

## **Reserve Fund Planners Ltd.**

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Attention: Ms Starla Smith

Re: Road allowance amendments to 2009 reserve fund study

Further to your letter of June 16 and our telephone discussions, I enclose herewith an amended Cash Flow Projection Scenario 3B for your consideration.

This amended cash flow projection is prepared in accordance with the details contained in your letter of June 16, 2011, and that of the County of Newell of May 25, 2011.

With respect to underground utility lines, I note that the County's letter refers only to roads. I strongly urge you to obtain written confirmation that the County will indeed be responsible for water and sewer lines. I have adjusted the reserve fund allowance in anticipation of receipt of such correspondence. A smaller allowance has been left in place to cover any repairs of your irrigation lines – as opposed to irrigation machinery that is dealt with elsewhere in the study – that might be needed.

As per our telephone discussion, because of uncertainty as to the County's intentions with respect to the basketball court, an allowance has been left in our calculations.

Again further to our telephone discussions, I have not reinserted an allowance for a "local improvement tax." Generally speaking, if a municipality is asked to lay pavement where none existed before (eg. an urban back lane), a local improvement tax is levied. However, in cases where it is simply a matter of bringing something back to its original condition, that is part of the municipality's annual budgeting. If the County does decide to impose such a tax, I would have to know the amounts involved before adjusting the reserve fund calculations.

Given the present balance in your reserve fund, and with roads, curbs, water and sewer lines, tennis court, and street lamps having been removed, there is no need for continuing contributions by the owners. Almost assuredly, this will motivate some owners to request a refund or rebate of their contributions. In such cases, the Board should refer to Section 38(3) of the Condominium Property Act, and distribute no money without a prior examination by legal counsel.

In studies I have prepared over the past two years, I have reduced the rate of interest credited to reserve funds to 2%. In your case however, with a substantial block of cash on hand and no major withdrawals anticipated, the rate used in your 2009 study, 3.5%, is not unreasonable, and remains unchanged in this amendment.

I believe that this letter and the attached cash flow projection address your concerns. These two documents should be kept together with your copies of the 2009 reserve fund study. They are now part and parcel of the original study and should only be considered in light of that document.

Should you have additional requirements, please feel free to contact me at any time.

Attached is my invoice, which I trust you will find to be in order.

Yours truly,  
**Reserve Fund Planners Ltd.**

Richard D. McDonell, CPM, CRP

Encl.

