 160,789
10	16	Siding Replacement: B Building	\$ 15,250	\$ 60,178	1988	50		15	2038	\$ 108,377
11	24	Siding Replacement: C Building	\$ 22,625	\$ 89,281	1988	50		15	2038	\$ 160,789
17	19	Exterior doors: A Building	\$ 3,200	\$ 12,627	1988	50		15	2038	\$ 22,740
18	19	Exterior doors: B Building	\$ 3,200	\$ 12,627	1988	50		15	2038	\$ 22,740
19	19	Exterior doors: C Building	\$ 3,200	\$ 12,627	1988	50		15	2038	\$ 22,740
36	26	Sauna	\$ 4,500	\$ 5,475	2018	20		15	2038	\$ 9,860
37	20	Low voltage lighting (high)	\$ 3,255	\$ 12,845	1988	50		15	2038	\$ 23,132
38	21	Low voltage lighting (low)	\$ 2,596	\$ 10,244	1988	50		15	2038	\$ 18,449
43	18	Pedestal mailboxes	\$ 3,750	\$ 14,798	1988	50		15	2038	\$ 26,650
12	17	Siding Replacement: D Building	\$ 45,000	\$ 164,177	1990	50		17	2040	\$ 319,801
13	17	Siding Replacement: E Building	\$ 45,000	\$ 164,177	1990	50		17	2040	\$ 319,801
14	17	Siding Replacement: F Building	\$ 45,000	\$ 164,177	1990	50		17	2040	\$ 319,801
15	17	Siding Replacement: G Building	\$ 45,000	\$ 164,177	1990	50		17	2040	\$ 319,801
16	17	Siding Replacement: H Building	\$ 45,000	\$ 164,177	1990	50		17	2040	\$ 319,801
20	25	Exterior doors: D Building	\$ 3,200	\$ 12,675	1990	50		17	2040	\$ 24,689
21	25	Exterior doors: E Building	\$ 3,200	\$ 12,675	1990	50		17	2040	\$ 24,689
22	25	Exterior doors: F Building	\$ 3,200	\$ 12,675	1990	50		17	2040	\$ 24,689
23	25	Exterior doors: G Building	\$ 3,200	\$ 12,675	1990	50		17	2040	\$ 24,689
24	25	Exterior doors: H Building	\$ 3,200	\$ 12,675	1990	50		17	2040	\$ 24,689

2038
\$576,264

2040
\$1,722,449

Current Component List – 3

ITEM#	REF#	Reserve Component Name	Original Cost	Replacement Value in 2023	Last Service Date	Nat'l Avg Useful Life	Adjusted Useful Life	Remaining Useful Life	Planned Replacement	Estimated Cost
33	7	Tennis court resurface	\$ 29,500	\$ 59,762	2005	35	1	18	2041	\$ 116,410
42	4	Stockade fencing - 2	\$ -	\$ -	2028	15		15	2042	\$ 74,712
32	6	Pool fencing - 2	\$ -	\$ -	2023	20		20	2043	\$ 39,440
30	13	Clubhouse carpet - 2	\$ -	\$ -	2029	15		15	2044	\$ 11,837
29	12	Clubhouse windows	\$ 7,200	\$ 8,423	2019	35		31	2054	\$ -
25	8	Clubhouse panel	\$ 2,970	\$ 6,990	2022	35		34	2057	\$ -
27	10	Clubhouse siding replacement	\$ 4,895	\$ 8,477	2009	50		36	2059	\$ -
TOTAL			\$ 892,423	\$ 2,519,410						\$ 4,289,918

YEAR	OUTLAY	%	p/unit p/ea. yr.
2022 - 2027	\$21,000	< 1%	\$100
2028 – 2029	\$683,761	16%	\$2,325 (7 yrs.)
2035	\$928,092	22%	\$1,699 (13 yrs.)
2038	\$576,264	13%	\$857 (16 yrs.)
2040	\$1,722,449	40%	\$2,278 (18 yrs.)

CASH FLOW RESERVES ONLY

- To show the shortfall, all capital projects are deducted from the reserve account.
- Cash flow is the problem. 'High water' point is 2041.



YEAR	PLANNED PROJECTS		RESERVES - REGULAR MONTHLY CONTRIBUTION				
	Description	Cost	Balance	Contributions	% of HOA	Capital Need	Ending Bal
2022	<none>	\$ -	\$ 132,168	\$ 18,900	10%	\$ -	\$ 151,068
2023	Pool fencing - 1	\$ 18,000	\$ 151,068	\$ 21,357	11%	\$ 18,000	\$ 154,425
2024	<none>	\$ -	\$ 154,425	\$ 23,963	12%	\$ -	\$ 178,388
2025	<none>	\$ -	\$ 178,388	\$ 26,726	13%	\$ -	\$ 205,115
2026	Replace pool pump/ filter-1	\$ 2,812	\$ 205,115	\$ 29,654	13%	\$ 2,812	\$ 231,957
2027	<none>	\$ -	\$ 231,957	\$ 32,755	14%	\$ -	\$ 264,712
2028	Summary (Bridge,Clubhouse door,Stockade fence)	\$ 251,530	\$ 264,712	\$ 36,037	15%	\$ 251,530	\$ 49,219
2029	Summary (Clubhouse carpet, Roadway resurface)	\$ 432,231	\$ 49,219	\$ 39,510	16%	\$ 432,231	\$ (343,503)
2030	Resurface sidewalks	\$ 89,576	\$ (343,503)	\$ 43,182	17%	\$ 89,576	\$ (389,897)
2031	Clubhouse linoleum	\$ 12,982	\$ (389,897)	\$ 47,064	17%	\$ 12,982	\$ (355,815)
2032	<none>	\$ -	\$ (355,815)	\$ 51,166	18%	\$ -	\$ (304,649)
2033	<none>	\$ -	\$ (304,649)	\$ 55,499	19%	\$ -	\$ (249,150)
2034	<none>	\$ -	\$ (249,150)	\$ 60,073	20%	\$ -	\$ (189,077)
2035	All Roofing Bldgs A-H+Club House	\$ 928,092	\$ (189,077)	\$ 64,901	21%	\$ 928,092	\$ (1,052,268)
2036	Replace pool pump/ filter - 2	\$ 4,162	\$ (1,052,268)	\$ 69,995	21%	\$ 4,162	\$ (986,434)
2037	Pool resurfacing	\$ 9,420	\$ (986,434)	\$ 75,368	22%	\$ 9,420	\$ (920,486)
2038	Siding+Ext Doors A-C+Sauna+LV lighting+mailbox	\$ 576,265	\$ (920,486)	\$ 81,033	23%	\$ 576,265	\$ (1,415,718)
2039	<none>	\$ -	\$ (1,415,718)	\$ 87,004	24%	\$ -	\$ (1,328,714)
2040	Siding Bldg+ Ext Doors D-H	\$ 1,722,449	\$ (1,328,714)	\$ 93,295	24%	\$ 1,722,449	\$ (2,957,868)
2041	Tennis court resurface	\$ 116,410	\$ (2,957,868)	\$ 99,923	25%	\$ 116,410	\$ (2,974,355)
2042	Stockade fencing - 2	\$ 74,712	\$ (2,974,355)	\$ 106,903	26%	\$ 74,712	\$ (2,942,164)
2043			\$ (2,942,164)	\$ 114,251	27%	\$ -	\$ (2,827,913)
2044	Clubhouse carpet - 2	\$ 11,837	\$ (2,827,913)	\$ 121,985	27%	\$ 11,837	\$ (2,717,765)
2045	Pool fencing - 2	\$ 39,440	\$ (2,717,765)	\$ 130,124	28%	\$ 39,440	\$ (2,627,080)
2046	<none>	\$ -	\$ (2,627,080)	\$ 138,686	29%	\$ -	\$ (2,488,394)
2047	<none>	\$ -	\$ (2,488,394)	\$ 147,691	29%	\$ -	\$ (2,340,703)
2048	<none>	\$ -	\$ (2,340,703)	\$ 157,161	30%	\$ -	\$ (2,183,542)
2049	<none>	\$ -	\$ (2,183,542)	\$ 167,115	31%	\$ -	\$ (2,016,427)
2050	<none>	\$ -	\$ (2,016,427)	\$ 177,578	31%	\$ -	\$ (1,838,848)
2051	<none>	\$ -	\$ (1,838,848)	\$ 188,573	32%	\$ -	\$ (1,650,275)
2052	<none>	\$ -	\$ (1,650,275)	\$ 200,125	33%	\$ -	\$ (1,450,150)
2053	<none>	\$ -	\$ (1,450,150)	\$ 212,259	33%	\$ -	\$ (1,237,892)
TOTAL		\$ 4,289,918		\$ 2,919,858			

CASH FLOW RESERVES + SPECIAL ASSESSMENTS

- Augmenting reserves with special assessments is the only way to close the gap.
- “Pulling in” projects – especially on items that are ‘overdue’ for replacement will reduce the cost (avoids affects of inflation.)
- Conversely, pushing projects out increases the cost due to inflation.

YEAR	PLANNED PROJECTS		RESERVES - REGULAR MONTHLY CONTRIBUTION w/ASSESSMENTS				
	Description	Cost	Balance	Contributions	Spec Asmt	Capital Need	Ending Bal
2022	<none>	\$ -	\$ 132,168	\$ 18,900	\$ 0	\$ -	\$ 151,068
2023	Pool fencing - 1	\$ 18,000	\$ 151,068	\$ 21,357	\$ 0	\$ 18,000	\$ 154,425
2024	<none>	\$ -	\$ 154,425	\$ 23,963	\$ 0	\$ -	\$ 178,389
2025	<none>	\$ -	\$ 178,389	\$ 26,726	\$ 0	\$ -	\$ 205,115
2026	Replace pool pump/ filter-1	\$ 2,812	\$ 205,115	\$ 29,654	\$ 0	\$ 2,812	\$ 231,958
2027	<none>	\$ -	\$ 231,958	\$ 32,755	\$ 0	\$ -	\$ 264,713
2028	Summary (Bridge,Clubhouse door,Stockade fence)	\$ 251,530	\$ 264,713	\$ 36,037	\$ 500,000	\$ 251,530	\$ 549,220
2029	Summary (Clubhouse carpet, Roadway resurface)	\$ 432,231	\$ 549,220	\$ 39,510	\$ 0	\$ 432,231	\$ 156,498
2030	Resurface sidewalks	\$ 89,576	\$ 156,498	\$ 43,182	\$ 0	\$ 89,576	\$ 110,104
2031	Clubhouse linoleum	\$ 12,982	\$ 110,104	\$ 47,064	\$ 0	\$ 12,982	\$ 144,187
2032	<none>	\$ -	\$ 144,187	\$ 51,166	\$ 0	\$ -	\$ 195,353
2033	<none>	\$ -	\$ 195,353	\$ 55,499	\$ 0	\$ -	\$ 250,852
2034	<none>	\$ -	\$ 250,852	\$ 60,073	\$ 0	\$ -	\$ 310,925
2035	All Roofing Bldgs A-H+Club House	\$ 928,092	\$ 310,925	\$ 64,901	\$ 700,000	\$ 928,092	\$ 147,734
2036	Replace pool pump/ filter - 2	\$ 4,162	\$ 147,734	\$ 69,995	\$ 0	\$ 4,162	\$ 213,568
2037	Pool resurfacing	\$ 9,420	\$ 213,568	\$ 75,368	\$ 0	\$ 9,420	\$ 279,516
2038	Siding+Ext Doors A-C+Sauna+LV lighting+mailbox	\$ 576,265	\$ 279,516	\$ 81,033	\$ 400,000	\$ 576,265	\$ 184,284
2039	<none>	\$ -	\$ 184,284	\$ 87,004	\$ 0	\$ -	\$ 271,288
2040	Siding Bldg+ Ext Doors D-H	\$ 1,722,449	\$ 271,288	\$ 93,295	\$ 1,500,000	\$ 1,722,449	\$ 142,135
2041	Tennis court resurface	\$ 116,410	\$ 142,135	\$ 99,923	\$ 0	\$ 116,410	\$ 125,648
2042	Stockade fencing - 2	\$ 74,712	\$ 125,648	\$ 106,903	\$ 0	\$ 74,712	\$ 157,839
2043			\$ 157,839	\$ 114,251	\$ 0	\$ -	\$ 272,090
2044	Clubhouse carpet - 2	\$ 11,837	\$ 272,090	\$ 121,985	\$ 0	\$ 11,837	\$ 382,239
2045	Pool fencing - 2	\$ 39,440	\$ 382,239	\$ 130,124	\$ 0	\$ 39,440	\$ 472,923
2046	<none>	\$ -	\$ 472,923	\$ 138,686	\$ 0	\$ -	\$ 611,610
2047	<none>	\$ -	\$ 611,610	\$ 147,691	\$ 0	\$ -	\$ 759,302
2048	<none>	\$ -	\$ 759,302	\$ 157,161	\$ 0	\$ -	\$ 916,463
2049	<none>	\$ -	\$ 916,463	\$ 167,115	\$ 0	\$ -	\$ 1,083,578
2050	<none>	\$ -	\$ 1,083,578	\$ 177,578	\$ 0	\$ -	\$ 1,261,157
2051	<none>	\$ -	\$ 1,261,157	\$ 188,573	\$ 0	\$ -	\$ 1,449,731
2052	<none>	\$ -	\$ 1,449,731	\$ 200,125	\$ 0	\$ -	\$ 1,649,856
2053	<none>	\$ -	\$ 1,649,856	\$ 212,259	\$ 0	\$ -	\$ 1,862,115
TOTAL		\$ 4,289,918		\$ 2,919,858	\$ 3,100,006		

Addressing the Deficit

1. The reserve build has been – and is projected to continue to be – insufficient to cover the capital projects in terms of absolute dollars collected through normal reserves + cash flow.
2. Underlying assumptions are critical variables in the equation.
 - Infrastructure remaining life (lasts longer, grows shorter).
 - Inflation (lower or higher).
 - New/better material options that lower the cost.
3. Inflation is driving up costs.

HOA fees	+4% Y/Y
OPEX	+3% Y/Y
Reserve 30-year shortfall	\$1.3M
Reserve cash flow shortfall	\$2.975M - 3.1M
Shortfall years	2028 - \$500K 2035 - \$700K 2038 - \$400K 2040 - \$1.7M



Additional Considerations (1 of 2)

- Impact of inflation on the largest two components:

	2022 VALUE	CURRENT REPLACEMENT		ALTERNATE REPLACEMENT		COST DIFFERENCE
COMPONENT		Date	Estimated Cost	Date	Estimated Cost	
Resurface roadway	\$ 336,404	2029	\$ 425,658	2025	\$ 371,726	\$ (53,932)
All Roofing Bldgs A-H+Club House	\$ 339,225	2035	\$ 928,092	2028	\$ 410,462	\$ (517,630)
						\$ (571,562)
NOTE: Inflation rate @ 3.5% per year.						

- While replacing infrastructure too soon isn't advisable, if the infrastructure has 'seen its better days', executing the project sooner will reduce the total cost and improve the look of the association.
- Inflation and interest rates remain the largest two variables.



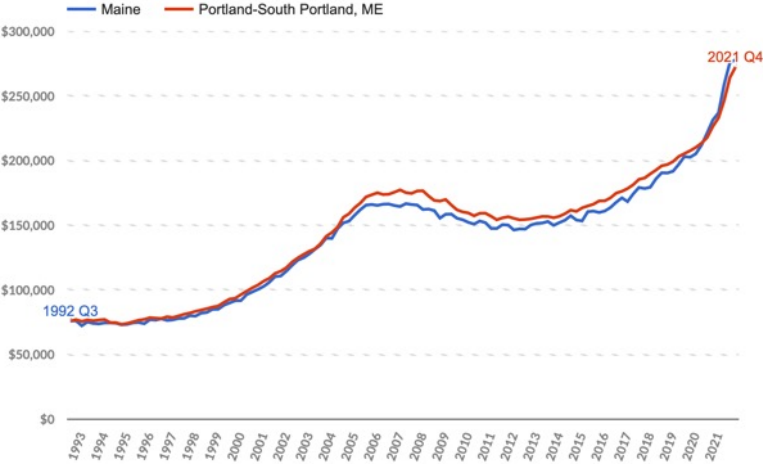
Additional Considerations (2 of 2)

Source: *Portland & South Portland MSA*



Home values have appreciated at a significant pace, particularly over the past 5 years (2015 – 2020). Future appreciation rates may not be as favorable, but the likelihood of sustained zero appreciation or depreciation is unlikely. We chose three WSCA units sold at different times throughout the past 30 years to profile the appreciation from the point of sale through the end of 2021.

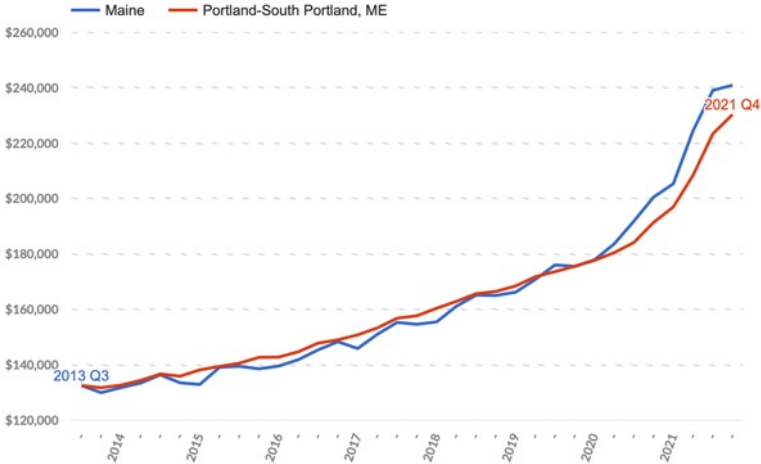
	Total	Avg p/Yr
Home Appr. in 2020	6%	5.5%
Home Appr. since 2010	64%	6.4%
Home Appr. since 2000	102%	5.1%
Home Appr. since 1990	145%	4.8%
Average		5.5%



2021 – 2031 (10yr)

5.5%

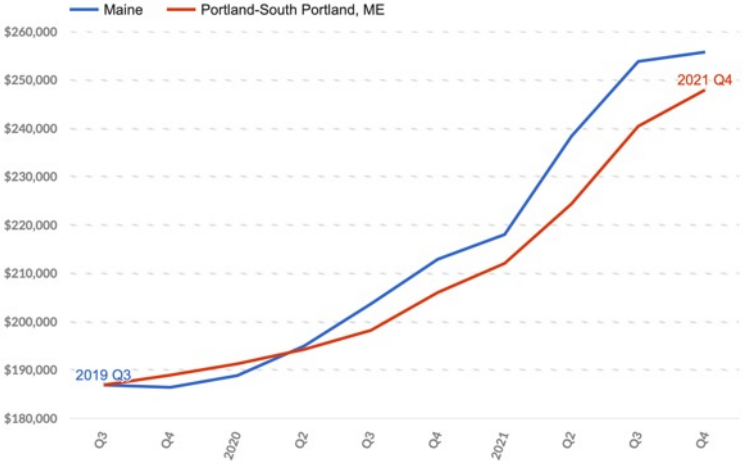
\$423,500



2021 – 2031 (10yr)

5.5%

\$356,500



2021 – 2031 (10yr)

5.5%

• \$384,500

Closing Thoughts

- Your Board is addressing this topic in the right order: Study → Plan → Execute.
- Consider the (positive) effects of rising property values and the build of equity.
- Being proactive benefits everyone while waiting doesn't change the outcome it just postpones it.
- Suggestion for Owners: *Get Involved, Stay Involved.*



Recommended Next Steps

- Share results with WSCA owners.
- Continue to model various options.
- Discuss various options but decide a course of action soon.



Questions & Answers?



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