



HMC Management

Lakebay, WA

Level of Service: Update "No-Site-Visit"

Report #: 24901-8

of Units: 377

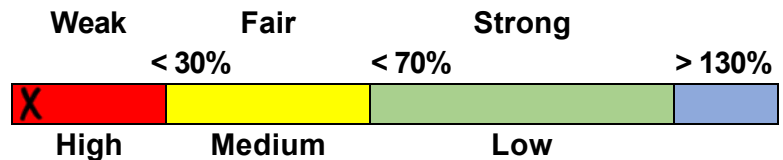
October 1, 2021 through September 30, 2022

Findings & Recommendations

as of October 1, 2021

Starting Reserve Balance	\$591,011
Current Fully Funded Reserve Balance	\$18,559,863
Percent Funded	3.2 %
Average Reserve (Deficit) or Surplus Per Unit	(\$47,663)
Recommended 2021/2022 100% Annual "Full Funding" Contributions	\$2,100,000
2021 "Baseline Funding" to keep Reserves above \$0	\$1,965,080
Recommended 2021 Special Assessment	\$0
Current 2021/2022 Budgeted Contribution Rate	\$835,200

Reserve Fund Strength: 3.2%



Risk of Special Assessment:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 1.00 %

Annual Inflation Rate 3.00 %

• This is a Update "No-Site-Visit", meeting all requirements of the Revised Code of Washington (RCW). This study was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).

• **Your Reserve Fund is currently 3.2 % Funded. This means the association's special assessment and/or deferred maintenance risk is currently very High.** The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of Reserve cash flow problems.

• The reader should note that a significant project to replace dolphins for ferry system was completed in FY 2017/2018. Long term USDA loan to finance vast majority of that project is in place. No future impact upon HMC maintenance reserves is factored for this significant indebtedness since collections and payments will reportedly continue to be handled in a separate account for this debt obligation (similar to separate Water System indebtedness).

• Based on this starting point and your anticipated future expenses, **our recommendation is to immediately increase Reserve Contributions to the 100% range as noted above.** The 100% "Full" contribution rate is designed to gradually achieve the funding objectives by the end of our 30-year report scope. **Going forward, stable collection of reserve monies to provide for fair distribution of expense burden to offset ongoing deterioration of reserve category projects and improve reserve fund status should be undertaken. In other words, current owners should contribute "their fair share" to maintenance reserves.** The reader should note that the FY 2021/2022 "Annual Deterioration" of reserve components is \$682,043.

- No assets appropriate for Reserve designation are known to be excluded. **See appendix for important component information and the basis of our assumptions.** "Baseline Funding" in this report is as defined within the RCW, "to maintain the reserve account balance above zero throughout the thirty-year study period, without special assessments." Funding plan contribution rates, and reserves deficit or (surplus) are presented as an aggregate total, assuming average percentage of ownership. The actual ownership allocation may vary - refer to your governing documents, and assessment computational tools to adjust for any variation.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Site/Grounds/Recreation				
200	Asphalt Roads - Repair/Resurface	25	21	\$31,900
204	Gravel Roads/Lots - Maintain/Repair	5	2	\$85,000
350	Play Equip,North Beach 2007-Replace	20	6	\$6,365
352	Play Equip,North Beach 2017-Replace	20	16	\$6,365
354	Play Eq,Goodpastor-Partial Replace	5	3	\$8,485
356	Basketball Court - Repair/Replace	30	22	\$21,250
370	Pavilion - Replace Roof	25	7	\$10,465
Small Boat Marina				
302	Small Boat Docks/Floats-Replace	30	10	\$182,000
306	Small Boat Dock Pilings - Replace	50	40	\$238,000
320	Small Boat Trestle/Ramp - Replace	30	10	\$144,900
336	Small Boat Gangway - Replace	30	10	\$9,015
Community Building				
410	Community Building Siding-Replace	50	34	\$35,000
430	Community Building Roof - Replace	40	21	\$32,450
460	Community Blding Septic - Replace	50	11	\$15,000
Equipment				
540	Dust/Water Truck - Replace	12	8	\$20,100
Ferry System				
700	Ferry Terminal,Main-Inspect/Repair	2	0	\$21,000
701	Ferry Terminal,Island-Inspect/Repair	4	2	\$21,000
702	Ferry Terminals - Paint	12	6	\$207,000
704	Ferry Terminal Cables - Replace	5	3	\$45,000
705	Ferry Terminal Motors - Replace	4	2	\$12,300
706	Ferry Term Motor Control-Replace	32	31	\$55,000
707	Ferry Terminal Wood Decks - Replace	24	18	\$294,000
708	Ferry Terminal Structures - Replace	60	30	\$2,685,000
709	Ferry Ramp Dolphins - Replace	50	46	\$1,350,000
712	Ferry Ramp Generators - Replace	20	6	\$42,350
740	Ferry Vessel - Shipyard	2	0	\$300,000
744	Ferry Vessel - Overhaul Engines	6	3	\$100,000
746	Ferry Vessel - Replace Engines	48	39	\$200,000
755	Ferry Vessel-Overhaul Transmissions	7	0	\$16,950
757	Ferry Vessel-Replace Transmissions	28	20	\$38,200
760	Ferry Vessel - Replace	60	12	\$20,000,000
Professional/Special Projects				
940	Legal Contingency Fund	0	0	\$35,000

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
32 Total Funded Components				

Note 1: Yellow highlighted line items are expected to require attention in this initial year.