

RESERVE FUND STUDY

FOREST CROWNE CLOSE
STRATA CORPORATION NES2947
300 & 400 BLOCK FOREST CROWNE CLOSE
KIMBERLEY, BRITISH COLUMBIA



PREPARED FOR
THE BOARD OF DIRECTORS
BY



JUNE 2020

June 30, 2020

Board of Directors
Forest Crowne Close, Strata Corporation NES2947
300 & 400 Block Forest Crowne Close
Kimberley, British Columbia
V1A 0A2

Dear Board Members:

**Reserve Fund Study- Forest Crowne Close
300 & 400 Block, Forest Crowne Close, Kimberley, British Columbia**

Pursuant to your request for a reserve fund study of the within described Strata Corporation, Taycon Consulting has prepared and submits to you this report.

The Reserve Fund Study describes the reserve fund concepts and major reserve fund items. It provides current and future replacement reserve estimates and recommends reserve fund actions. The Reserve Fund Study is a complex document and should be reviewed in detail within the context of this report.

We recommend that a reserve fund plan and strategy be maintained, and that annual reserve fund contributions of \$4,000 in 2019/20 should be increased to \$4,400 for 2020/21 and then increased as per the cash flow tables in this report each subsequent year thereafter. As outlined in this report, the current reserve fund and proposed contributions will ensure reserve funds are adequate to cover potential expenditures required to repair or replace common elements or assets of the corporation when needed.

Taycon Consulting would be pleased to provide you with complete review and updating services for the reserve fund of the corporation, as required in the future. We appreciate the opportunity to perform this reserve fund study for you. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,
Taycon Consulting Inc.

Terry Brown

Terry Brown, Certified Reserve Planner

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Notwithstanding the foregoing, the applicant herein has permission to reproduce the report in whole or in part for the legitimate purposes of providing information to the board of directors, unit owners and others, who have an interest in the project.

Specifically, the applicant has permission to provide reserve fund study information in disclosure documents, such as a status certificate.

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EXECUTIVE SUMMARY OF FACTS AND CONCLUSIONS

This executive summary has been prepared as a quick reference of pertinent facts and estimates of this Reserve Fund Study, and it is provided as convenience only. Readers are advised to refer to the full text of this Reserve Fund Study for detailed information.

Applicant	Board of Directors Forest Crowne Close, Strata Corporation NES2947 300 & 400 Block, Forest Crowne Close Kimberley, British Columbia V1A 0A2	
Date of Study	June 30, 2020	
Property	300 & 400 Block, Forest Crowne Close Kimberley, British Columbia	
Reserve Fund Items	Architectural	0 Reserve Components
	Finishes	0 Reserve Components
	Mechanical and Electrical	0 Reserve Component
	Amenities	0 Reserve Component
	Site Improvements	5 Reserve Components
	Reserve Fund Consultants	1 Reserve Component
Inflation Factor	2.00%	
Interest Rate	2.00%	

Significant Reserve Fund Estimates

Current Replacement Costs	\$ 126,575
Future Replacement Costs	\$ 159,390
Current Reserve Fund Requirements	\$ 66,777
Future Reserve Fund Accumulation	\$ 83,391
Future Reserve Fund Requirements	\$ 75,999
Annual Reserve Fund Contributions	\$ 6,254

NOTE: It is not a requirement to be fully funded but rather to have a plan in place which shows a proposed funding level that will meet all the funding requirements for the repair and replacement of the common property for the Corporation. The cash flow models provided in this report meet these requirements.

Taycon Consulting has prepared the following Cash Flow Table, which provides minimum annual funding requirements proposed to meet estimated Reserve Fund expenditures. **Two alternate cash flow tables are provided at the end of this report.**

FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
CASH FLOW TABLE

NES2947							
Cash Flow Table							
Year ending	Opening	Recommended	Special	Estimated	Estimated	Percentage Increase	Closing
June 30th	Balance	Annual	Assessment	Inflation	Interest	in Recommended	Balance
		Contribution	Transfer-Op	Adjusted	Earned	Annual Contribution	
				Expenditures	2.0%		
2020	49,053	4,000		1,575	491	n/a	51,969
2021	51,969	4,400		2,000	520	10.0%	54,888
2022	54,888	4,840		5,000	549	10.0%	55,277
2023	55,277	5,324		1,700	829	10.0%	59,730
2024	59,730	5,856		4,000	1,195	10.0%	62,781
2025	62,781	6,442		-	1,256	10.0%	70,479
2026	70,479	6,603		1,800	1,410	2.5%	76,692
2027	76,692	6,768		7,000	1,534	2.5%	77,994
2028	77,994	6,937		-	1,560	2.5%	86,491
2029	86,491	7,111		5,900	1,730	2.5%	89,431
2030	89,431	7,289		2,500	1,789	2.5%	96,009
2031	96,009	7,471		7,500	1,920	2.5%	97,900
2032	97,900	7,471		94,700	1,958	0.0%	12,628
2033	12,628	7,471		7,500	253	0.0%	12,852
2034	12,852	7,471		4,000	257	0.0%	16,580
2035	16,580	7,471		2,100	332	0.0%	22,282
2036	22,282	7,471		-	446	0.0%	30,198
2037	30,198	7,471		7,500	604	0.0%	30,773
2038	30,773	7,471		2,200	615	0.0%	36,659
2039	36,659	7,471		4,000	733	0.0%	40,863
2040	40,863	7,471		12,500	817	0.0%	36,651
2041	36,651	7,471		2,400	733	0.0%	42,455
2042	42,455	7,471		7,500	849	0.0%	43,275
2043	43,275	7,471		-	866	0.0%	51,611
2044	51,611	7,471		6,500	1,032	0.0%	53,615
2045	53,615	7,471		-	1,072	0.0%	62,158
2046	62,158	7,471		-	1,243	0.0%	70,872
2047	70,872	7,471		10,200	1,417	0.0%	69,560
2048	69,560	7,471		-	1,391	0.0%	78,422
2049	78,422	7,869		4,000	1,568	5.3%	83,859

RECOMMENDATIONS

Taycon Consulting recommendations, set out below and detailed in this report, will assist the corporation to achieve and maintain an adequate reserve fund. In our opinion, the current reserve fund balance, recommended annual contributions and earned investment income will adequately fund immediate and future reserve fund expenditures.

- 1. The Corporation should maintain a long-term reserve fund strategy.**
- 2. Major repairs and replacements should be recorded in, and funded from, a reserve fund account which is separate from the operating account.**
- 3. All reserve fund expenditures require pre-approval by a majority vote at an annual or special general meeting if they are to obtain a reserve fund study or if the repair has been recommended in the most recent reserve fund study. If the expenditure does not meet the above requirements it must be approved by a $\frac{3}{4}$ vote at an annual or special general meeting.**
- 4. Financial Statements of the Strata Corporation should clearly identify the reserve fund account and itemize all individual reserve fund expenditures separately from the operating expenditures so they can be properly tracked and accounted for.**
- 5. Reserve fund contributions of \$4,000 per annum in 2019/2020 should be set at \$4,400 for 2020/21 and then increased as per the cash flow tables in this report each subsequent year thereafter.**
- 6. The reserve fund should be fully invested in guaranteed securities to maximize yield over the life of the property. See notes in report regarding short term rate assumptions.**
- 7. The Corporation should make such expenditures, as necessary to maintain the property in optimum condition.**
- 8. The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.**
- 9. As per regulations, the corporation should update the reserve fund study every (3) years.**

CERTIFICATION

We hereby certify that we are qualified persons empowered to conduct reserve fund studies, and that Terry Brown has personally inspected the within described property, and that he personally examined the building plans and/or documents as identified herein. To the best of our knowledge and belief, the information and data used herein is true and correct. This report has been completed exclusively by Terry Brown.

We have no interest, present or prospective, in the property or its management. Neither the employment to prepare this Reserve Fund Study nor the compensation is contingent on the amount of the reserve fund estimates reported. Moreover, we are solely responsible for the reserve fund estimates reported herein.

Terry Brown carries errors and omissions insurance through the Real Estate Institute of Canada (REIC) with an exclusive policy for Certified Reserve Planners (CRP). Coverage is for \$1,000,000. Policy number is SRD529467.

This Reserve Fund Study was prepared in conformity with the Reserve Fund Study Standards published by the Real Estate Institute of Canada.

Terry Brown

Terry Brown
Certified Reserve Planner

June 30, 2020

THIS REPORT IS SUBJECT TO THE FOLLOWING LIMITING CONDITIONS

The legal and survey descriptions of the property as stated herein are those which are recorded by the Registrar of the requisite Land Titles Office and are assumed to be correct.

No drawings other than the Strata plan and the developer underground and servicing drawings were provided for this report. All observations were obtained from a visual inspection of the buildings and site improvements.

Sketches, drawings, diagrams, photographs, if any, presented in this report are included for the sole purpose of illustration. No legal survey, soil tests, engineering investigations, detailed quantity survey compilations, nor exhaustive physical examinations have been made. Accordingly, no responsibility is assumed concerning these matters or other technical and engineering techniques, which would be required to discover any inherent or hidden condition of the property.

In order to arrive at supportable replacement cost estimates, it was found necessary to utilize both documented and other cost data. A concerted effort has been put forth to verify the accuracy of the information contained herein. Accordingly, the information is believed to be reliable and correct, and it has been gathered to standard professional procedures, but no guarantee as to the accuracy of the data is implied.

The distribution of cost and other estimates in this report apply only under the programme of utilization as identified in this report. The estimates herein must not be used in conjunction with any other appraisal or reserve fund study and may be invalid if so used.

The client to whom this report is addressed may use it in deliberations affecting the subject property only, and in so doing, the report must not be abstracted; it must be used in its entirety.

Possession of this report or any copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone but the applicant without the written consent of the author, and in any event, only with the proper qualifications.

The agreed compensation for services rendered in preparing this report does not include fees for consultations and/or arbitrations, if any. Should personal appearances other than a draft review be required in connection with this report, additional fees will have to be negotiated. Unless otherwise noted, all estimates are expressed in Canadian currency.

RESERVE FUND STUDY

1. Purpose of Reserve Fund Study

This Reserve Fund Study is a financial document. The purpose of a Reserve Fund Study is to provide cost estimates for various reserve components that are subject to major repairs and/or replacement over the lifetime of the property, and to estimate the funding required for such major repairs and replacement. **A reserve fund study is the same thing as a depreciation report. British Columbia is the only province in Canada that uses this designation. To be consistent with other regions this report will refer to it as a Reserve Fund Study.**

This reserve fund study applies as of

June 30th, 2020

1.1 British Columbia's Strata Corporation Act, 2009 – Depreciation Report

This Reserve Fund Study/Depreciation Report complies with the reserve fund provisions of the Strata Property Act 2009 and the amendments approved December 13th, 2011, to wit:

6.2 (1) For the purposes of section 94 of the Act, a depreciation report must include all of the following:

(a) a physical component inventory and evaluation that complies with subsection (2);

(b) a summary of repairs and maintenance work for common expenses respecting the items listed in subsection (2) (b) that usually occur less often than once a year or that do not usually occur;

(c) a financial forecasting section that complies with subsection (3);

(d) the name of the person from whom the depreciation report was obtained and a description of

(i) that person's qualifications,

(ii) the error and omission insurance, if any, carried by that person, and

(iii) the relationship between that person and the strata corporation;

(e) the date of the report;

(f) any other information or analysis that the strata corporation or the person providing the depreciation report considers appropriate.

(2) For the purposes of subsection (1) (a) and (b) of this section, the physical component inventory and evaluation must

(a) be based on an on-site visual inspection of the site and, where practicable, of the items listed in paragraph (b) conducted by the person preparing the depreciation report,

(b) include a description and estimated service life over 30 years of those items that compClose the common property, the common assets and those parts of a strata lot or limited common property, or both, that the strata corporation is responsible to maintain or repair under the Act, the strata corporation's bylaws or an agreement with an owner, including, but not limited to, the following items:

(i) the building's structure;

(ii) the building's exterior, including roofs, roof decks, doors, windows and skylights;

(iii) the building's systems, including the electrical, heating, plumbing, fire protection and security systems;

(iv) common amenities and facilities;

(v) parking facilities and roadways;

(vi) utilities, including water and sewage

(vii) landscaping, including paths, sidewalks, fencing and irrigation;

(viii) interior finishes, including floor covering and furnishings;

(ix) green building components;

(x) balconies and patios, and

(c) identify common property and limited common property that the strata lot owner, and not the strata corporation, is responsible to maintain and repair.

page 3 of 8 (3) For the purposes of subsection (1) (c), the financial forecasting section must include

(a) the anticipated maintenance, repair and replacement costs for common expenses that usually occur less often than once a year or that do not usually occur, projected over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2) (b),

(b) a description of the factors and assumptions, including interest rates and rates of inflation, used to calculate the costs referred to in paragraph (a),

(c) a description of how the contingency reserve fund is currently being funded,

(d) the current balance of the contingency reserve fund minus any expenditures that have been approved but not yet taken from the fund, and

(e) at least 3 cash-flow funding models for the contingency reserve fund relating to the maintenance, repair and replacement over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2) (b).

(4) For the purposes of subsection (3) (e), the cash-flow funding models may include

any one or more of the following:

(a) balances of, contributions to and withdrawals from the contingency reserve fund;

(b) special levies;

(c) borrowings.

(5) If a strata corporation contributes to the contingency reserve fund based on a depreciation report, the contributions in respect of an item become part of the contingency reserve fund and may be spent for any purpose permitted under section 96 of the Act.

(6) For the purposes of section 94 (1) of the Act, "qualified person" means any person who has the knowledge and expertise to understand the individual components, scope and complexity of the strata corporation's common property,

common assets and those parts of a strata lot or limited common property, or both, that the strata corporation is responsible to maintain or repair under the Act, the strata corporation's bylaws or an agreement with an owner and to prepare a depreciation report that complies with subsections (1) to (4).

(7) The following periods are prescribed

(a) for the purposes of section 94 (2) (b) of the Act, 3 years;

(b) for the purposes of section 94 (2) (c) of the Act, 18 months;

(c) for the purposes of section 94 (3) (a) of the Act, the one year period

immediately preceding the date on or before which the depreciation report is required to be obtained.

(8) A strata corporation is prescribed for the purposes of section 94 (3) (b) of the Act if and for so long as there are fewer than 5 strata lots in the strata plan.

2. Methodology

2.1 Reserve Fund Study

A Reserve Fund Study is a financial document, which provides the basis for funding major repairs and replacement of the common elements and assets of the corporation.

This Reserve Fund Study comprises of the following elements:

- (1) It Identifies the reserve components and assesses their quality, normal life span, and present condition;
- (2) It estimates the remaining serviceable years for each of the reserve components and proposes a time schedule for repairs and/or replacement;
- (3) It provides current replacement cost estimates including the cost of removing worn-out items and special safety provisions;
- (4) It projects the future value of current replacement costs at an appropriate and compounded inflation rate;
- (5) It projects the future value of current reserve funds compounded at a long term interest rate;

- (6) It calculates current reserve fund contributions required and to be invested in interest bearing securities in order to fund future reserve fund expenditures.

The Reserve Fund Study is a practical guide to assist the Board of Directors to plan budgets and maintenance programs.

2.2 Taycon Consulting Reserve Fund Planning Standards

Strata Property Act, Regulation 6.2, recommends that a reserve fund consist of a physical analysis and a financial analysis.

Taycon Consulting has established Reserve Fund Planning Standards that exceed the regulatory requirements and are now recognized and emulated across Canada. These standards, presented throughout this Report, consist of investigations, analyses and calculations that provide realistic and supportable reserve fund estimates.

2.3 General Conditions and Assumptions

Reserve fund estimates are subjective, and they are based on an understanding of the life cycle of building components and our experience gained from observing buildings over an extended period. It must be appreciated that reserve fund budgeting and projections are not exact sciences. They are, at best, prudent provisions for all possible contingencies, if, as and when they arise. Reserve fund requirements are subject to change and must be reviewed and modified over time. The more often they are reviewed the more accurate the plan will be.

2.4 Reserve Fund Projection Factors

It is recommended that the financial analysis include the following:

- the estimated cost of major repair or replacement of the common elements and assets of the corporation at the estimated time of the repair or replacement based on an assumed annual inflation rate;
- the annual inflation rate described above;
- the estimated interest that will be earned on the reserve fund based on an assumed annual interest rate;
- the annual interest rate described above.

In our opinion, what is required is an objective basis for any estimates of inflation factors and interest rates. Inflation factors and interest rates must be derived from an economic analysis of the marketplace.

The estimated inflation factor and the selected interest rate are powerful factors in projecting reserve fund contributions and requirements. They can vary dramatically over time and must be periodically reviewed to ensure their relevance and accuracy.

Because the reserve fund study recommends a reserve fund plan to be projected over a period of 30 consecutive years, a long-term horizon in every respect, reserve fund projection

factors can only be based on long term economic conditions and eliminate short term volatility.

The reserve fund projection factors must be periodically reviewed and adjusted in accordance with changing economic conditions as part of the reserve fund updating process, as required by the new approved amendments to the Act.

Inflation Factors

Inflation measurement in reserve fund projections must be based on construction indices rather than the widely quoted Consumer Price Index (CPI), which measures the cost of a basket of consumer goods and not construction costs.

The most widely recognized construction cost services providing periodic cost indices are Statistics Canada, R.S. Means and Marshall & Swift.

Statistics Canada

The Non-residential Building Construction Price Index (NRBCPI) is a quarterly series measuring the changes in the contractor's selling prices of non-residential building construction (i.e. commercial industrial and institutional). The indexes relate to both general and trade contractor's work and exclude the cost of land, land assembly, design, and development and real estate fees.

The Apartment Building Construction Price Index (ABCPI) measures changes in contractors' selling prices of a representative apartment building. The indexes relate to both general and trade contractors' work and exclude the cost of land, land assembly, design, and development and real estate fees. The following are selected rates from Stats Canada data for Calgary, Alberta.

- | | |
|------------------------------|------|
| • 20 years from 2000 to 2020 | 3.6% |
| • 10 years from 2010 to 2020 | 1.0% |
| • 5 years from 2015 to 2020 | 0.5% |
| • 2 years from 2018 to 2020 | 1.4% |

Means Historical Cost Index

The Means Historical Index used to calculate annual inflation rates, is based on the computed value as of January 1, 2020, for an average North American construction rate of inflation. The following are selected rates over various time periods:

- | | |
|------------------------------|------|
| • 20 years from 2000 to 2020 | 3.2% |
| • 10 years from 2010 to 2020 | 2.3% |
| • 5 years from 2015 to 2020 | 2.2% |
| • 2 years from 2018 to 2020 | 3.0% |

These numbers indicate that the trend of construction inflation rates over the past 20 years has been fluid, but the trend appears to be increasing slightly in recent years.

While useful as overall indications of the construction inflation trend in North America, these rates are too broadly based, and as such, they do not accurately reflect the inflationary impact on local construction costs.

Marshall & Swift – Time-Location Multipliers

MS publishes its Time-Location Multipliers quarterly for principal Canadian cities (markets).

“These multipliers are computer-compiled by combining currently researched wage rates and material prices with “weighted schedules” that specify how much of each basic cost is in the models”

Each building has its own unique combination of basic costs. MS uses 83 basic types of costs necessary to build workable weighted schedules, comprising 19 building trades and 64 material types.

The following are the percentage changes of MS Time-Location Multipliers for Calgary, Alberta for various periods between 2000 and 2020.

- **20 years from 2000 to 2020** **2.9%**
- **10 years from 2010 to 2020** **1.0%**
- **5 years from 2015 to 2020** **1.5%**
- **2 years from 2018 to 2020** **1.5%**

We have adopted the median rate of 2.0% for annual inflation in calculating the future replacement costs. This was obtained by taking the average figures for each of the above sources and then averaging them again to come up with the 2.0% rate.

Interest Rates

Investment income can be a significant and increasing source of revenue for reserve funds, and therefore, it is imperative that reserve funds are continuously and prudently invested.

Reserve fund investments must be directly or indirectly guaranteed by governments. Bank deposits and various investment instruments are insured by the Canada Deposit Insurance Corporation up to a maximum of \$100,000, covering principal and interest.

The ability of strata corporations to earn the highest rate of interest available in the marketplace, given the restricted conditions of investments, depends on the expertise of financial management and the amount of available funds for investment.

Therefore, the reserve fund planner must consider management policies, the historical investment performance and the size of the reserve fund available for investment.

In selecting an appropriate interest rate for reserve fund investments for a particular Strata Corporation, the balance of the reserve fund is the most critical consideration as it dictates investment options and their corresponding interest rates.

Investment opportunities are widely advertised, ranging from bank deposits, term deposits and guaranteed investment certificates (GICs) to money market instruments and government bonds. The following are investment returns achievable for corporations, given various reserve fund balances:

Reserve Fund Balances	Interest Rates
Up to \$ 100,000	0.5% to 2.0%
\$ 100,000 - \$ 250,000	1.5% to 2.0%
\$ 250,000 - \$ 500,000	2.0% to 2.5%
\$ 500,000 and over	2.5% to 3.0%

Prudent reserve fund investment requires that investments are reasonably matched with anticipated reserve fund expenditures, ensuring reserve fund liquidity. Therefore, funds should be invested in a laddered portfolio, which ensures that reserve funds are available when needed.

Some management firms use their “purchasing power” by directing business to a particular financial institution to negotiate favorable interest rates for all their clients. This approach may benefit the smaller corporations and is an important consideration when selecting an appropriate interest rate.

The benchmark calculations and the reserve fund projections are based on the assumption that reserve fund contributions are constantly and continuously invested.

Considering that many of the financial needs for this strata corporation are long term, the reserve fund will be between \$50,000 and \$150,000 for much of the time horizon. With this projected balance, we have selected a 2.0% interest rate in calculating the future investment performance of the Corporation’s reserve fund. With the current low interest rate environment, we have decided to phase in the higher rate with rates of 1.0% (2020/21), 1.0% (2021/22), 1.5% (2022/23) and 2.0% thereafter.

3. Property Information

3.1 Property Description

Forest Crowne Close Strata Corporation NES2947
300 & 400 Block Forest Crowne Close
Kimberley, British Columbia

This property was designed and developed as a Bare Land Strata Corporation in 2007. The Strata consist of 25 individually titled lots for single family homes. There is a paved roadway throughout the complex along with all utility services provided to the owners. There is an offsite garbage and recycling facility which is shared on a one third basis with two other adjoining Strata properties. The majority of the landscaping is being done by individual owners.

The property is considered 13 years old for the purpose of this reserve study.

This residential property is located approximately 4 kilometers south and east of the town boundaries for Kimberley, British Columbia and is accessed off Forest Crowne Terrace.

The property is 100% developed. The common facilities appear to be in good condition.

The property is self managed by the board of directors of the Strata Corporation.

3.2 Building Plans

The following plans were previously reviewed and not re-reviewed in the performance of the reserve fund study:

Project Name	Forest Crowne Close- Strata Corporation NES2947
Architectural Plans	N/A
Mechanical & Electrical	N/A
Structural Plans	N/A
Grading & Drainage	Sunbow Consulting Ltd. Calgary, Alberta
Strata Plans	Armstrong Engineering & Land Surveying Inc. Douglas Buckham, B.C. Land Surveyor

Since this is a bare land Strata no other plans or specifications were available. The buildings and site improvements were inspected on May 22, 2020. Prior to the site visit all pertinent Strata information was provided by Al Grant who is on the board of directors of the Strata Corporation. A walk around of the site was conducted on May 22, 2020 with Dave Claydon who is also on the board. Both Al and Dave were very helpful in providing all required background information.

3.3 Property Data, Site Plan and Basic Construction

Project Data

The following data and information have been compiled from the available plans and the inspection of the buildings and improvements. The data has been calculated using dimensions taken from strata plan documents and on-site measurement.

Property Statistics- Approximate

Site Area	N/A
Building Coverage	N/A
Paved Area	N/A
Utility Right of Ways	N/A
Strata Lots	25

Basic Construction Components

The project was constructed as a bare land Strata development in approximately 2007, in accordance with applicable building codes, fire codes, town by-laws, and construction practices in existence at that time. The quality of construction, materials and workmanship is considered to be good.

Excavation and Foundations

Not common property.

Framing

Not common property.

Exterior Walls

Not common property.

Roof and Drainage Construction

Not common property.

Interior Construction

Not common property.

Mechanical

There is a common water, sewer and storm sewer system that is tied into the town of Kimberley utility system. There are two fire hydrants on the Strata for fire protection. Natural gas is brought to each building exterior by the service provider.

Electrical

The local utility provides electrical service through a main underground feeder system to two pad mounted transformers located within the Strata. Power is then fed from the transformer pads to individual Strata properties with electric meters on each home. There are 8 pedestal lights along the roadway system that are on their own metered system and are controlled by an automated photocell. Cable and internet are brought to common points along the utility corridor by the service providers prior to being split to individual homeowners.

Amenities

There is a paved common roadway system throughout the development with access off Forest Crowne Terrace. There is an offsite common garbage and recycling facility that is shared with two other adjoining Strata properties.

4. Reserve Component Analysis and Estimated Costs

4.1 Property Inspection

The property was inspected for the purposes of preparing this report on May 22, 2020 by Terry Brown.

4.2 Reserve Fund Studies

There was a previous reserve fund study dated October 12, 2013 performed by aStrategy Reserve Fund Planning. This previous study was reviewed as part of this new reserve fund study.

4.3 Component Classification

Reserve Fund Components are conveniently classified in terms of building groups, common element facilities and site improvements. The component inventory consists of the reserve components, described, and analyzed hereinafter, and shown in Schedules "A", "B" and "C".

There are 6 reserve components, comprising of 5 site improvement components and 1 reserve fund component.

4.4 Life Span Analysis

Each reserve component has been analyzed in terms of life cycle condition and expected remaining useful life. The life span analysis considers the following factors.

- Type of Component
- Utilization
- Material
- Workmanship
- Quality
- Exposure to Weather Conditions
- Functional Obsolescence
- Environmental Factors
- Regular Maintenance
- Preventive Maintenance
- Observed Condition

The critical aspect in a Life Span Analysis is the observed condition of each reserve component, which is based on:

- Actual age of the component
- Maintenance of the component
- Observed deficiencies of the component
- Repair and replacement experience
- Probability of hidden conditions

The Life Span Analysis culminates in component life span estimates, as follows:

1. Normal Life Span

Each reserve component is analyzed in terms of component type, quality of construction, statistical records and normal life experience.

2. Observed Condition Analysis

This is the critical analysis of a reserve component and consists of determining the effective age of the reserve component within its normal life cycle based on the observed condition of the reserve component. The validity of this analysis depends on the experience of the reserve fund planner or analyst, as this is a subjective estimate rather than an objective assessment.

3. Remaining Life Span

Given a normal life span estimate and a sound estimate of the effective age, the remaining life span of a reserve component is determined by subtracting the observed condition estimate from the normal life span estimate. This does not mean that reserve expenditures should only be made at the end of the remaining life. Reserve expenditures should and must be made during the remaining life span to maintain building components and facilities in good condition.

A life span analysis is a subjective, or empirical, assessment of the life cycle status of a reserve component, and as such, it is only as good as the considered opinion of the reserve fund planner. Furthermore, the life span of a reserve component is subject to change due to numerous factors.

4.5 Current Cost Estimates

Reserve Fund component assessments and current cost estimates are based on our investigation, observation, analyses and our extensive experience in performing reserve fund studies.

Cost data has been calculated using construction cost services, including Marshall & Swift/Boeckh Commercial Building Valuation System, the Means Repair & Remodeling Cost Data, and the Hanscomb's Yardstick for Costing, modified as to time, location and quality of construction. We also verified some estimates by seeking quotations from contractors, fabricators and suppliers. Moreover, we have used our own computer programs and extensive cost compilations and databases.

All costs are strictly estimates and are subject to confirmation at the time competitive bids are obtained from contractors specializing in the repair or replacement work required.

The following factors have been considered in calculating the Repair and Replacement Costs Estimates:

Quality of construction

Replacement cost estimates are based on the assumption of using quality materials, as specified or built, or in the case of older developments, as required under current building code regulations, at contractors' prices, using union labor and current construction techniques, and including contractors' overhead and profit.

The costs of repairs, and/or replacements of many reserve components are invariably higher than original building costs when contractors have considerable latitude in planning their work and can utilize economies of scale to keep costs within construction budgets. In contrast, repair work must frequently be performed in an expedient manner with proper safety precautions and within certain constraints.

Cost estimates take into account such additional costs as special construction, safety installations, limited access, noise abatements, and the convenience of the occupants.

Demolition and Disposal Costs

The estimates herein include provisions for demolition and disposal costs including dumping fees. These costs have been rising in recent years. Particularly, dumping of certain materials has become problematic and very costly. It appears that certain codes and environmental regulations will become more stringent in future years, all of which will further increase disposal costs.

GST & PST (Effective April 1, 2013)

The Goods and Services Tax ("GST") applies to the labor and materials components of all repairs and replacements including disposal costs. Provincial Sales Tax ("PST") applies to all materials associated with repairs and replacement. These costs are included in the reserve fund estimates hereinafter wherever applicable.

Contingency Reserves

It is frequently impossible to forecast the incidence of repairs or replacements of various reserve components, particularly, major components, such as road pavement, sewer and water systems. Therefore, reserve estimates are of a contingency nature, and as such, they are subject to changing conditions and repair experience over time.

4.6 Reserve Component Descriptions and Analyses

The following lists each reserve fund component and provides the following information:

- Description
- Reserve Fund Expenditure History
- Potential Deterioration
- Life Span Analysis
- Current Repair or Replacement Costs
- Deficiency Analysis

Reserve Component: (1) Site Improvements – Site Services		
Physical Description	This component is a contingency for replacement of underground water, sewer piping and valves providing service to the complex. It also includes the two fire hydrants. This is a contingency for any non-major underground repairs. It would also include any minor signage throughout the property. See Figure 1-1 & 1-2.	
Financial Analysis	There have been no reserve expenditures on this component in the last 5 years.	
Potential Deterioration	Water, sewer and storm sewer are brought to the property line of the Strata by the service provider and it is the Strata responsibility for any of these services within the common property up to the boundary of the home owner property. Piping can develop leaks and require digging up and repair. The sewer system may have a backup that requires a major cleanout. Repairs to water lines are the Strata responsibility up to an including the individual owner water valve as well as any underground utility that is serving multiple sites. A major failure of underground piping cannot be predicted and if it were to occur it would need to be handled by way of a special assessment.	
Condition Analysis	Most site services are not visible. Where viewing was possible equipment appeared in good condition.	
Life Cycle Analysis	Date of Acquisition	2007
	Normal Life Span	20 Years
	Effective Age	13 Years
	Remaining Life Span	7 Years
Unit Quantity And Cost Estimates	Unit Quantity	Allowance
	Unit Cost Estimate	\$15,000
	Current Repair or Replacement Cost Estimate	\$15,000
	Estimated Year of Major Repair or Replacement	2024/29/34
Deficiency Analysis	See comments above. Timing of future costs for this component is at best an estimate with actual expenditures to be expected to happen both before and after dates indicated. The above amount is simply a contingency to ensure funds are available but does not include any unforeseen or unpredictable major failures.	



Figure 1-1



Figure 1-2

Reserve Component: (2) Site Improvements – Asphalt Paving		
Physical Description	This component includes resurfacing the asphalt paving that is run throughout the Strata common roadway system. See Figure 2-1 & 2-2.	
Financial Analysis	There has been \$1,788 in reserve expenditures in 2018 and 2019 for crack sealing.	
Potential Deterioration	If the ground settles from poor compaction the asphalt will settle and crack. Cracking allows moisture to get in and if cracks are not sealed it can lead to bigger cracks and major repairs. Surface drainage issues can cause undercutting of the asphalt and can lead to further settling and cracking. If services are run under the asphalt on original construction and not properly compacted it can lead to settling and major repairs to the asphalt.	
Condition Analysis	The asphalt appeared in average condition with no major issues identified. Water drainage appears to run down the middle of the roadways to storm drains located in several locations throughout the complex. There are no ditches so the roadways are the normal water course which can produce some undercutting over time.	
Life Cycle Analysis	Date of Acquisition	2007
	Normal Life Span	25 Years
	Effective Age	13 Years
	Remaining Life Span	12 Years
Unit Quantity And Cost Estimates	Unit Quantity	30,000 sq. ft.
	Unit Cost Estimate	\$2.5 per sq. ft.
	Current Repair or Replacement Cost Estimate	\$75,000
	Estimated Year of Major Repair or Replacement	2032
Deficiency Analysis	See comments above. Minor funds have been included for sealing cracks and minor repairs in 2022 and 2027.	



Figure 2-1



Figure 2-2

Reserve Component: (3) Site Improvements – Electrical & Lighting		
Physical Description	This component includes repairs and replacement of the 8 streetlights as well as any other common electrical issues throughout the Strata. See Figure 3-1 & 3-2.	
Financial Analysis	There have been no reserve expenditures on this component in the last 5 years.	
Potential Deterioration	Exterior pedestal lighting should be relatively maintenance free. Pedestals may require painting and supports may require repairs. Light covers may need replacing. Any common electrical including underground may require repairs over time. Lighting technology is continually improving and upgrades to it may also occur.	
Condition Analysis	The lighting and electrical appeared in good condition with no issues identified. A retrofit to LED is being planned for the upcoming year.	
Life Cycle Analysis	Date of Acquisition	2007
	Normal Life Span	25 Years
	Effective Age	13 Years
	Remaining Life Span	12 Years
Unit Quantity And Cost Estimates	Unit Quantity	Allowance
	Unit Cost Estimate	\$15,000
	Current Repair or Replacement Cost Estimate	\$15,000
	Estimated Year of Major Repair or Replacement	2021/27/31/33
Deficiency Analysis	No issues were identified with this component. Funds have been included in the upcoming year for the LED upgrade. Additional funds are included every 5 years starting in 2027 for any premature failures.	



Figure 3-1



Figure 3-2

Reserve Component: (4) Site Improvements – Garbage Enclosure		
Physical Description	This component includes repair or replacement of the garbage enclosure which is jointly owned between three adjoining Strata properties with all costs split proportionately. Figure 4-1 & 4-2.	
Financial Analysis	There have been no reserve expenditures on this component in the last 5 years.	
Potential Deterioration	Gates may need repair. The exterior of the enclosure will need ongoing maintenance. The concrete pad and asphalt ramp may need repair.	
Condition Analysis	The garbage enclosure looked to generally be in good condition. There were signs of mechanical contact on one of the support posts and some of the exterior wood had been damaged by what also looked to be mechanical contact.	
Life Cycle Analysis	Date of Acquisition	2010
	Normal Life Span	30 Years
	Effective Age	10 Years
	Remaining Life Span	20 Years
Unit Quantity And Cost Estimates	Unit Quantity	Allowance
	Unit Cost Estimate	\$10,000 (33%)
	Current Repair or Replacement Cost Estimate	\$10,000
	Estimated Year of Major Repair or Replacement	2040
Deficiency Analysis	See comments above. Minor funds have been included in 2030 for repairs that may be needed prior to replacement.	



Figure 4-1



Figure 4-2

Reserve Component: (5) Site Improvements – Landscaping & Site Drainage		
Physical Description	This component includes non annual costs associated with maintaining any common landscaping and site drainage. See Figure 5-1 & 5-2.	
Financial Analysis	There have been no reserve expenditures on this component in the last 5 years.	
Potential Deterioration	Most owners have chosen to landscape right up to the roadway which includes the common property on each side of the paved roadway. Should common property need to be dug up and then repaired for any reason the Strata is only responsible for repairing it to a flat and level state as it was when originally provided to the homeowner. The homeowner would be responsible to make repairs to improvements that they have installed on the common property. There are no ditch lines along the road and the area is flat. Site drainage issues could also arise. The amounts included in this report are a contingency for any related expenditure.	
Condition Analysis	90 percent of the lots have homes on them and are for the most part landscaped by the owners right up to the roadway. The few remaining open lots have rough grading and no landscaping.	
Life Cycle Analysis	Date of Acquisition	2007
	Normal Life Span	20 Years
	Effective Age	13 Years
	Remaining Life Span	7 Years
Unit Quantity And Cost Estimates	Unit Quantity	Allowance
	Unit Cost Estimate	\$10,000
	Current Repair or Replacement Cost Estimate	\$10,000
	Estimated Year of Major Repair or Replacement	2022/27/32
Deficiency Analysis	See comments above. This is a contingency and actual timing may vary. Funds have been included every 5 years starting in 2022.	



Figure 5-1



Figure 5-2

Reserve Component: (6) Reserve Fund– Reserve Fund Study		
Physical Description	This component includes the costs for completing a reserve fund study every 3 years.	
Financial Analysis	There is a reserve fund study being conducted in the current year at a cost of \$1,575.	
Potential Deterioration	Legislation implemented in December 2011 makes reserve fund studies mandatory for a Strata with more than 5 units. A provision exists to obtain 75% approval of the strata owners every 18 months to not do a study. This does not preclude the necessity of a reserve fund or a plan and puts the responsibility back on Strata council. Since these studies are being accepted throughout Canada it is felt that this special resolution will become the exception. Many financial institutions will not finance properties without a current reserve fund study.	
Condition Analysis	The current reserve fund study will provide a good guideline for the Strata Council to follow. It is only a guideline and expenditures should be made by Strata Council based on actual year to year requirements to maintain the property in optimum condition.	
Life Cycle Analysis	Date of Acquisition	2020
	Normal Life Span	4 Years
	Effective Age	1 Years
	Remaining Life Span	3 Years
Unit Quantity And Cost Estimates	Unit Quantity	Allowance
	Unit Cost Estimate	\$1,575
	Current Repair or Replacement Cost Estimate	\$1,575
	Estimated Year of Major Repair or Replacement	2023
Deficiency Analysis	The reserve fund study should be updated as per the regulations.	

5. Reserve Fund Component Estimates

5.1 Taycon Consulting Benchmark Analysis

The Taycon Consulting Benchmark Analysis shows the physical aspects of the various reserve components, including the life cycle analysis and the cost estimates on a single spreadsheet for convenient examination and easy reference. The cost estimates are pursuant to prudent reserve fund practices which provide for inflationary cost increases over time and interest income from reserve fund investments.

The reserve fund estimates have been prepared without regard to the current financial position of the corporation or the current reserve fund contributions by unit owners, and as such, they represent the optimum reserve fund operation, which assumes that the corporation has continuously assessed adequate reserve funding from the beginning.

This Benchmark Analysis is the foundation of the Taycon Consulting Reserve Fund Planning System, as it provides the basis for comparison to the actual reserve fund operation. The Taycon Consulting Benchmark Analysis provides the standard for reserve fund planning and property maintenance, and as such, it is a valuable management and maintenance resource document.

The foregoing program represents the practical application of reserve fund budget planning and management. When applied as outlined, the reserve fund will cover anticipated reserve fund expenditures and any contingencies.

5.2 Schedule B – Schedule Reserve Fund Component Estimates- Benchmark

The above schedule, found in the Schedule section at the end of this report, is a Schedule of Reserve Fund Component Estimates showing detailed computations for the various reserve items using the projection factors explained in Section 2.4 of this report which are as follows:

Long-term inflation rate:	2.0%
Long-term interest rate:	2.0%

Due to rounding automatically executed by computer, there may be minor discrepancies in the data, which are not deemed significant.

5.3 Summary of Reserve Fund Estimates

The Reserve Fund position and estimated requirements of Forest Crowne Close Strata Corporation NES2947 are as follows:

Current Replacement Reserves or Costs **\$ 126,575**

Which are provisions for all major repairs and replacements at current prices

Future Replacement Reserves or Costs **\$ 159,390**

Which are provisions for all major repairs and replacement costs in the future at the end of the expected life span

Current Reserve Fund Requirements **\$ 66,777**

Which are reserve fund estimates based on the notion of effective age and should have been contributed by unit owners

Future Reserve Fund Accumulations **\$ 83,391**

Which is the current reserve fund requirements together with interest compounded over the remaining life span

Future Reserve Fund Requirements **\$ 75,999**

Which are to be funded by unit owners' payments to the reserve fund plus any interest earned

Annual Reserve Fund Assessments **\$ 6,254**

Which are the annual reserve fund payments to be made by unit owners

In accordance with these estimates, the corporation should have **\$66,777** in its reserve fund at the end of its current fiscal year, and the assessed annual payments or contributions to the reserve fund by unit owners should be **\$6,254** based on the stated assumptions. **It is not a requirement to be fully funded but rather to have a plan in place which shows a proposed funding level that will meet all the funding requirements for the repair and replacement of the common property for the Corporation. The cash flow models presented in this report meet these requirements.**

6. Analysis of Reserve Fund Operations

Reviewing and analyzing the reserve fund operation of NES2947, we have examined the budget for the Corporation for its operations, which will ended on June 30th, 2020.

The property is self managed by the board of directors of the Strata Corporation. Financial statements for the years ending June 30th, 2016, through 2019 were reviewed. The financial statements are those provided by the board of directors and have not been third party reviewed.

The balance sheet indicates expenditure totals, breakdown for reserve fund expenditures as well as investments of the Strata Corporation. The financials have been used as the reference for entering capital expenditures. Year-end contingency reserve numbers were made to match financials in the years reviewed. **The financial statements do not show what reserve expenditures were spent on and it was necessary to get this information from the AGM minutes. Financial statements need to show an opening balance, annual contribution, interest earned, expenditure breakdown and closing balance for the reserve fund each year as a minimum.**

Schedule A – Entitled Reserve Fund History has been included in the schedule section at the end of this report.

6.1 Corporation's Financial Statements

Information available indicates that the opening balance for the reserve fund as of July 1, 2019 was \$49,053 and the current years contribution has been budgeted for \$4,000. The only expenditure in the current year ending June 30th, 2020 is \$1,575 for a reserve fund study. No other expenditures were identified by the property manager or approved at the previous AGM.

It is proposed that the current years reserve contribution be increased to \$4,400 for 2020/21 and then increased as per the cash flow tables in this report each subsequent year thereafter.

6.2 Benchmark Deficiency Analysis

The Benchmark Deficiency Analysis shows the difference between the actual reserve fund balance and the current reserve fund requirement as calculated in the Benchmark Analysis.

The current reserve fund requirement is an estimate of a fully funded reserve fund, based on the Benchmark calculation.

The Benchmark Deficiency Analysis has been developed by Taycon Consulting Reserve Fund Planners as a guide for property managers and the board of directors to ensure that the reserve fund is neither under-funded nor over-funded.

The reserve fund of Forest Crowne Close Strata Corporation NES2947 is showing a shortfall at the end of the 2020/21 fiscal year, as shown below:

Opening balance, July 1, 2020	\$ 49,053
Current budgeted reserve fund contribution for the year	\$ 4,000
Tax-free interest income to be earned on the reserve fund	\$ 491
Less: Estimated Reserve Fund Expenditures for Fiscal Year 2020	\$ 1,575
Projected Reserve Fund Balance As of June 30, 2020	\$ 51,969
Estimated Reserve Fund Requirements After Expenditures in 2020/21	\$ 65,202
Estimated Reserve Fund Deficiency	\$ 13,233

The surplus should be eliminated over time, as shown in cash flow tables included in the tables section at the end of this report. **The Strata Corporation is currently 80% funded based on the assumptions outlined in this report. The average funding level of Strata Corporations that Taycon does reserve fund studies for is 25%. Funding levels between 35-50% are recommended as a minimum to minimize the risk of future special assessments.**

6.3 Adequacy of Reserve Fund

Adequacy of Reserve Fund may be defined as the reserve fund balance together with regular contributions and investment income, which constitutes sufficient cash resources available for all possible and potential reserve fund expenditures that may be required for repairing or replacing common elements or assets of the corporation when needed.

The most direct and stringent measure of the adequacy of reserve fund is the reserve fund deficiency analysis, whereby the actual closing reserve fund balance is compared with the currently required reserve fund balance as estimated by a competent reserve fund planner.

Any significant difference between the actual reserve fund balance and the required reserve fund balance will show the amount of a reserve fund surplus or reserve fund deficiency (shortfall).

A reserve fund surplus, particularly when such surplus is increased by excessive reserve fund contributions, means that unit owners have contributed too much to the reserve fund, a situation which should be corrected to eliminate such reserve fund surplus.

A reserve fund deficit or shortfall indicates that unit owners have not contributed enough to the reserve fund, causing the discrepancy between a fully funded reserve fund and the actual reserve fund balance.

The adequacy of a reserve fund does not require the test of an estimated fully funded reserve fund. The test as to the adequacy of a reserve fund should be sufficient cash resources to fund all potential repairs and replacements, including unforeseen events and contingencies.

Therefore, a reserve fund deficiency or shortfall does not automatically mean that the reserve fund is not adequate. It is the judgment of the reserve fund planner to conclude whether the reserve fund is adequate or not.

In our opinion, the current reserve fund and proposed contributions for Forest Crowne Close Strata Corporation NES2947 will be adequate for future repairs and replacements of the common elements and assets of the Corporation.

7. Reserve Fund Management – 30 Year Projections

7.1 30 Year Projected Cash flow and Deficiency Analysis

The Reserve Fund – Projected Cash Flow and Deficiency Analysis presents a 30-year reserve fund projection showing cash positions, cash flows and cash expenditures in a form and detail which conforms to financial statement presentation of reserve fund operations. Three cash flow models have been prepared as per the new regulatory requirements. From these three-cash flow schedules the preferred cash flow table is presented in this report. The funding schedule for the two alternate cash flow assumptions has been included in the attachments after the recommended funding schedule.

Opening Cash Balance

This is the reserve fund position at the beginning of each and every fiscal year showing the cash resources available, which consist of (1) bank deposit, (2) qualified investments, and (2.0%) accrued interest earned.

Cash Flows

These are the regular reserve fund contributions, special assessments, and interest income based on 2.0% of the opening balance.

Opening Cash Funds

These represent the total cash resources available in any fiscal year and include the current year's cash flow.

Cash Expenditures

These are annual expenditures listed in the categories established by the Reserve Fund Study. Records or ledger accounts of these expenditure categories should be kept showing reserve fund allocations and charges in a chronological order for control and reference.

Closing Cash Fund

This is the reserve fund position at the end of each and every fiscal year, which is carried forward to the next year.

Deficiency Analysis

The Reserve Deficiency has been projected by formula taking into account the inflation factor, interest rates and reserve fund expenditures. Therefore, any reserve fund expenditures will not affect the reserve fund deficiency because such expenditures will also affect the reserve requirements.

7.2 Future Reserve Fund Management

Section 3.4, 6.1 of the Strata Property Regulation, B.C. REg. 43/2000, is repealed and the following is substituted:

The Act provides that the Strata Council are obliged to contribute to a plan for the future funding, however they are not bound by the recommendations of the reserve fund planner, to wit:

Contingency reserve fund contribution in first annual budget

3.4 For the purposes of section 93 of the Act, the amount of the annual contribution to the contingency reserve fund for the fiscal year following the first annual general meeting must be determined as follows:

(a) if the amount of money in the contingency reserve fund at the time of the first annual general meeting is less than 25% of the estimated operating expenses for the 12 month period set out in the interim budget, the annual contribution to the contingency reserve fund under the first annual budget must be at least 10% of the total amount budgeted for the contribution to the operating fund for the 12 month period covered by that budget;

(b) if the amount of money in the contingency reserve fund at the time of the first annual general meeting is at least 25% of the estimated operating expenses for the 12 month period set out in the interim budget, additional

contributions to the contingency reserve fund may be made as part of the annual budget approval process after consideration of the depreciation report, if any, obtained under section 94 of the Act,

Contributions to contingency reserve fund

6.1 *For the purposes of section 93 of the Act, the amount of the annual contribution to the contingency reserve fund for a fiscal year, other than the fiscal year following the first annual general meeting, must be determined as follows:*

(a) if the amount of money in the contingency reserve fund at the end of any fiscal year after the first annual general meeting is less than 25% of the total amount budgeted for the contribution to the operating fund for the fiscal year that has just ended, the annual contribution to the contingency reserve fund for the current fiscal year must be at least the lesser of

- (i) 10% of the total amount budgeted for the contribution to the operating fund for the current fiscal year, and*
- (ii) the amount required to bring the contingency reserve fund to at least 25% of the total amount budgeted for the contribution to the operating fund for the current fiscal year;*

(b) if the amount of money in the contingency reserve fund at the end of any fiscal year after the first annual general meeting is equal to or greater than 25% of the total amount budgeted for the contribution to the operating fund for the fiscal year that has just ended, additional contributions to the contingency reserve fund may be made as part of the annual budget approval process after consideration of the depreciation report, if any, obtained under section 94 of the Act.

Financial statement requirements

6.7 (1) *For the purposes of section 103 (3) of the Act, the financial statement must contain the following information for the fiscal year to which the financial statement relates as of a day that is within the 2 month period before the date of the annual general meeting:*

- (a) the opening balance in the operating fund and the current balance;*
 - (b) the opening balance in the contingency reserve fund and the current balance;*
 - (c) the details of the strata corporation's income from all sources, except special levies;*
 - (d) the details of expenditures out of the operating fund, including details of any unapproved expenditures under section 98 of the Act;*
 - (e) the details of expenditures out of the contingency reserve fund, including details of any unapproved expenditures under section 98 of the Act;*
 - (f) income and expenditures, if any, by special levy under section 108 of the Act.*
- (2) Within 8 weeks after the end of its fiscal year, the strata corporation must prepare a financial statement updated to the end of the fiscal year.*
- (3) For the purpose of distribution with notice of the annual general meeting, a strata corporation may provide, by bylaw, that the financial information required under subsection (1) (c) to (e) be provided in a summary form.*
- (4) Despite a bylaw under subsection (3), the strata corporation must place before the annual general meeting a financial statement that complies with subsection (1).*
- (5) Despite section 36 (3) of the Act, if a person who is entitled to a notice under section 45 of the Act makes a request in the period between the date that notice was given and the date of the annual general meeting, the strata corporation must promptly provide a copy of the financial statement that complies with subsection (1) to that person.*

[am. B.C. Reg. 241/2001, s. 2 (c).]

Projected Reserve Fund Expenditure

The proposed reserve fund expenditures in the 30 Year Cash Flow Projection are mere guides in terms of timing, based on the remaining life span analysis.

Reserve fund expenditures should readily be varied to conform to actual management and maintenance plans, and therefore, they should not be dogmatically interpreted.

In essence, reserve fund expenditures are the responsibility of management, and any targeted expenditures guidelines only.

8. Recommendations

Taycon Consulting recommendations, set out below and detailed in this report, will assist the corporation to achieve and maintain an adequate reserve fund. In our opinion, the current reserve fund balance, recommended annual contributions and earned investment income will adequately fund immediate and future reserve fund expenditures.

- 1. The Corporation should maintain a long-term reserve fund strategy.**
- 2. Major repairs and replacements should be recorded in, and funded from, a reserve fund account which is separate from the operating account.**
- 3. All reserve fund expenditures require pre-approval by a majority vote at an annual or special meeting if they are to obtain a reserve fund study or if the expenditure has been recommended in the most recent reserve fund study. If the expenditure does not meet the above requirements it must be approved by a $\frac{3}{4}$ vote at an annual or special general meeting.**
- 4. Financial Statements of the Strata Corporation should clearly identify the reserve fund account and itemize all individual reserve fund expenditures separately from the operating expenditures so they can be properly tracked and accounted for.**
- 5. Reserve fund contributions of \$4,000 per annum in 2019/20 should be increased to \$4,400 in 2020/21 and then increased as per the cash flow tables in this report each subsequent year thereafter.**
- 6. The reserve fund should be fully invested in guaranteed securities to maximize yield over the life of the property. See notes in report regarding short term rate assumptions.**
- 7. The Corporation should make such expenditures as necessary to maintain the property in optimum condition.**
- 8. The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.**
- 9. As per regulations the Corporation should update the Reserve Fund Study every three (3) years.**

ADDENDA SECTION

FOREST CROWNE CLOSE – NES2947 – Bylaws

Bylaws – Strata Plan NES 2947

Division 1 – Definitions

Definitions

1. For the purpose of these bylaws:

“Statutory building scheme” means the scheme of restrictions and limitations registered at the Land Titles Office against title to the strata lots in the strata corporation and governing the design of homes and improvements on the strata lots;

Division 2 – Duties of Owners, Tenants, Occupants and Visitors

Payment of strata fees

2. (1) An owner must pay strata fees on or before the first day of the month to which the strata fees relate. If an owner fails to pay strata fees at the required time the strata corporation may charge interest at the rate of the Royal Bank of Canada Prime Rate plus 6% per annum compounded annually.
- (2) If an owner fails to pay a special levy at the required time he may be fined \$1000.00 for each month the special levy remains unpaid.
- (3) If an owner fails to pay a fine at the required time, the strata corporation may charge interest at the rate of the Royal Bank of Canada Prime Rate plus 6% per annum compounded annually.
- (4) All banking charges incurred by the strata corporation as a result of a cheque being dishonored by the owner's financial institution will be charged back to the owner.
- (5) If the strata corporation incurs legal or other costs in order to collect strata fees, special levies, or fines in relation to a strata lot, the owner of the strata lot will be responsible to reimburse the strata corporation for the full amount of the costs incurred by the strata corporation

Repair and maintenance of property by owner

3. (1) An owner must repair and maintain the owner's strata lot.
- (2) The strata lot owner is responsible for the water and sewer line that is on their strata lot and the strata corporation is responsible for the water and sewer line that is on common property. The one exception to this is the lot 15 sewer line that goes through lot 16. The strata corporation will also be responsible for the portion of lot 15's sewer line that goes through lot 16.

FOREST CROWNE CLOSE – NES2947 – BYLAWS (CONT'D)

Architectural Controls

- 6.1 (1) Any house replacement must be replaced with a Forest Crowne Cottages style cottage, bungalow or two story. The exterior must maintain the same look and feel of the existing houses in the strata.
- (a) A different style will be acceptable with the consent of at least 3/4 of the membership of the strata. (19 of 25)
- (2) The strata generally accepts the United Forest Crowne Architectural Design Guidelines.

Obtain approval before altering common property

7. (1) An owner must obtain the written approval of the strata corporation before making an alteration to common property, or common assets.
- (2) The strata corporation may require as a condition of its approval that the owner agree, in writing, to take responsibility for any expenses relating to the alteration.

Permit entry to strata lot

8. (1) An owner, tenant, occupant or visitor must allow a person authorized by the strata corporation to enter the strata lot
- (a) in an emergency, without notice, to ensure safety or prevent significant loss or damage, and
- (b) at a reasonable time, on 48 hours' written notice, to inspect, repair or maintain common property, common assets and any portions of a strata lot that are the responsibility of the strata corporation to repair and maintain under these bylaws or insure under section 149 of the Act.
- (i) to inspect, repair or maintain common property, common assets and any portions of a strata lot that are the responsibility of the strata corporation to repair and maintain under these bylaws or insure under section 149 of the Act, or
- (ii) to ensure compliance with the Act and the bylaws.
- (2) The notice referred to in subsection (1)(b) must include the date and approximate time of entry, and the reason for entry.

Division 3 – Powers and Duties of Strata Corporation

Repair and maintenance of property by strata corporation

9. (1) The strata corporation must repair and maintain all of the following:
- (a) common assets of the strata corporation;
- (b) common property

Strata Property Act Definitions

Division 2 – Powers and Duties of Strata Corporation

Repair and maintenance of property by strata corporation

8 *The strata corporation must repair and maintain all of the following:*

- (a) common assets of the strata corporation;*
- (b) common property that has not been designated as limited common property;*
- (c) limited common property, but the duty to repair and maintain it is restricted to*
 - (i) repair and maintenance that in the ordinary course of events occurs less often than once a year, and*
 - (ii) the following, no matter how often the repair or maintenance ordinarily occurs:*
 - (A) the structure of a building;*
 - (B) the exterior of a building;*
 - (C) chimneys, stairs, balconies and other things attached to the exterior of a building;*
 - (D) doors, windows and skylights on the exterior of a building or that front on the common property;*
 - (E) fences, railings and similar structures that enclose patios, balconies and yards;*
- (d) a strata lot in a strata plan that is not a bare land strata plan, but the duty to repair and maintain it is restricted to*
 - (i) the structure of a building,*
 - (ii) the exterior of a building,*
 - (iii) chimneys, stairs, balconies and other things attached to the exterior of a building,*
 - (iv) doors, windows and skylights on the exterior of a building or that front on the common property, and*
 - (v) fences, railings and similar structures that enclose patios, balconies and yards.*

Division 2 — Limited Common Property and Exclusive Use of Common Property

Designation of limited common property

73 *Common property may be designated as limited common property*

(a) by the owner developer

(i) by a designation on the strata plan when it is deposited in the land title office, or

(ii) by a plan amendment under section 258,

(b) by an amendment to the strata plan under section 257, or

(c) by a resolution passed at an annual or special general meeting under section 74.

Designation of limited common property by 3/4 vote

74 *(1) Common property may be designated as limited common property by a resolution passed by a 3/4 vote at an annual or special general meeting.*

(2) A resolution passed under subsection (1) must be filed in the land title office with a sketch plan that

(a) satisfies the registrar,

(b) defines the areas of limited common property, and

(c) specifies each strata lot whose owners are entitled to the exclusive use of the limited common property.

(3) A resolution passed under subsection (1) does not have effect until it is filed in the land title office.

(4) The designation of limited common property by a resolution under this section does not require an amendment to the strata plan.

Removal of designation of limited common property

75 *(1) If a designation of common property as limited common property was made*

- (a) by the owner developer at the time the strata plan was deposited or by a plan amendment by the owner developer under section 258, or*
 - (b) by an amendment to the strata plan under section 257,*
- the designation may only be removed by amending the plan under section 257.*
- (2) If a designation of common property as limited common property was made by a resolution passed by a 3/4 vote under section 74, it may only be removed by a resolution passed by a 3/4 vote at an annual or special general meeting.*
- (3) A resolution passed under subsection (2) does not have effect until it is filed in the land title office.*
- (4) The removal of a designation of limited common property by a resolution under subsection (2) does not require an amendment to the strata plan.*

Short term exclusive use

- 76** *(1) Subject to section 71, the strata corporation may give an owner or tenant permission to exclusively use, or a special privilege in relation to, common assets or common property that is not designated as limited common property.*
- (2) A permission or privilege under subsection (1) may be given for a period of not more than one year, and may be made subject to conditions.*
- (3) The strata corporation may renew the permission or privilege and on renewal may change the period or conditions.*
- (4) The permission or privilege given under subsection (1) may be cancelled by the strata corporation giving the owner or tenant reasonable notice of the cancellation.*

Access to common property by strata corporation

- 77** *An owner who has the right to use common property, including limited common property, or common assets must allow the strata corporation reasonable access to the common property or common assets to exercise its powers and perform its duties.*

SCHEDULE SECTION

- 1. Schedule A - Reserve Fund History**
- 2. Schedule B - Benchmark Analysis**
- 3. Schedule C1 - 30 Year Cash Flow Projection – Part 1**
- 4. Schedule C2 - 30 Year Cash Flow Projection – Part 2**
- 5. Schedule D - Cash Flow Funding Summary**
- 6. Schedule E - Cash Flow Funding Summary Alternative 1**
- 7. Schedule F - Cash Flow Funding Summary Alternative 2**

FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
RESERVE FUND HISTORY - JUNE 2020

[illegible]

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FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
30 YEAR PROJECTION- PART 2

NES2947- 30 Year Projection	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Year Ending - June 30	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
OPENING BALANCE	12,852	16,580	22,282	30,198	30,773	36,659	40,863	36,651	42,455	43,275	51,611	53,615	62,158	70,872	69,560	78,422
Reserve Fund Contributions	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,471	7,869
Special Assessments/Transfer Op.																
Reserve Fund Interest Income	257	332	446	604	615	733	817	733	849	866	1,032	1,072	1,243	1,417	1,391	1,568
Total Cash Resources	20,580	24,382	30,198	38,273	38,859	44,863	49,151	44,855	50,775	51,611	60,115	62,158	70,872	79,760	78,422	87,859
RESERVE FUND EXPENDITURES																
Site Services	4,000					4,000					4,000					4,000
Asphalt Paving				2,500					2,500					2,500		
Electrical & Lighting				2,500					2,500					2,500		
Garbage Enclosure							12,500									
Landscaping & Site Drainage			2,500						2,500					2,500		
Reserve Fund Study		2,100			2,100			2,400			2,500			2,700		
Total Reserve Expenditures	4,000	2,100	-	7,500	2,200	4,000	12,500	2,400	7,500	-	6,500	-	-	10,200	-	4,000
CLOSING BALANCE	16,580	22,282	30,198	30,773	36,659	40,863	36,651	42,455	43,275	51,611	53,615	62,158	70,872	69,560	78,422	87,859
DEFICIENCY ANALYSIS																
Reserve Requirements	32,511	37,515	44,315	43,955	48,889	52,120	46,917	51,709	51,497	58,781	59,711	67,159	74,756	72,305	80,005	83,860
Reserve Fund Surplus	- 15,931	- 15,033	- 14,117	- 13,182	- 12,229	- 11,257	- 10,265	- 9,254	- 8,222	- 7,170	- 6,096	- 5,001	- 3,885	- 2,746	- 1,584	- 0

FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
CASH FLOW TABLE

NES2947							
Cash Flow Table							
Year ending	Opening	Recommended	Special	Estimated	Estimated	Percentage Increase	Closing
June 30th	Balance	Annual	Assessment	Inflation	Interest	in Recommended	Balance
		Contribution	Transfer-Op	Adjusted	Earned	Annual Contribution	
				Expenditures	2.0%		
2020	49,053	4,000		1,575	491	n/a	51,969
2021	51,969	4,400		2,000	520	10.0%	54,888
2022	54,888	4,840		5,000	549	10.0%	55,277
2023	55,277	5,324		1,700	829	10.0%	59,730
2024	59,730	5,856		4,000	1,195	10.0%	62,781
2025	62,781	6,442		-	1,256	10.0%	70,479
2026	70,479	6,603		1,800	1,410	2.5%	76,692
2027	76,692	6,768		7,000	1,534	2.5%	77,994
2028	77,994	6,937		-	1,560	2.5%	86,491
2029	86,491	7,111		5,900	1,730	2.5%	89,431
2030	89,431	7,289		2,500	1,789	2.5%	96,009
2031	96,009	7,471		7,500	1,920	2.5%	97,900
2032	97,900	7,471		94,700	1,958	0.0%	12,628
2033	12,628	7,471		7,500	253	0.0%	12,852
2034	12,852	7,471		4,000	257	0.0%	16,580
2035	16,580	7,471		2,100	332	0.0%	22,282
2036	22,282	7,471		-	446	0.0%	30,198
2037	30,198	7,471		7,500	604	0.0%	30,773
2038	30,773	7,471		2,200	615	0.0%	36,659
2039	36,659	7,471		4,000	733	0.0%	40,863
2040	40,863	7,471		12,500	817	0.0%	36,651
2041	36,651	7,471		2,400	733	0.0%	42,455
2042	42,455	7,471		7,500	849	0.0%	43,275
2043	43,275	7,471		-	866	0.0%	51,611
2044	51,611	7,471		6,500	1,032	0.0%	53,615
2045	53,615	7,471		-	1,072	0.0%	62,158
2046	62,158	7,471		-	1,243	0.0%	70,872
2047	70,872	7,471		10,200	1,417	0.0%	69,560
2048	69,560	7,471		-	1,391	0.0%	78,422
2049	78,422	7,869		4,000	1,568	5.3%	83,859

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FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
CASH FLOW TABLE- ALTERNATIVE 1

NES2947							
Cash Flow Table							
Year ending	Opening	Recommended	Special	Estimated	Estimated	Percentage Increase	Closing
June 30th	Balance	Annual	Assessment	Inflation	Interest	in Recommended	Balance
		Contribution	Transfer-Op	Adjusted	Earned	Annual Contribution	
				Expenditures	2.0%		
2020	49,053	4,000		1,575	491	n/a	51,969
2021	51,969	5,000		2,000	520	25.0%	55,488
2022	55,488	5,250		5,000	555	5.0%	56,293
2023	56,293	5,513		1,700	844	5.0%	60,950
2024	60,950	5,788		4,000	1,219	5.0%	63,957
2025	63,957	6,078		-	1,279	5.0%	71,314
2026	71,314	6,381		1,800	1,426	5.0%	77,321
2027	77,321	6,700		7,000	1,546	5.0%	78,568
2028	78,568	7,036		-	1,571	5.0%	87,175
2029	87,175	7,387		5,900	1,744	5.0%	90,406
2030	90,406	7,387		2,500	1,808	0.0%	97,101
2031	97,101	7,387		7,500	1,942	0.0%	98,931
2032	98,931	7,387		94,700	1,979	0.0%	13,597
2033	13,597	7,387		7,500	272	0.0%	13,756
2034	13,756	7,387		4,000	275	0.0%	17,418
2035	17,418	7,387		2,100	348	0.0%	23,054
2036	23,054	7,387		-	461	0.0%	30,902
2037	30,902	7,387		7,500	618	0.0%	31,408
2038	31,408	7,387		2,200	628	0.0%	37,223
2039	37,223	7,387		4,000	744	0.0%	41,355
2040	41,355	7,387		12,500	827	0.0%	37,069
2041	37,069	7,387		2,400	741	0.0%	42,798
2042	42,798	7,387		7,500	856	0.0%	43,541
2043	43,541	7,387		-	871	0.0%	51,799
2044	51,799	7,387		6,500	1,036	0.0%	53,722
2045	53,722	7,387		-	1,074	0.0%	62,184
2046	62,184	7,387		-	1,244	0.0%	70,815
2047	70,815	7,387		10,200	1,416	0.0%	69,419
2048	69,419	7,387		-	1,388	0.0%	78,194
2049	78,194	8,101		4,000	1,564	9.7%	83,859

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**FOREST CROWNE CLOSE - STRATA CORPORATION NES2947
CASH FLOW TABLE- ALTERNATIVE 2**

NES2947							
Cash Flow Table							
Year ending	Opening	Recommended	Special	Estimated	Estimated	Percentage Increase	Closing
June 30th	Balance	Annual	Assessment	Inflation	Interest	in Recommended	Balance
		Contribution	Transfer-Op	Adjusted	Earned	Annual Contribution	
				Expenditures	2.0%		
2020	49,053	4,000		1,575	491	n/a	51,969
2021	51,969	6,000		2,000	520	50.0%	56,488
2022	56,488	6,150		5,000	565	2.5%	58,203
2023	58,203	6,304		1,700	873	2.5%	63,680
2024	63,680	6,461		4,000	1,274	2.5%	67,415
2025	67,415	6,623		-	1,348	2.5%	75,386
2026	75,386	6,788		1,800	1,508	2.5%	81,882
2027	81,882	6,958		7,000	1,638	2.5%	83,478
2028	83,478	7,132		-	1,670	2.5%	92,280
2029	92,280	7,132		5,900	1,846	0.0%	95,357
2030	95,357	7,132		2,500	1,907	0.0%	101,897
2031	101,897	7,132		7,500	2,038	0.0%	103,567
2032	103,567	7,132		94,700	2,071	0.0%	18,070
2033	18,070	7,132		7,500	361	0.0%	18,064
2034	18,064	7,132		4,000	361	0.0%	21,557
2035	21,557	7,132		2,100	431	0.0%	27,020
2036	27,020	7,132		-	540	0.0%	34,693
2037	34,693	7,132		7,500	694	0.0%	35,019
2038	35,019	7,132		2,200	700	0.0%	40,651
2039	40,651	7,132		4,000	813	0.0%	44,596
2040	44,596	7,132		12,500	892	0.0%	40,120
2041	40,120	7,132		2,400	802	0.0%	45,655
2042	45,655	7,132		7,500	913	0.0%	46,200
2043	46,200	7,132		-	924	0.0%	54,256
2044	54,256	7,132		6,500	1,085	0.0%	55,974
2045	55,974	7,132		-	1,119	0.0%	64,225
2046	64,225	7,132		-	1,285	0.0%	72,642
2047	72,642	7,132		10,200	1,453	0.0%	71,027
2048	71,027	7,132		-	1,421	0.0%	79,579
2049	79,579	6,689		4,000	1,592	-6.2%	83,860

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