



REPLACEMENT RESERVE STUDY THREE-YEAR REVIEW UPDATE

August 26, 2022



TAHOE DONNERSM



UPDATE OBJECTIVE

Staff to provide the Board an update on the Replacement Reserve Study three-year review

No decision required



TYPICAL COMPONENT CRITERIA

ITEMS IN THIS STUDY GENERALLY MEET THE FOLLOWING CRITERIA

- Must be a common area component that the association must maintain, repair or replace
- Minimum threshold cost of \$2,000 in the aggregate
- Needs to have measurable life greater than 1 year and less than 30 years
- The Replacement Reserve Fund is not intended to cover annual maintenance.

SITE TOUR

Hughes Consultant found the following over a three-day physical inspection period:

- Current database of components updated by staff was generally accurate.
- Some components may be too granular. Opportunity to reduce number of components and simplify.
- Some new components were identified and will be added to the database. Example: landscape restoration, irrigation restoration, campus-wide annual allowances for maintenance, etc.
- Due to age of HOA and massive size of campus, consider adding components to conduct professional service/engineering assessments to study existing conditions to develop a strategy for future replacement of the major component categories (roofs, parking lots, pools, golf course).



A close-up, low-angle shot of a bicycle tire tread, showing the intricate pattern of the rubber. The tire is dark, and the tread is highlighted by warm, golden light, creating a bokeh effect in the background.

INITIAL FINDINGS

Additional allowances needed for the following, based on the age of the Association:

- **Asphalt Milling/Paving** – Annual allowance for removal and replacements due to ongoing damages incurred during extreme winter snow conditions
- **Concrete/Curbs/Walkways** – Annual allowance for removal and replacements due to ongoing damages incurred during extreme winter conditions
- **Landscape Restoration** – Intended to restore landscape areas to the original design; replacement of trees and shrubs that have been removed over the years; 20-year cycle
- **Irrigation Restoration** – In conjunction with Landscape Restoration, the dated irrigation system also needs to be restored; 20-year cycle
- **Landscape** – Annual allowance for removal and replacements due to ongoing damages incurred during extreme winter snow conditions



PRELIMINARY INFLATION & COST ASSUMPTIONS

INFLATION: Despite the large increases in costs on some items for the near future, it is the opinion of Hughes Reserves that over the course of the 30-year study that a 3.5% inflation should be sufficient going forward as this is the average over the last 109 years. *This opinion is based on historical data from previous economic hardships.*

COST: 3-year reserve replacement update will be adjusting current asset costs to today's market value

Note: Staff is still reviewing the study and will have a better understanding of any potential impacts to the 2023 annual assessment in the coming weeks. Information to be provided during the budget process



NEXT STEPS

- **NOW** – Draft study with initial finding submitted to staff 8/17/22
- **NEXT** – Staff reviewing study and providing feedback to Hughes Reserves
- **NEXT** – Final Replacement Reserve Study 3-year update presented for Board review and approval during budget cycle activities



THANK YOU

APPENDIX:

COMPONENT CATEGORIA DEFINITIONS

- **Cyclic Regular** - Items like road slurry or wood painting fall into this category.
- **Cyclic Irregular** - Items like deck surfaces and roofing fall into this category.
- **Predictable but Irregular Non-Catastrophic Failure** - This category includes pool pumps, spa heaters and other items which can be expected to wear out with some predictability (regular or irregular), but do not need to be replaced until failure.
- **Catastrophic Failure** - With these items, waiting until failure is not recommended. Boilers, elevator components and HVAC are examples in this category.
- **Outdated Design/Aesthetics** - This category refers to items where aesthetics is a major concern. Examples include flooring, light fixtures, window coverings and other items that may be quite functional past the time they are desirable.

Note: These categories are not rigid, and in fact some components may fit into several categories. Rather, these categories are used as general guidelines to help the Association reach a reasonable conclusion concerning life estimates and funding strategies.