Structural Integrity Reserve Study and Funding Analysis Report

Lakeshore at University Park

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Miramar, Florida 33025

Prepared by

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Lakeshore University Park Condominium Association
8700 N Sherman Circle
Miramar, Florida 33025

The Weitz Group is pleased to provide this Structural Integrity Reserve Study (SIRS) for the Lakeshore University Park Condominium Association, located in Miramar, Florida. This document is formally classified as a Structural Integrity Reserve Study, fully compliant with the stipulations established in Chapter 718 of the Florida Statutes with the objective to ensure that condominium associations engage in proactive planning for the maintenance and repair of essential building components, thereby enhancing the safety and durability of the property.

This Structural Integrity Reserve Study (SIRS) provides a comprehensive evaluation of critical building components and systems. The key considerations for this report include:

1. **Primary Systems** (State Mandated and Association Responsibility)
    - Roofing: Assessment of remaining life and costs for replacement/repair.
    - Structural Integrity: Load-bearing walls and primary structural systems.
    - Fire Protection Systems: Code compliance and performance evaluation.
    - Plumbing and Electrical Systems: Life cycle and anticipated upgrades.
    - Waterproofing & Exterior Painting: Weather resistance and cosmetic upkeep.
    - Windows & Doors: Limited to those under association responsibility.
    - Other Large Components (> $10,000): Significant systems impacting integrity.
2. **Additional Systems** (Safety-Critical and Association Responsibility but Not State Mandated)
    - Elevators: Vital for accessibility and safety.

A licensed Professional Engineer from the State of Florida conducted non-destructive visual inspections of the property, ensuring a detailed understanding of its condition. The engineer's report highlights the typical useful life, remaining useful life, and estimated replacement costs or deferred maintenance expenses of the assessed components. Furthermore, the study recommends the annual reserve contributions necessary to fund these projected costs by the end of each component's remaining useful life.

When estimating replacement and deferred maintenance costs, we account for labor, materials, overhead, general conditions, and profit. It's important to recognize that these figures are educated estimates; actual expenses can fluctuate based on material costs, labor availability, and local construction market conditions at the time of contracting.

By focusing on budgetary planning, building safety, and a long-term maintenance strategy, it is our hope and expectation that this report will help with:

- **Budgetary Planning:** Enabling proactive financial preparation to help prevent the need for special assessments.
- **Building Safety:** Focusing on critical systems to ensure occupant safety and compliance with state mandates.
- **Long-Term Maintenance Strategy:** Implementing timely interventions to preserve building value and prevent costly emergency repairs.

In conclusion, we invite you to present any questions or concerns you may have. We are fully prepared to aid and share insights as needed. We appreciate your commitment and thoughtful consideration. Thank you.

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Introduction

Terminology Usage

In this document, the terms *Association*, *Condominium Community or Association, Housing Cooperatives* and *Homeowners Association (HOA),* are used interchangeably to refer to the governing bodies responsible for managing residential communities, whether they are composed of single-family homes, townhouses, or condominium units. While these terms are specific to different types of communities, they all serve the purpose of overseeing maintenance, enforcing community rules, and ensuring the overall well-being of the property and its residents.

Association: A general term used to refer to any governing body of a residential community, including both HOAs and Condominium Associations.

Community Association: Another general term used to refer to any governing body of a residential community, including both HOAs and Condominium Associations.

Condominium Community or Association: Specifically refers to the governing body responsible for managing a condominium complex, which includes maintaining common areas and overseeing building structures.

Homeowners Association (HOA): Refers to the governing body managing a community of single-family homes, townhouses, or planned unit developments.

Housing Cooperative or "Co-op": Refers to a type of residential community where residents collectively own the building through shares in a corporation, essentially "renting" their individual units from the cooperative.

Board of Directors: This refers to the governing body of the association that makes decisions and oversees management.

Association Members: This term refers to all property owners who are members of the association.

Property Owners Association: This term has the same meaning as *Association Members* and is often used in the context of single-family home communities or planned developments.

The use of these terms is intended for general reference and clarity and does not imply legal distinctions or specific governance structures beyond their common understanding in community management contexts.

Association Responsibilities

Community Associations have a responsibility to establish and maintain a Replacement Reserve Fund to provide the maintenance or replacement of association depreciable components. The objectives of a Reserve Study or Analysis include the following: Provide a current estimate of the costs of repairing and replacing major common area components over the long term.

- All major repair and replacement costs will be covered by funds set aside by the association as reserves, so that funds are available when needed.
- An examination of the association's repair and replacement obligations is conducted.
- The costs and timing of replacement are determined.
- Distribute the contributions of old and new owners.
- Allows for the aesthetic qualities of the community to be maintained.
- Minimizes the need for special assessments.
- Shows owners and potential buyers a more accurate and complete picture of the association's financial strength and market value.

- Disclose to buyers, lenders, and others the way management of the association is making provisions for non-annual maintenance requirements.
- Define explicit association decisions on how to provide long-term funding.
- Provide or contribute to a maintenance planning tool for the association.

Description of Reserve Study Report

The purpose of a reserve study is to give those overseeing the maintenance of the property advanced notice of what major expenses to expect and an educated estimate of when these expenses will occur. With this knowledge, the homeowners' association board or manager can create a budget so association members will make their fair share of reserve contributions, designed to offset the slow but steady ongoing reserve component deterioration of the association assets, and avoid being surprised by components that deteriorated often in plain sight and over several years. In addition, the reserve study provides important annual disclosures to association members (and prospective buyers) about the condition of common area components, and the level of preparedness, or strength, of the reserve fund. A reserve study is a roadmap that allows decisions to be made which will be efficient and effective for the long term.

Funding Methodology and Models

Funding Methodologies

There are two fundamental methodologies for funding reserves:

1. **Cash Flow (Pooled) Method:** In this approach, the reserve fund is treated as a single large pool of money. Expenses for any individual component (such as maintenance, repairs, or replacements) are withdrawn from this shared reserve fund. The advantage of the Cash Flow method lies in its flexibility. Associations can manage expenses and funds more dynamically. However, a flexible reserve account can sometimes lead to overspending.

2. **Straight Line (Component) Method:** This method involves a straightforward calculation. It determines a reserve contribution based on each individual component (e.g., roofs, elevators, common areas). The benefit of the Straight-Line method is that each reserve asset has dedicated funding. However, if a project ends up costing more than initially estimated, the ASSOCIATION will need to find additional funding.

Unless required by statute, the Straight Line (Component) method should not be used under any circumstances.

Funding Models

Reserve Studies can be prepared using one of four different funding models or goals:

1. **Fully Funding Model: The** goal is to keep the reserves at or near 100% of Fully Funded Balance (FFB). Essentially, this aligns with Threshold Funding if the threshold is set at 100%. This approach is the most conservative and significantly reduces the risk of special assessments.

2. **Threshold Funding Model: In** this model, the Reserve funding goal is to maintain the Reserve balance above a certain threshold. Generally, this threshold is set lower than the Fully Funding Strategy. Associations choose this approach based on their tolerance for special assessments and risk management.

3. **Baseline Funding Model: The** objective here is to ensure that the reserve cash balance at the end of each year remains at or above $0. It focuses on maintaining a minimum level of funding. Unfortunately, this approach exposes associations to a high risk of special assessments because unexpected events rarely align precisely with the plan.

4. **Statutory Funding Model: This** model is based on local statutes or regulations. Associations set aside specific cash amounts or adhere to predefined thresholds as required by the governing laws.

Ultimately, the most critical funding goal is to establish a cash flow projection that adequately covers estimated future expenditures. The choice of model depends on the specific needs and circumstances and the association's tolerance for special assessments and risk management. Remember that the Full Funding Model and the Threshold Funding Model differ only in the threshold percentage.

The Threshold Funding Model is a crucial aspect of maintaining a healthy reserve fund for homeowners' associations. The recommended threshold percentages are based on association size and infrastructure diversity:

- Associations with a diverse infrastructure tend to face lower risks due to limited resources. A lower threshold percentage can be considered. A broader range of assets will help contribute to financial stability. A threshold percentage of 60% to 70% might be appropriate for such associations.

- Associations with less infrastructure diversity face higher risks due to limited resources. To mitigate these risks, target higher threshold percentages.

These percentages serve as general guidelines, and each association's specific circumstances should be considered. Factors like maintenance needs, replacement costs, and risk tolerance play are significant in determining the optimal threshold for your association's reserve fund.

This reserve funding report is based on the Cash Flow Methodology using the Threshold Funding Model. The threshold percentage chosen in this funding model strikes a balance between maintaining a healthy reserve fund and managing risk. (Refer to *Table 3: Reserve Study Parameters* on *page 11*.) This approach ensures that the association is adequately prepared for future maintenance and replacement needs while minimizing the likelihood of special assessments. As with any financial analysis and projections, it is important to regularly review and adjust the reserve funding strategy as needed to align with changing circumstances.

Assessment Allocation

Disclaimer

This financial analysis assumes that all the income generated from member assessments or dues is used to cover all essential expenses. However, this analysis does not consider the distribution (i.e., allocation) of assessments, which is at the Association's discretion.

There are three common methods used to allocate annual assessment income:

1. **Uniform Rate.** Members pay the same amount regardless of the size of their units or lots. If you choose this method, the annual assessment will be uniform for each unit or lot. This is the most common method for the allocation of annual assessments or dues.

2. **Variable Rate**. Often referred to as a Pro Rata Rate. Assessments are levied on a percentage basis for each unit or lot. The percentage is often based on the unit or lot size, but other factors could come into play such as the number of cars or parking spaces, amenities that are provided, the purchase price of the unit, or even the view from the unit's location.

3. **Hybrid / Blended Rate**. Assessments are calculated using a uniform rate for some budget items and a percentage or variable rate for other expenses according to the unit/lot size or benefit each receives from the association. The two amounts are blended into an assessment levied against units/lots. Hybrid or Blended rates often result in short-term and long-term errors and careful consideration must be used when employing this method.

Summary

The Preparer's Report

This reserve study report is prepared using the *Reserve Funding Analyzer* software following generally accepted reserve study standards and software as recommended by the *International Capital Budgeting Institute*, the *Foundation for Community Association Research*. and the *Community Associations Institute*.

Current Financial Summary Position

Disclaimer: Analysis does not include operations expenses. Any income required to meet annual operations expenses must be derived and addressed year-to-year.

Current Financial Summary Position

As of Date 03 December 2024

Current Replacement Cost of All Components at Start of Year 2025	**$ 5,599,921**
Current Replacement Cosf of SI components:	**$ 5,599,921**
Current Replacement Cosf of non-SI components:	**$ 0**
Replacement Costs of All Components at Next Service	**$ 10,605,932**
Replacement Costs of SI Components at Next Service	**$ 10,605,932**
Replacement Costs of non-SI Components at Next Service	**$ 0**
Replacement Costs of All Components for All Future Replacements *(over the next 30 years)*	**$ 15,930,255**
Reserve Fund Balance at Start of Year 2025	**$ 200,000**
Operational Fund Fund Balance at Start of Year 2025	**$ 0**
Total of Reseve Fund & Operational Expense Fund Balance at SOY 2025	**$ 200,000**
100% Funded Amount as of start of year 2025	**$ 2,095,656**
Percent Funded as of start of year 2025	**10%**
Reserve Surplus / Deficit of FFB - Average per Unit start of year 2025	**$ (3,949)**
Projected Total Reserve Contribution in year 2025	**$ 1,031,000**
Annual Reserve Contribution per unit in year 2025	**$ 2,148**
Currently Projected (Scheduled) Special Assessments	**$ 0**
Projected Inflation Rate (Operating Expenses)	**3.00%**
Projected Inflation Rate (Reserve Expenses)	**3.00%**
Projected Interest Rate for Earnings of Reserve Fund	**2.50%**
Current Reserve Funding Strength:	**Weak**
Current Risk of Special Assessment:	**High**

This analysis was conducted with two key goals. First, to establish a dedicated SI Reserve Fund in full compliance with Florida statutes. The second key goal is to minimize the financial burden of the Association members.

It is assumed that the Association is facing a situation where a dedicated reserve fund for Structural Integrity (SI) components is sitting at a zero balance. Based on this assumption, immediate action is required to take proactive financial measures to secure the resources needed to meet both current and future commitments. A comprehensive financial analysis has revealed that swift capitalization of the reserve fund is essential.

To achieve a fully funded status for the SI Reserve Fund, the Association should take decisive action by reallocating a portion of the existing reserve fund specifically for SI needs. Additionally, a segment of the annual dues should be earmarked to bolster the SI Reserve Fund, and special assessments should be levied to expedite funding. Establishing a robust reserve will enable the Association to manage modest annual assessment increases in the future, maintaining a strong position to meet financial obligations. This proactive strategy not only addresses immediate funding concerns but also ensures ongoing financial health for years to come.

Structural Integrity Reserve Study – Definition

A Structural Integrity Reserve Study (SIRS) is a form of reserve study that is designed to ensure that the association or community is reserving funds for the long-term maintenance and necessary replacement of critical structural and safety elements in the buildings. At a minimum, a structural integrity reserve study must identify the common areas that relate to the safety of building being visually inspected by a licensed engineer or architect and must:

- Identify the common areas being visually inspected.
- State the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of the common areas being visually inspected.
- Provide a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each common area being visually inspected by the end of the estimated remaining useful life of each common area.

Recently enacted legislation in the State of Florida states that a SIRS must be completed every 10 years for each building on the association's property that is three stories or higher. It is highly likely that other states or regions will enact similar legislation to ensure the safety of residents and guests. The following elements must, at a minimum, be included in Florida's Structural Integrity Reserve Study:

- **Roofing** (membrane, decking, flashings, gutters, downspouts)
- **Plumbing** (water supply lines, water heaters, pumps, valves, drain/waste/vent systems)
- **Fireproofing and Fire Protection Systems** (fire resistant coatings and insulation, fire alarms, smoke detectors, fire extinguishers, fire suppression systems)
- **Exterior Doors & Windows** (part of the common area and are the responsibility of the Association to maintain)
- **Structural Systems** (floors, foundations, beams, columns, roof structures, parking structures, staircases, load-bearing walls)
- **Waterproofing and Exterior Painting** (sealants, membranes, flashings, drainage systems, exterior wall coatings)
- **Electrical Systems** (main electrical wiring, emergency lighting)
- **Other items with a deferred maintenance expense or replacement costs exceeding $10,000.** (high value items that the failure to replace or maintain may negatively affect the structural integrity, safety, or security of the occupants)

These components can be characterized as those reserve components which may affect the security, safety, and/or structure of a building. In addition, the State of Florida has mandated that any funding for the repairs or servicing of components that have an impact on the building's structural integrity cannot be waived by agreement or vote of the board. From a financial perspective, the reserve study must demonstrate that adequate funds will be available to replace or service any SI components by the end of the useful life of all the critical components. The State of Florida requires that funds for structural integrity components need to be maintained separately from other non-structural integrity components.

From an engineering or architectural perspective, only a professionally licensed engineer or architect may perform the inspection of critical components which may have an impact on structural integrity. The engineer or architect must also provide an assessment of each inspected component's physical state, the estimated remaining service life, and an estimate for each component's replacement cost.

Each association or community should consult with their local or regional government agencies to determine if a Structural Integrity Reserve Study is required and to fully understand what the requirements may be.

If any reserve components are considered important to the structural integrity of any structure or might affect the safety and/or security of community residents, they may be noted in this reserve study document.

Included Components – Definition

Reserve expenses for components are major expenses that must be budgeted for in advance to provide the necessary funds in time for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. They are expenses that when incurred would have a significant impact on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance.

A common concern when beginning a reserve study is what components are to be included and funded for in the Reserve Study. Nationally recognized reserve study standards indicate reserve components need to meet the following criteria:

- The component is part of the community's common elements.
  - The component is not already covered in a maintenance contract.
  - The component is not included in another part of the community's budget.
- The component's replacement or project costs are greater than the threshold amount imposed by the community.
- The component has a limited life expectancy.
- The component has a reasonably defined remaining useful life.

Refer to the *Reserve Components* section on page 19 for an itemized listing of the included reserve components in this reserve study report.

Excluded Components – Definition

Some common area components may have been left out of the study or included in the component list but "Unfunded" and not considered in the mathematical models. These components will typically fall into one or more of the categories listed below.

- **Component Covered under Maintenance Contract** – The component's ongoing maintenance/replacement is performed as part of the services secured by a maintenance contract.
- **Component Costs Below Threshold** – Component repair and/or replacement costs that are deemed too small to be considered reserve expenses are typically included in the operational or maintenance budget and have not been funded for in this study.
- **Useful Life is One Year or Less –** These occur at least annually and can be effectively budgeted for each year as part of the operational expenses. They are characterized as being reasonably predictable both in terms of frequency and cost.
- **Useful Life is Very Long, Unpredictable** – Components which, when properly maintained, have an exceedingly long useful life with no predictable replacement cycle.
- **Useful Life Cannot be Determined** – Components where the useful life cannot be determined.
- **Not Part of Common Elements** – Improvements made to the property that fall outside the responsibility of the association. Typically, these are components where the responsibility falls to individuals or organizations other than the association such as individual unit owners or parties such as governmental agencies, utility companies, the US Postal Service, etc.

Community Profile and Account Summary

The following table is a summary of the community and the current financial status.

Table 1: Community Profile and Account Summary

Community Profile and Account Summary	
As-Of Date this Analysis: 03 December 2024	
Community:	**Lakeshore University Park**
Number of Units:	**480**
Start Year for Analysis:	**2025**
Reserve Fund Balance at SOY 2025:	**$ 200,000**
Operational Expense Fund Balance at SOY 2025:	**$ 0**
Total of Reserve Fund & Operational Expense Fund Balance at SOY 2025:	**$ 200,000**
Recommended 2025 Annual Reserve Contribution:	**$ 1,031,000**
Reserve Fully Funded Balance (FFB) at SOY 2025:	**$ 2,095,656**
Reserve Funding Percent of FFB at SOY 2025:	**10%**
Reserve fund in relation to the FFB at Start of Year 2025 (per unit): *	**$ (3,949)**
Reserve Funding Strength at SOY 2025:	**Weak**
Risk of Special Assessment at SOY 2025:	**High**
Outstanding Balance of Existing Loans (from years prior to 2024):	**$ 0**
Anticipated Loans in Current Year (2024):	**$ 0**
Tax Liability Not Included in Analysis:	

** Being greater than or less than the FFB does not automatically indicate a recommendation for a refund or assessment. Instead, this value reflects the per unit amount in relation to the*

Note: Any different noted in the above summary applies to the Fully Funded Balance and does not suggest that a refund should be applied (in the case of a surplus) or that an assessment is required (in the case of a deficit).

Financial Assumptions and Recommendations

Certain assumptions must be adopted to develop the financial analysis for this study. These include assumptions about the community and specific economic assumptions. The association must carefully monitor these assumptions and update the financial analysis should any of them change. The following table summarizes the basic recommendations which were derived from the use of the stated assumptions and disclosures about financial calculations used in this analysis.

Table 2: Assumptions, Recommendations and Disclosure Summary

Summary – Assumptions, Recommendations & Disclosures

Beginning Assumptions

Number of Units:	480
Start Year for Analysis:	2025
Estimated First Year (2025) Reserve Contribution:	$ 1,031,000
Annual Fees Income for 2024:	$ 200,000
Year 2025 Special Assessment:	$ 816,000

Economic Assumptions

Inflation rate for Reserve Exp (CapEx):	3.00%
Inflation for Operating Exp (OpEx):	3.00%
Interest rate on Reserve Balance:	2.50%

Current Reserve Status

Reserve Fund Balance at Start of Year 2025:	$ 200,000
Operational Fund Fund Balance at Start of Year 2025: *	$ 0
Total of Reseve Fund & Operational Expense Fund Balance at SOY 2025:	$ 200,000
Reserve Fully Funded Balance (FFB) at SOY 2025:	$ 2,095,656
Reserve Funding Percent of FFB at SOY 2025:	10%
Estimated First Year (2025) Reserve Contribution:	$ 1,031,000

Recommendations for next 10 Years

Total Special Assessments 2025 to 2035:	$ 1,296,000
Avg Ann Reserve Contribution 2025 to 2035:	$ 416,829
Avg Annual HOA fees % Increase 2025 to 2035:	5.00%

Disclosures

- General calculations use Cash Flow Funding methodology.
- The Percent Funded and the Fully Funded Balance determined using the Inflation Adjusted methodology as defined by the International Capital Budgeting Institute.
- The earned interest on the reserve fund is calculated seperately and is included as part of the ongoing income, therefore, the interest rate on the reserve fund is not included in the calculation of the Fully Funded Balance.
- Estimated future reserve component major repair and replacement costs are based on current or actual replacement costs projected to the estimated repair or replacement date and then projected forward by applying an inflation rate of 3.00%.
- Operating Expenses are not included in this analysis

The operations expense fund account is assumed to be a Zero Balance Account (ZBA). The account balance of $0 is maintained and any funds needed in the account is automatically transferred from a central or master account. Any actual balance in the operations fund account is assumed, for analysis purposes, to be included in the Reserve Fund Account balance.

Site Map

Reserve Study Parameters

Table 3: Reserve Study Parameters

Reserve Study Parameters	
Level of Reserve Study:	**Level 2: Update with Site Visit**
Report Period:	**Fiscal Year 2025**
Interest rate on Reserve Balance:	**2.50%**
Inflation rate for Reserve Exp (CapEx):	**3.00%**
Inflation for Operating Exp (OpEx):	**3.00%**
Funding Methodology:	**Cash Flow**
Funding Strategy:	**Threshold Funding**
Funding Threshold Target:	**70%**
As of Date:	**3 December 2024**
No. of Reserve Components in this Analysis:	**48**
No. of Structural Integrity (SI) Components:	**48**

Note: Refer to Structural Integrity Reserve Study – Definition on page 6 for more information on Structural Integrity Reserve components.

Reserve Study Level

Four levels of reserve studies have been defined by the Community Associations Institute (CAI).

Table 4: Reserve Study Levels

	Level 1 Full Study	Level 2 Update with Site Visit	Level 3 Update with no Site Visit	Level 4 Preliminary
Onsite Visual Inspection	Established	Re-assessed	Reflects prior study	Not Applicable
Component Inventory	Established	Re-assessed	Reflects prior study	Estimated
Component Quantification	Established	Re-assessed	Reflects prior study	Estimated
Condition Assessments	Visual Inspection	Visual Inspection	Not Conducted	Not Applicable
Useful Life Assessments	Assessed	Re-assessed	Not Conducted	Based Industry Standards
Valuation/Cost Estimates	Established	Re-assessed	Updated	Based Industry Standards
Financial Plan	Analyzed	Analyzed	Analyzed	Analyzed

This Level 2 Reserve Study is referred to as an Update with a Site Visit Reserve Study. This Level 2 study is an update of a prior study. The prior study may be either a Level 1 or a Level 2 study. As in a Level 1 study, a thorough on-site inspection is conducted of every component within the community. This includes common areas, buildings, infrastructure, and other relevant elements. The purpose of this inspection is to verify or adjust the existing component list, assess each component's useful life, and refine the component valuation estimates. A full analysis of the association's finances is then conducted. This Level 2 Reserve Study provides a balance between comprehensiveness and practicality. It ensures that the association's reserve fund remains accurate and aligned with the community's needs. This Level 2 study assumes that a Level 1 study has been previously performed.

The following tasks are performed in a Level 2 Study:

- Component Inventory (does not require quantities to be re-established, however, it does require a review to

ensure that the updated quantities conform to general standards)
- Components may be added that were not previously included. Likewise, components may be removed
- Condition assessment (based on on-site observations)
- Life and valuation estimates
- Fund status
- Financial analysis

Preparation

- Prior reserve studies, if available, were used as references for this analysis as a baseline for the identification of reserve asset components.
- If relevant, architectural and/or engineering plans have been used as reference.
- If relevant, the inventory of the reserve assets consisted of:
  - Verification that no assets were overlooked or if assets should be excluded.
  - Condition of assets and useful life was evaluated.
  - Historical records for component maintenance frequency and costs were referenced.
  - Component useful life based on how long past component maintenance endured.

Assumptions

- The physical inventory and condition assessment of all physical assets is complete.
- The component replacement cost estimates are reasonably accurate.
- Projected future financial requirements to fund the reserve components are accumulated based on actual costs or current estimated costs. Future expenditures are thereby estimated using the inflation assumptions stated herein.
- If relevant, estimates for current and future operational expenses are reasonably accurate. This includes annual expenses such as insurance, administration, and maintenance. Future operational expenses are projected to rise at the projected inflation rate.

Funding Goals

- Provide sufficient funds when they are required
- Achieve and sustain a targeted percent funding of the Fully Funded Balance of the reserve fund
- Enable a stable contribution rate over the years
- Evenly distribute contributions over the years
- Minimize the need for special assessments
- Be fiscally responsible

It is a common misconception that an ASSOCIATION or community should maintain 100% of the fully funded balance. As a performance indicator, percent funding is used as a measure of the health of the reserve fund and a percent funding range of 70% to 100% is commonly adopted as a target percentage as it has been statistically shown that communities that maintain their percent funding in this range are far less likely to experience emergency assessments or deferral of maintenance. They can easily weather unexpected expenses and economic downturns. The actual funding target percentage is used as a performance indicator and can vary according to unique circumstances.

Other than the performance indicator described above, percent funded has limited value, and that value is restricted to measuring current or projected balance against a theoretical 100% funded calculation. Other than already described, the only real purpose for calculating percent funded is to provide an indicator of the fairness of the reserve or maintenance assessments (fees). If an association is constantly 100%, that would provide an indication that current owners are paying for their fair share of use of the components, assuming a straight-line time decay factor of components. At any percentage less than 100%, it would indicate that current owners might be paying less than their fair share, and future owners will have to make up the difference.

The common guidelines for percentage funding are:

- Overfunded: Greater than 100%
  - Indication that steps should be taken to bring the fund back into balance
  - Continual overfunding places an unfair burden on individual members to maintain a fund more than is needed
  - Overfunding does not provide additional safeguards that could be obtained from a strong position
- Strong: 70% – 100%:
  - The risk of special assessments or deferred maintenance is low
  - Higher marketability
  - Unexpected expense and economic downturns are easily overcome
- Fair: 30% – 70%:
  - Due diligence indicated to assure adequate funding scheduled expenses
  - Unexpected expenses and economic downturns pose a moderate to high risk of special assessments or deferred maintenance
- Weak: 0% – 30%:
  - The risk of special assessments is high, especially in the case of unexpected expenses or an economic downturn
  - Deferred maintenance of reserve components is common
  - High stress and political turmoil are likely
  - Lower marketability

Physical Analysis

The reserve funding plan is most contingent upon accurate physical analysis. To the extent practical, this reserve study consists of:

- Review of all components to assure proper identification and quantity
- Identify any new components
- Inspect all reserve components to assess their condition
- Examine historical records of component maintenance and evaluate if the Component Useful Life is accurately represented in the inventory listing
- In cases where reserve components were serviced in the last few years, evaluate if the past costs, once adjusted for inflation, represent an accurate estimate of the current service cost
- Consult with knowledgeable vendors and service providers to evaluate current condition, assure correct costs and useful lives are assessed

Funding Summary

Goals of Funding Analysis

The goals of a Funding Analysis are to:

- establish funding goals
- identify annual funding requirements
- disclose limitations and assumptions

Once the components' estimated useful life, estimated remaining life, and estimated current replacement costs are identified, only then can the association develop a plan for funding the reserve account. This funding plan specifies future reserve cash needs and planned methods to offset the ongoing deterioration of the reserve components.

In preparing the funding plan, the association will have to make decisions about the current assessments amount and the need for special assessments, balanced against projected liability. The law does not require the funding of projected replacement costs, only an explicit description of the plan for such funding, among other specific disclosures. The financial viability of the association will depend a great deal on the ability of the association to replace components as they wear out and not to defer major maintenance items.

A product of the Funding Analysis process is the development of a funding plan (cash flow forecast or projection) to estimate future reserve cash receipts and disbursements. This Reserve Study documents the funding plan with documented supporting assumptions and methodology.

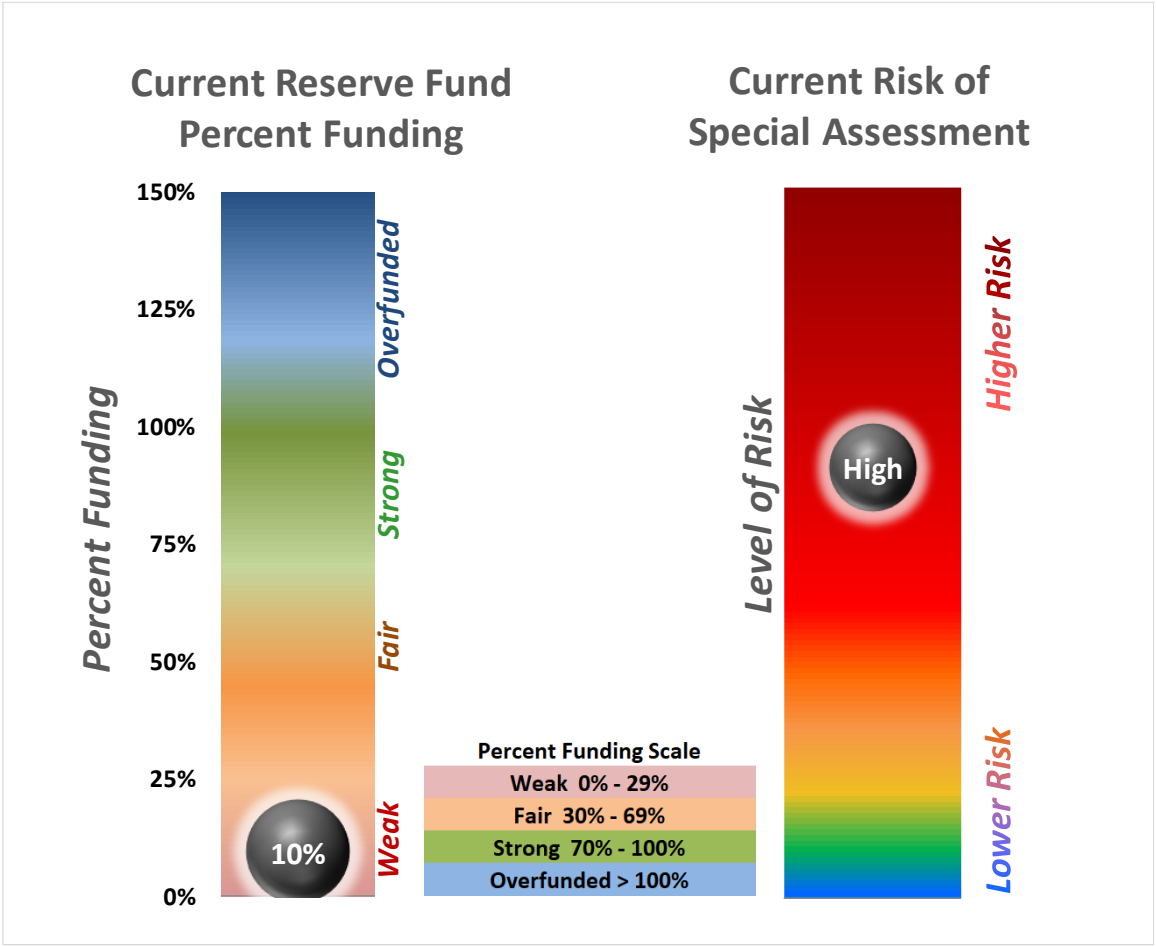
Current Reserve Fund Percent Funding and Risk of Special Assessment

As mentioned elsewhere in this report, the relationship between Reserve Fund percent funding and the risk of a special assessment is indeed significant.

- **Percent Funde**d: This is a measure of the current Reserve Fund balance compared to the total anticipated expenses. It's calculated by dividing the current Reserve Fund balance by the Fully Funded Balance, which represents the total cost of deterioration of the components.
- **Risk of Special Assessment:** There is a correlation between the Percent Funded and the risk of a special assessment. Associations with a Percent Funded in the 0-30% range are considered weak and have a high risk of special assessments. Those in the 40-70% range have a medium risk, and those over 70% are strong and have a low risk.

It is important for associations to aim for a higher Percent Funded to minimize the risk of unexpected assessments and to ensure that there's enough in the reserves to cover future expenses. The current Reserve Fund percent funding and Risk of Special Assessment is depicted in the following charts. Also, refer to *Risk of Special Assessment or Deferred Maintenance* on page *43* for additional details.

Figure 1: Current Percent Funding and Risk Charts



Current Income

The primary source of an association's income is from annual maintenance assessments or fees. Other sources can also include the sale of assets and rental of facilities. The following summarizes the sources of income used in this reserve study

Note: The Association's annual fee income requirement assumes that the Uniform Rate method is used for the allocation of assessments. If the Variable Rate or Hybrid/Blended Rate is utilized to allocate the annual assessments, please refer to *Assessment Allocation* on page *3* for further information.

Table 5: Current Income Sources

Current Funding Summary for Year 2025

Income Type	Amount
Association Annual Fees Income for 2024:	$ 200,000
Association Annual Fees Income for 2025: *	$ 210,000
Interest on Reserve Fund:	2.50%
Loans:	$ 0
Other Annual Income:	$ 0

** Using the Uniform Rate method for assessment allocation*

Current Special Assessments	
Year	Amount

Current Expenses

Table 6: Current Expenses

Current Expenses

Operating Expenses for Year 2024:	Not Included
Estimated Operating Expenses for Year 2025:	$ 0
2025 to 2055 OpEx inflation:	3.00%
Current Loan Payments:	$ 0

Operating expenses should not include reserve contributions

Future Income Sources

Income sources used in this reserve study financial analysis include:

- Annual maintenance assessments (fees) and annual maintenance assessment (fees) increase
- New loans
- Annual income from other sources such as facilities rentals
- Interest earned from reserve fund accounts
- Special assessments
- Other one-time incomes such as sale of assets

Table 7: Future Income Sources

Future Income Sources

Fees Increase #1	
% Increase: 5.00%	
Start Year: 2025	
Duration: 10 yrs	

Fees Increase #2	
% Increase: 3.00%	
Start Year: 2035	
Duration: 5 yrs	

Fees Increase #3	
% Increase: 5.00%	
Start Year: 2040	
Duration: 15 yrs	

Future Loans	
Year	Amount

Interest on Reserve Fund
2.50%

New Special Assessments	
Year	Amount
2025	$ 816,000
2029	$ 480,000
0	
0	
0	

Other Incomes			
Start Year	End Year	Amount	Description

30-Year Financial Projection

The reserve fund characteristics will vary over the next 30 years:

- Reserve Fund Balance
- Reserve Fund Contribution
- Reserve Funding Percent of FFB

The following table summarizes these performance indicators.

Table 8: 30-Year Financial Projection

30-Year Financial Projection	
Minimum Reserve Fund Balance:	**$ 565,412**
Maximum Reserve Fund Balance:	**$ 9,343,522**
Minimum Annual Reserve Fund Contribution:	**$ 239,025**
Maximum Annual Reserve Fund Contribution:	**$ 1,031,000**
Minimum Reserve Funding Percent of FFB:	**10%**
Maximum Reserve Funding Percent of FFB:	**82%**
Average Annual Reserve Funding Percent of FFB:	**61%**

Reserve Components

Reserve expenses for components are major expenses which must be budgeted for in advance to provide the necessary funds in time to cover the necessary maintenance or replacement as components deteriorate. Reserve expenses are reasonably predictable both in terms of frequency and cost. They are expenses that, if not reserved, would have a significant impact on the budgetary process from one year to the next.

Included Components

A common concern is what components are to be included and funded for in the Reserve Study. Nationally recognized Reserve Study Standards indicate reserve components need to meet **ALL** the following criteria:

- The component is owned and maintained by the Association
- The component is NOT already covered in a maintenance contract
- The component has a limited life expectancy
- The component has a predictable and defined remaining useful life
- The component project cost is above a threshold amount imposed by the Association

Component Useful Life Estimates

"Useful life" is defined as the number of years the component is expected to serve its intended purpose if given regular and proper maintenance. Estimating the useful life of each of components includes the following factors:

- Material manufacturer's warranty
- Commercially available published sources with estimates of useful life such as the US Department of Housing and Urban Development and Fannie Mae.
- Evaluating the Association's past maintenance records

Component Remaining Useful Life Estimates

The "Remaining Life" is defined as the expected number of years the component will continue to serve its intended purpose prior to repair or replacement. Estimating the remaining useful life of each of components includes the following factors:

- Subtracting the year that the component was installed from the useful life estimate
- Evaluating the apparent physical condition by someone familiar with the component such as a service vendor and adjusting the remaining useful life as necessary
- Evaluating past maintenance records to determine if the useful life is accurately represented

In determining the remaining life of a component, a certain level of continued preventive maintenance is assumed. Any assumptions pertaining to these maintenance assumptions are explicitly stated so that proper maintenance can be continued throughout the component's remaining life.

The remaining life of a component implicitly specifies the year in which maintenance or replacement is required. The analysis timeline shows the year of replacement for each component. The timeline serves as a schedule for expected component replacements and can be updated or changed when the Physical Analysis is updated or as components last for shorter or longer periods than expected.

Evaluating the General Condition of Reserve Components

The general condition of a reserve component can be assessed based on various factors, including age, visual appearance, maintenance history, and potential risk of failure. Objective criteria, such as sampling and testing, may also be utilized. Unless otherwise specified, any evaluations of reserve components' conditions are based on the following subjective criteria:

- **Good:** No Substantial Deterioration Observed AND No Dangerous Condition Exists
- **Fair:** Indication of Deterioration is Observed AND No Dangerous Condition Exists
- **Poor:** Substantial Deterioration is Observed OR Dangerous Condition Exists

Determining the Cost of Replacement

Replacement costs are obtained in various manners. All costs also include the cost of removing the existing component, if appropriate. Factors for estimating replacement costs include:

- Cost estimating manuals and guidelines, if appropriate
- Evaluating historical maintenance records and, where appropriate, adjusting for inflation
- Obtaining current estimates from reliable sources such as contractors, suppliers, or subject matter experts

Excluded Components

The following categories of reserve components are normally excluded from Reserve Studies:

- Below Threshold Costs: – Component repair and/or replacement costs that are too small to be considered reserve expenses are typically included in the operational or maintenance budget. Expenses that are below this threshold are generally not included in this study and should be part of the operational expense budget.
- Reserve assets which should be part of the operational expenses such as asset expenses that occur annually or assets that have an annual maintenance service contract and can generally be effectively budgeted for each year. They are characterized as being predictable both in terms of frequency and cost.
- Very Long or Unpredictable Useful Life Expectancy: – Components which, when properly maintained, have very long useful lives with no predictable replacement cycle. Examples include plumbing, electrical systems and retaining walls. Although there may be circumstances where an Association may wish to include items in these categories.
- Unit Improvements: – Improvements made to the property that fall within the Governing Documents' unit description summary as the responsibility of the unit's owner.
- Other Non-Association/Organization Owned: – Improvements installed on the property, but which are owned by other parties such as governmental agencies, utility companies, the US Postal Service, etc.

Structural Integrity Reserve Components

Structural Integrity Reserve Components (SI) as defined by the State of Florida are components related to the structural integrity and safety of the building. They include:

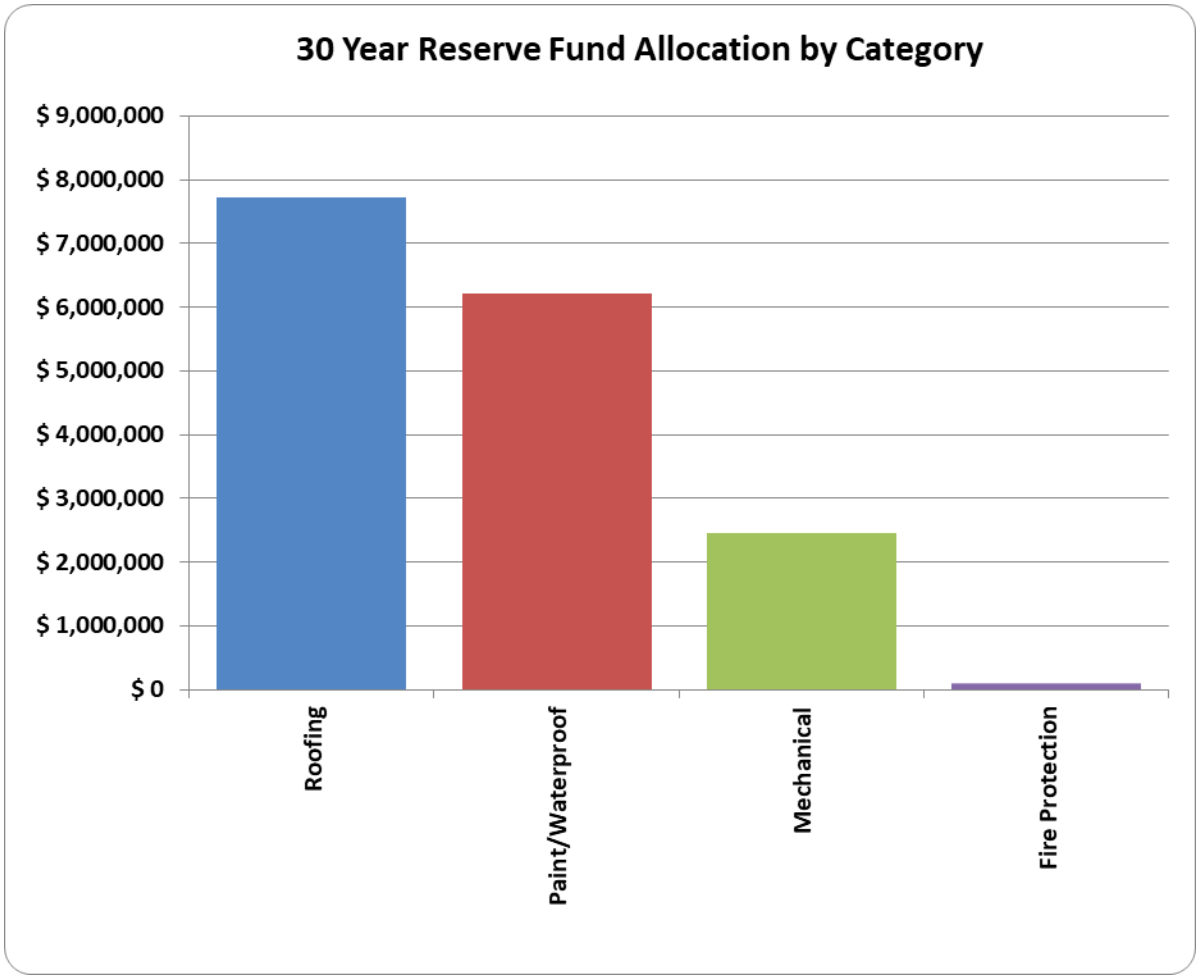
- Roof
- Structural Systems (e.g., floors, foundations, and load-bearing walls)
- Fireproofing or Fire Protection Systems
- Plumbing
- Electrical Systems
- Waterproofing and Exterior Painting
- Exterior Doors & Windows that are part of the Common Area and are the responsibility of the Association to maintain
- Other items with a deferred maintenance expense or replacement costs exceeding $10,000. The intent is to identify items that are of high value or that the failure to replace or maintain may negatively affect the structural integrity, safety, or security of the occupants.

The State of Florida requires that any condominium or cooperative association perform an assessment and reserve study at least every 10 years after the association's creation for each building on the association's property that is three stories or higher. It is likely that other states and regions will implement similar requirements. During this analysis, the user(s) have the option to identify any of the reserve components such as SI, or Structural Integrity. Identification does not alter the financial analysis, but it will mark those components for easy identification. Refer to *Structural Integrity Reserve Study – Definition* on page 6 for more information.

Reserve Fund Allocation

The following chart illustrates the reserve fund allocation of the included reserve components. Attention should be given to those component categories which are a large percentage of the allocated costs as these may require significant planning to adequately budget for their replacement. These large expenses may be well into the future during "Peak Year" cycles.

Figure 2: 30 Year Reserve Fund Allocation



Component Inventory Included in Analysis

The following components are included in this Reserve Study financial analysis.

Table 9: Reserve Component Inventory

Summary Component Analysis

Item	Bldg	Structural Integrity Component	Category	Reserve Component Name	General Condition	Replacement Cost	Replacement Cost Basis	Estimated Start of Year (2025) Replacement Cost	Last or Scheduled Service Year	Est Useful Life (yrs)	Useful Life Adjust (yrs)	Remaining Useful Life (yrs)	Qty	Unit of Measure	Next Service Year	Est Cost at Next Service
1	Bldg 01	SI	Fire Protection	Fire Alarm System Bldg 1	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
2	Bldg 02	SI	Fire Protection	Fire Alarm System Bldg 2	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
3	Bldg 03	SI	Fire Protection	Fire Alarm System Bldg 3	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
4	Bldg 04	SI	Fire Protection	Fire Alarm System Bldg 4	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
5	Bldg 05	SI	Fire Protection	Fire Alarm System Bldg 5	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
6	Bldg 06	SI	Fire Protection	Fire Alarm System Bldg 6	Good	$ 19,000	Current Est	$ 19,000	2018	35		28	1	each	2053	$ 43,471
7	Bldg 07	SI	Fire Protection	Fire Alarm System Bldg 7	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
8	Bldg 08	SI	Fire Protection	Fire Alarm System Bldg 8	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
9	Bldg 09	SI	Fire Protection	Fire Alarm System Bldg 9	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
10	Bldg 10	SI	Fire Protection	Fire Alarm System Bldg 10	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
11	Bldg 11	SI	Fire Protection	Fire Alarm System Bldg 11	Good	$ 19,000	Current Est	$ 19,000	2024	35		34	1	each	2059	$ 51,906
12	Bldg 12	SI	Fire Protection	Fire Alarm System Bldg 12	Good	$ 19,000	Current Est	$ 19,000	2018	35		28	1	each	2053	$ 43,471
13	Bldg 01	SI	Paint/Waterproof	Ext Painting Bldg 1	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
14	Bldg 02	SI	Paint/Waterproof	Ext Painting Bldg 2	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
15	Bldg 03	SI	Paint/Waterproof	Ext Painting Bldg 3	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
16	Bldg 04	SI	Paint/Waterproof	Ext Painting Bldg 4	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
17	Bldg 05	SI	Paint/Waterproof	Ext Painting Bldg 5	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
18	Bldg 06	SI	Paint/Waterproof	Ext Painting Bldg 6	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
19	Bldg 07	SI	Paint/Waterproof	Ext Painting Bldg 7	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
20	Bldg 08	SI	Paint/Waterproof	Ext Painting Bldg 8	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
21	Bldg 09	SI	Paint/Waterproof	Ext Painting Bldg 9	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
22	Bldg 10	SI	Paint/Waterproof	Ext Painting Bldg 10	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
23	Bldg 11	SI	Paint/Waterproof	Ext Painting Bldg 11	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
24	Bldg 12	SI	Paint/Waterproof	Ext Painting Bldg 12	Good	$ 69,000	Actual Cost	$ 77,660	2021	8		4	1	each	2029	$ 87,407
25	Bldg 01	SI	Roofing	Bitumen Roof Bldg 1	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
26	Bldg 02	SI	Roofing	Bitumen Roof Bldg 2	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970

Summary Component Analysis

27	Bldg 03	SI	Roofing	Bitumen Roof Bldg 3	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
28	Bldg 04	SI	Roofing	Bitumen Roof Bldg 4	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
29	Bldg 05	SI	Roofing	Bitumen Roof Bldg 5	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
30	Bldg 06	SI	Roofing	Bitumen Roof Bldg 6	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
31	Bldg 07	SI	Roofing	Bitumen Roof Bldg 7	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
32	Bldg 08	SI	Roofing	Bitumen Roof Bldg 8	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
33	Bldg 09	SI	Roofing	Bitumen Roof Bldg 9	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
34	Bldg 10	SI	Roofing	Bitumen Roof Bldg 10	Good	$ 300,000	Current Est	$ 300,000	2019	35		29	1	each	2054	$ 706,970
35	Bldg 11	SI	Roofing	Bitumen Roof Bldg 11	Fair	$ 300,000	Current Est	$ 300,000	1992	35		2	1	each	2027	$ 318,270
36	Bldg 12	SI	Roofing	Bitumen Roof Bldg 12	Fair	$ 300,000	Current Est	$ 300,000	1992	35		2	1	each	2027	$ 318,270
37	Bldg 01	SI	Mechanical	Elevator Refurbish Bldg 1	Good	$ 70,000	Current Est	$ 70,000	2021	30		26	1	each	2051	$ 150,961
38	Bldg 02	SI	Mechanical	Elevator Refurbish Bldg 2	Good	$ 70,000	Current Est	$ 70,000	2021	30		26	1	each	2051	$ 150,961
39	Bldg 03	SI	Mechanical	Elevator Refurbish Bldg 3	Good	$ 70,000	Current Est	$ 70,000	2021	30		26	1	each	2051	$ 150,961
40	Bldg 04	SI	Mechanical	Elevator Refurbish Bldg 4	Good	$ 70,000	Current Est	$ 70,000	2021	30		26	1	each	2051	$ 150,961
41	Bldg 05	SI	Mechanical	Elevator Refurbish Bldg 5	Good	$ 70,000	Current Est	$ 70,000	2021	30		26	1	each	2051	$ 150,961
42	Bldg 06	SI	Mechanical	Elevator Refurbish Bldg 6	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
43	Bldg 07	SI	Mechanical	Elevator Refurbish Bldg 7	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
44	Bldg 08	SI	Mechanical	Elevator Refurbish Bldg 8	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
45	Bldg 09	SI	Mechanical	Elevator Refurbish Bldg 9	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
46	Bldg 10	SI	Mechanical	Elevator Refurbish Bldg 10	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
47	Bldg 11	SI	Mechanical	Elevator Refurbish Bldg 11	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000
48	Bldg 12	SI	Mechanical	Elevator Refurbish Bldg 12	Good	$ 70,000	Current Est	$ 70,000	1984	30		0	1	each	2025	$ 70,000

Structural Integrity Components Included in Analysis

If they were identified in the analysis as components which may affect the Structural Integrity, they are included and indicated in *Table 9: Reserve Component Inventory* on page *22* (above).

Components Not Included in Funding

The below components have been excluded from funding in this reserve study. Note that the inclusion of any of these items later via a revision or update to this study will likely impact the funding strategies developed for this report.

Table 10: Components Not Included in Funding

Item	Major Component	Reason Not Considered for Analysis	Comments
1			
2			
3			
4			
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22			
23			
24			
25			

Income and Expenses

The funding plan of this reserve study will help the association's reserve account to be highly funded over the next 30 years. This requires a recommended allocation amount into the reserve account.

The following table summarizes each year's income and expenses and includes the following elements to derive the Annual Maintenance Assessments (or Fees) and Annual Reserve Contributions:

- Annual reserve balance
- The fully funded balance of all reserve components
- Total income
- Total expenses (reserve components, operational, and loans)

This funding plan considers four basic principles:

1. There are adequate reserves when needed.
2. The budget should remain stable but increasing to offset inflationary factors.
3. The costs are well distributed over time.
4. The funding plan must allow the Association to be fiscally responsible.

Note: The funding plan assumes that future income from assessments (or dues) is based upon the Uniform Rate method of assessment allocation. Refer to *Assessment Allocation* on page *3* for additional information. The Uniform Rate method is used for financial analysis as this assures that minimum required income is assumed whereas using either the Variable Rate or Hybrid/Blended Rate methods is less predictable.

Table 11: Projected Income & Expenses Summary

				Incomes						Expenses											
Year	Start of Year Reserve Balance [1]	Fully Funded Balance	Start Of Year Percent Funded	Special Assessments	Total Annual Maintenance Assessments (dues)	Loans	Reserve Balance Interest Income	Other Incomes	Total Annual Income	Operating Expenses	Loan Expenses *(payments)*	Special Projects	Non Structural Integrity (SI) Reserve Expenses [2]	Structural Integrity (SI) Reserve Expenses [2]	Total All Reserve Expenses	Estimated Annual Taxes	Total Expenses	Annual Reserve Contrib *(less loans)* [3]	Reserve Contrib as Pct of Total Income	End of Year Reserve Balance [4]
2025	$ 200,000	$ 2,095,656	10%	$ 816,000	$ 210,000		$ 5,000		$ 1,031,000					$ 490,000	$ 490,000		$ 490,000	$ 1,031,000	100%	$ 741,000
2026	$ 741,000	$ 1,915,303	39%		$ 220,500		$ 18,525		$ 239,025									$ 239,025	100%	$ 980,025
2027	$ 980,025	$ 2,242,084	44%		$ 231,525		$ 24,501		$ 256,026					$ 636,540	$ 636,540		$ 636,540	$ 256,026	100%	$ 599,511
2028	$ 599,511	$ 1,931,112	31%		$ 243,101		$ 14,988		$ 258,089									$ 258,089	100%	$ 857,600
2029	$ 857,600	$ 2,274,768	38%	$ 480,000	$ 255,256		$ 21,440		$ 756,696					$ 1,048,884	$ 1,048,884		$ 1,048,884	$ 756,696	100%	$ 565,412
2030	$ 565,412	$ 1,556,954	36%		$ 268,019		$ 14,135		$ 282,154									$ 282,154	100%	$ 847,566
2031	$ 847,566	$ 1,906,787	44%		$ 281,420		$ 21,189		$ 302,609									$ 302,609	100%	$ 1,150,176
2032	$ 1,150,176	$ 2,276,208	51%		$ 295,491		$ 28,754		$ 324,245									$ 324,245	100%	$ 1,474,421
2033	$ 1,474,421	$ 2,666,079	55%		$ 310,266		$ 36,861		$ 347,126									$ 347,126	100%	$ 1,821,547
2034	$ 1,821,547	$ 3,077,293	59%		$ 325,779		$ 45,539		$ 371,318									$ 371,318	100%	$ 2,192,865
2035	$ 2,192,865	$ 3,510,781	62%		$ 335,552		$ 54,822		$ 390,374									$ 390,374	100%	$ 2,583,239
2036	$ 2,583,239	$ 3,967,508	65%		$ 345,619		$ 64,581		$ 410,200									$ 410,200	100%	$ 2,993,439
2037	$ 2,993,439	$ 4,448,479	67%		$ 355,987		$ 74,836		$ 430,823					$ 1,328,700	$ 1,328,700		$ 1,328,700	$ 430,823	100%	$ 2,095,562
2038	$ 2,095,562	$ 3,586,180	58%		$ 366,667		$ 52,389		$ 419,056									$ 419,056	100%	$ 2,514,618
2039	$ 2,514,618	$ 4,077,754	62%		$ 377,667		$ 62,865		$ 440,533									$ 440,533	100%	$ 2,955,151
2040	$ 2,955,151	$ 4,595,594	64%		$ 396,550		$ 73,879		$ 470,429									$ 470,429	100%	$ 3,425,580
2041	$ 3,425,580	$ 5,140,836	67%		$ 416,378		$ 85,639		$ 502,017									$ 502,017	100%	$ 3,927,597
2042	$ 3,927,597	$ 5,714,655	69%		$ 437,197		$ 98,190		$ 535,387									$ 535,387	100%	$ 4,462,984
2043	$ 4,462,984	$ 6,318,277	71%		$ 459,057		$ 111,575		$ 570,631									$ 570,631	100%	$ 5,033,615
2044	$ 5,033,615	$ 6,952,973	72%		$ 482,010		$ 125,840		$ 607,850									$ 607,850	100%	$ 5,641,465
2045	$ 5,641,465	$ 7,620,065	74%		$ 506,110		$ 141,037		$ 647,147					$ 1,683,156	$ 1,683,156		$ 1,683,156	$ 647,147	100%	$ 4,605,456
2046	$ 4,605,456	$ 6,587,276	70%		$ 531,415		$ 115,136		$ 646,552									$ 646,552	100%	$ 5,252,008
2047	$ 5,252,008	$ 7,271,319	72%		$ 557,986		$ 131,300		$ 689,286									$ 689,286	100%	$ 5,941,294
2048	$ 5,941,294	$ 7,990,477	74%		$ 585,886		$ 148,532		$ 734,418									$ 734,418	100%	$ 6,675,712
2049	$ 6,675,712	$ 8,746,239	76%		$ 615,180		$ 166,893		$ 782,073									$ 782,073	100%	$ 7,457,785
2050	$ 7,457,785	$ 9,540,156	78%		$ 645,939		$ 186,445		$ 832,383									$ 832,383	100%	$ 8,290,168
2051	$ 8,290,168	$ 10,373,837	80%		$ 678,236		$ 207,254		$ 885,490					$ 754,805	$ 754,805		$ 754,805	$ 885,490	100%	$ 8,420,853
2052	$ 8,420,853	$ 10,471,501	80%		$ 712,148		$ 210,521		$ 922,669									$ 922,669	100%	$ 9,343,522
2053	$ 9,343,522	$ 11,366,463	82%		$ 747,755		$ 233,588		$ 981,343					$ 2,219,114	$ 2,219,114		$ 2,219,114	$ 981,343	100%	$ 8,105,751
2054	$ 8,105,751	$ 10,020,015	81%		$ 785,143		$ 202,644		$ 987,786					$ 7,069,700	$ 7,069,700		$ 7,069,700	$ 987,786	100%	$ 2,023,837

1. *Start of Year Reserve balance includes operations fund account balance*
2. *Refer to the reserve items inventory listing for the identification of the Non-Structural Integrity components and the Stuctural Integrity components.*
3. *Annual Reserve Contribution = Total Annual Income – Operating Expenses – Loan Amount – Loan Expenses – Taxes. The reserve contribution is a target or a goal. Not an expense item. This value is a recommendation.*
4. *The EOY Reserve Balance is estimated based on total incomes and total expenses*

Reserve Contribution

The reserve contribution is predominantly composed of money remaining after you deduct the operational expenses from the total income. Where total income is comprised of the total of maintenance and special assessments, interest income, loans and other miscellaneous incomes. Operational expenses are typically those expenses that are not reserve expenses such as utilities, landscaping, administrative and other general annual expenses.

$$Reserve\ Contribution = Total\ Income - Operational\ Expenses$$

The table below outlines the projected reserve contributions for the selected years for display. These contributions are intended as goals and should not be viewed as expenses or firm objectives. Actual contributions to the reserve fund will vary due to potential changes in circumstances, such as unexpected expenses or variations from the annual budget.

Table 12: Annual Reserve Contribution Summary

Annual Reserve Contribution Table

Year	Reserve Contribution	Year	Reserve Contribution	Year	Reserve Contribution
2025	$ 1,031,000	2035	$ 390,374	2045	$ 647,147
2026	$ 239,025	2036	$ 410,200	2046	$ 646,552
2027	$ 256,026	2037	$ 430,823	2047	$ 689,286
2028	$ 258,089	2038	$ 419,056	2048	$ 734,418
2029	$ 756,696	2039	$ 440,533	2049	$ 782,073
2030	$ 282,154	2040	$ 470,429	2050	$ 832,383
2031	$ 302,609	2041	$ 502,017	2051	$ 885,490
2032	$ 324,245	2042	$ 535,387	2052	$ 922,669
2033	$ 347,126	2043	$ 570,631	2053	$ 981,343
2034	$ 371,318	2044	$ 607,850	2054	$ 987,786

Annual contributions to the reserve fund are estimated goals and should not be classified as expenses or firm objectives. Actual contributions will vary.
Note: Reserve Contributions include any excess incomes such as loans.

Loans

Loans are considered an income source and the loan payments are included in the annual operational expenses.

- The principal amount of **new** loans is considered a new, one-time income source.
- Loan payments are included in the annual operational expenses.
- Inflation is not applied to annual loan payments.

The following table summarizes both the current existing loans and any new loans that are planned.

Table 13: Loan Summary

Loan Summary								
There are no loans in this analysis. If any current or new loans were included, they would appear in the list below.								
Loan #	Loan Description	Loan Type	Loan Amount	Origination Year	Term of Loan	Current Balance	Annual Interest	Annual Payment
1								
2								
3								
4								
5								
6								

Taxes

Within the United States, most associations will file Federal Tax Form 1120 or 1120-H. Managing the reserve fund is critical and every association should seek specific advice about their tax liability to minimize the amount of taxable income.

If estimated taxes are included in this analysis, refer to *Table 11: Projected Income & Expenses Summary* for the estimated annual tax liability.

Disclaimer: Any estimated annual taxes or tax rates used in this analysis are strictly estimates based on information provided by the association. Please be aware that these calculations do not capture final adjustments that may be made independently. This estimate must not be interpreted as financial or professional advice. If you require accounting, legal, or expert assistance and do not have the necessary qualifications, seek the counsel of a competent professional before taking any action based on the information presented.

Maximum Reserve Fund Expenses

The most important aspect of preparing a financial plan is to have confidence that you can meet all anticipated expenses in the year of their occurrences. It is best to not focus on percent funding as the key indicator of your ability to meet those expenses. Instead, focus on each year's total expenses versus the total resources available to meet those expenses. In addition, the following criteria should be considered:

- Regular contributions to the reserve fund should be established and maintained to assure that funding is available to meet future reserve expenses.
- Maintain a percent funding threshold high enough so that the association's consumers pay for the resources. Generally, this is in the range of 50% to 100%.
- Maintain the reserve fund balance at a level high enough to not only meet each year's expenses, but also minimize the risks of special assessments and deferred maintenance.
  - The annual reserve fund contribution required to support this analysis is shown in *Table 11: Projected Income & Expenses Summary* on page 26.
  - A graphical view of the monthly reserve fund contribution is displayed in *Figure 9: Average Monthly Reserve Fund* Contribution Rate on page 40.

The following table lists the year that the maximum reserve fund expenses (depreciable asset expenses) occur and the financial state of the reserve fund in that year.

Table 14: Maximum Reserve Expenses and Contributions

Maximum Reserve Expenses & Reserve Contribution	
Year Maximum Reserve Expenses Occur:	**2054**
Min Req'd % FFB at Start of 2054:	**71%**
This analysis, Start of Year % Funding in 2054:	**81%**
Reserve Fund Balance at Start of 2054:	**$ 8,105,751**
Estimated Reserve Contribution in 2054:	**$ 987,786**
Total Available Reserve Funds in 2054: *	**$ 9,093,537**
Total Reserve Expenses in 2054:	**$ 7,069,700**

** Does not include funds from anticipated annual maintenance assessments in year 2054*

Maximum Reserve Expenses & Reserve Contribution	
Year Maximum Reserve Expenses Occur:	**2054**
Min Req'd % FFB at Start of 2054:	**71%**
This analysis, Start of Year % Funding in 2054:	**81%**
Reserve Fund Balance at Start of 2054:	**$ 8,105,751**
Estimated Reserve Contribution in 2054:	**$ 987,786**
Total Available Reserve Funds in 2054: *	**$ 9,093,537**
Total Reserve Expenses in 2054:	**$ 7,069,700**

** Does not include funds from anticipated annual maintenance assessments in year 2054*

Detailed Financial Analysis

Annual Projected Expenses

The annual projected reserve expenses are estimates based on the estimated useful life of the components, the current cost estimates, and adjustments for inflation.

Special Project Expenditures

Any special projects are shown in the following table.

Table 15: Special Projects Table

Year	Cost	Special Project or Onect or One-Time Expense

First Year of Analysis Reserve Components Services Complete

At the time the financial analysis was performed, if any reserve components' services which may have been due in the first year of analysis have already been completed, then funding during the first year of analysis would not be required for those components. Any components which have been completed will appear in the following table. Structural Integrity (SI) components are indicated if applicable.

Table 16: Reserve Component Already Completed in First Year of Analysis Table

As of 03 December 2024, these components' scheduled services are complete.

Year	Cost	Bldg	SI	Category	Component
Total:	$ 0				

Annual Reserve Component Expenditures

The table below provides the reserve component expenditure for each year of the selected analysis years to display, including those components that were indicated as being complete at the time the financial analysis was performed. Structural Integrity (SI) components are indicated if applicable.

Table 17: Annual Reserve Component Expenditures Table

Reserve Component Expenditures for Years 2025 to 2054

Reserve Component Expenditures for Years 2025 to 2054

Year	Cost	Bldg	SI	Category	Component
2025	$ 70,000	Bldg 06	SI	Mechanical	Elevator Refurbish Bldg 6
	$ 70,000	Bldg 07	SI	Mechanical	Elevator Refurbish Bldg 7
	$ 70,000	Bldg 08	SI	Mechanical	Elevator Refurbish Bldg 8
	$ 70,000	Bldg 09	SI	Mechanical	Elevator Refurbish Bldg 9
	$ 70,000	Bldg 10	SI	Mechanical	Elevator Refurbish Bldg 10
	$ 70,000	Bldg 11	SI	Mechanical	Elevator Refurbish Bldg 11
	$ 70,000	Bldg 12	SI	Mechanical	Elevator Refurbish Bldg 12
2025 Total:	**$ 490,000**				
2026	**No Reserve Expenses Anticipated**				
2027	$ 318,270	Bldg 11	SI	Roofing	Bitumen Roof Bldg 11
	$ 318,270	Bldg 12	SI	Roofing	Bitumen Roof Bldg 12
2027 Total:	**$ 636,540**				
2028	**No Reserve Expenses Anticipated**				

Reserve Component Expenditures for Years 2025 to 2054

2029	$ 87,407	Bldg 01	**SI** Paint/Waterproof	Ext Painting Bldg 1
	$ 87,407	Bldg 02	**SI** Paint/Waterproof	Ext Painting Bldg 2
	$ 87,407	Bldg 03	**SI** Paint/Waterproof	Ext Painting Bldg 3
	$ 87,407	Bldg 04	**SI** Paint/Waterproof	Ext Painting Bldg 4
	$ 87,407	Bldg 05	**SI** Paint/Waterproof	Ext Painting Bldg 5
	$ 87,407	Bldg 06	**SI** Paint/Waterproof	Ext Painting Bldg 6
	$ 87,407	Bldg 07	**SI** Paint/Waterproof	Ext Painting Bldg 7
	$ 87,407	Bldg 08	**SI** Paint/Waterproof	Ext Painting Bldg 8
	$ 87,407	Bldg 09	**SI** Paint/Waterproof	Ext Painting Bldg 9
	$ 87,407	Bldg 10	**SI** Paint/Waterproof	Ext Painting Bldg 10
	$ 87,407	Bldg 11	**SI** Paint/Waterproof	Ext Painting Bldg 11
	$ 87,407	Bldg 12	**SI** Paint/Waterproof	Ext Painting Bldg 12
2029 Total:	**$ 1,048,884**			

2030	**No Reserve Expenses Anticipated**
2031	**No Reserve Expenses Anticipated**
2032	**No Reserve Expenses Anticipated**
2033	**No Reserve Expenses Anticipated**
2034	**No Reserve Expenses Anticipated**

Reserve Component Expenditures for Years 2025 to 2054

2035	**No Reserve Expenses Anticipated**			
2036	**No Reserve Expenses Anticipated**			
2037	$ 110,725	Bldg 01	SI Paint/Waterproof	Ext Painting Bldg 1
	$ 110,725	Bldg 02	SI Paint/Waterproof	Ext Painting Bldg 2
	$ 110,725	Bldg 03	SI Paint/Waterproof	Ext Painting Bldg 3
	$ 110,725	Bldg 04	SI Paint/Waterproof	Ext Painting Bldg 4
	$ 110,725	Bldg 05	SI Paint/Waterproof	Ext Painting Bldg 5
	$ 110,725	Bldg 06	SI Paint/Waterproof	Ext Painting Bldg 6
	$ 110,725	Bldg 07	SI Paint/Waterproof	Ext Painting Bldg 7
	$ 110,725	Bldg 08	SI Paint/Waterproof	Ext Painting Bldg 8
	$ 110,725	Bldg 09	SI Paint/Waterproof	Ext Painting Bldg 9
	$ 110,725	Bldg 10	SI Paint/Waterproof	Ext Painting Bldg 10
	$ 110,725	Bldg 11	SI Paint/Waterproof	Ext Painting Bldg 11
	$ 110,725	Bldg 12	SI Paint/Waterproof	Ext Painting Bldg 12
2037 Total:	**$ 1,328,700**			
2038	**No Reserve Expenses Anticipated**			
2039	**No Reserve Expenses Anticipated**			
2040	**No Reserve Expenses Anticipated**			

Reserve Component Expenditures for Years 2025 to 2054

2041	**No Reserve Expenses Anticipated**			
2042	**No Reserve Expenses Anticipated**			
2043	**No Reserve Expenses Anticipated**			
2044	**No Reserve Expenses Anticipated**			
2045	$ 140,263	Bldg 01	SI Paint/Waterproof	Ext Painting Bldg 1
	$ 140,263	Bldg 02	SI Paint/Waterproof	Ext Painting Bldg 2
	$ 140,263	Bldg 03	SI Paint/Waterproof	Ext Painting Bldg 3
	$ 140,263	Bldg 04	SI Paint/Waterproof	Ext Painting Bldg 4
	$ 140,263	Bldg 05	SI Paint/Waterproof	Ext Painting Bldg 5
	$ 140,263	Bldg 06	SI Paint/Waterproof	Ext Painting Bldg 6
	$ 140,263	Bldg 07	SI Paint/Waterproof	Ext Painting Bldg 7
	$ 140,263	Bldg 08	SI Paint/Waterproof	Ext Painting Bldg 8
	$ 140,263	Bldg 09	SI Paint/Waterproof	Ext Painting Bldg 9
	$ 140,263	Bldg 10	SI Paint/Waterproof	Ext Painting Bldg 10
	$ 140,263	Bldg 11	SI Paint/Waterproof	Ext Painting Bldg 11
	$ 140,263	Bldg 12	SI Paint/Waterproof	Ext Painting Bldg 12
2045 Total:	**$ 1,683,156**			
2046	**No Reserve Expenses Anticipated**			

Reserve Component Expenditures for Years 2025 to 2054

2047	**No Reserve Expenses Anticipated**			
2048	**No Reserve Expenses Anticipated**			
2049	**No Reserve Expenses Anticipated**			
2050	**No Reserve Expenses Anticipated**			
2051	$ 150,961	Bldg 01	SI Mechanical	Elevator Refurbish Bldg 1
	$ 150,961	Bldg 02	SI Mechanical	Elevator Refurbish Bldg 2
	$ 150,961	Bldg 03	SI Mechanical	Elevator Refurbish Bldg 3
	$ 150,961	Bldg 04	SI Mechanical	Elevator Refurbish Bldg 4
	$ 150,961	Bldg 05	SI Mechanical	Elevator Refurbish Bldg 5
2051 Total:	**$ 754,805**			
2052	**No Reserve Expenses Anticipated**			
2053	$ 43,471	Bldg 06	SI Fire Protection	Fire Alarm System Bldg 6
	$ 43,471	Bldg 12	SI Fire Protection	Fire Alarm System Bldg 12
	$ 177,681	Bldg 01	SI Paint/Waterproof	Ext Painting Bldg 1
	$ 177,681	Bldg 02	SI Paint/Waterproof	Ext Painting Bldg 2
	$ 177,681	Bldg 03	SI Paint/Waterproof	Ext Painting Bldg 3
	$ 177,681	Bldg 04	SI Paint/Waterproof	Ext Painting Bldg 4

Reserve Component Expenditures for Years 2025 to 2054

	$ 177,681	Bldg 05	SI Paint/Waterproof	Ext Painting Bldg 5
	$ 177,681	Bldg 06	SI Paint/Waterproof	Ext Painting Bldg 6
	$ 177,681	Bldg 07	SI Paint/Waterproof	Ext Painting Bldg 7
	$ 177,681	Bldg 08	SI Paint/Waterproof	Ext Painting Bldg 8
	$ 177,681	Bldg 09	SI Paint/Waterproof	Ext Painting Bldg 9
	$ 177,681	Bldg 10	SI Paint/Waterproof	Ext Painting Bldg 10
	$ 177,681	Bldg 11	SI Paint/Waterproof	Ext Painting Bldg 11
	$ 177,681	Bldg 12	SI Paint/Waterproof	Ext Painting Bldg 12
2053 Total:	**$ 2,219,114**			

2054	$ 706,970	Bldg 01	SI Roofing	Bitumen Roof Bldg 1
	$ 706,970	Bldg 02	SI Roofing	Bitumen Roof Bldg 2
	$ 706,970	Bldg 03	SI Roofing	Bitumen Roof Bldg 3
	$ 706,970	Bldg 04	SI Roofing	Bitumen Roof Bldg 4
	$ 706,970	Bldg 05	SI Roofing	Bitumen Roof Bldg 5
	$ 706,970	Bldg 06	SI Roofing	Bitumen Roof Bldg 6
	$ 706,970	Bldg 07	SI Roofing	Bitumen Roof Bldg 7
	$ 706,970	Bldg 08	SI Roofing	Bitumen Roof Bldg 8
	$ 706,970	Bldg 09	SI Roofing	Bitumen Roof Bldg 9
	$ 706,970	Bldg 10	SI Roofing	Bitumen Roof Bldg 10
2054 Total:	**$ 7,069,700**			

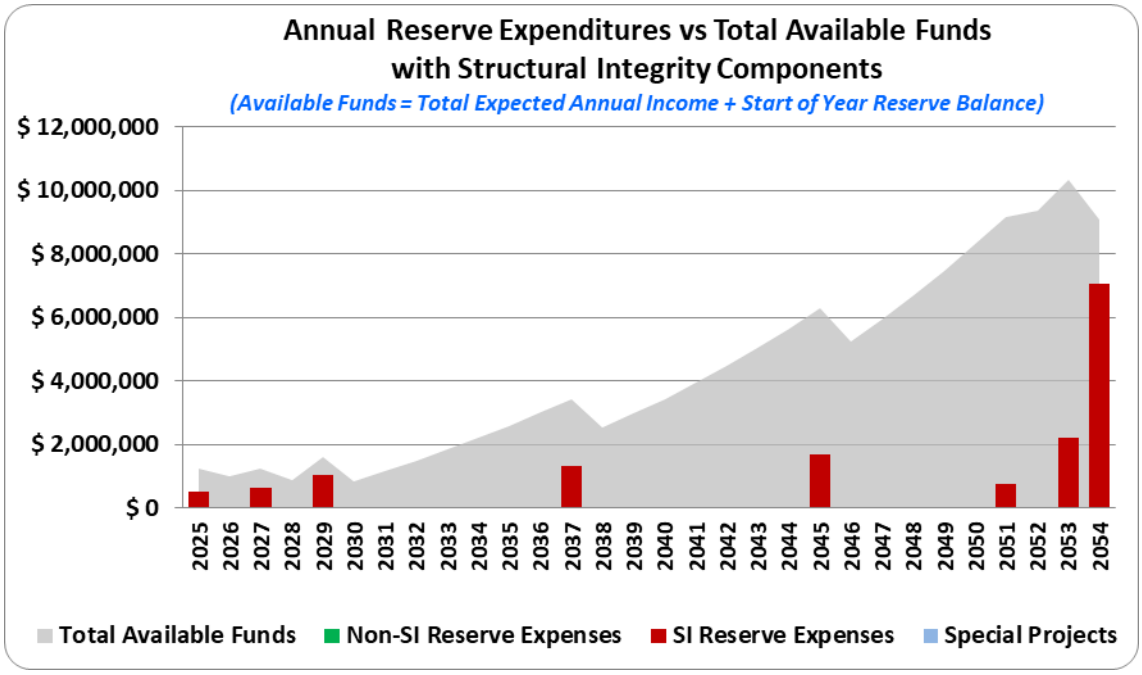
Reserve Fund Expenditures

The graph(s) below show(s) the projected future reserve expenses that the association is responsible for funding. As with all computations in this report, the estimates in this figure are based on the estimated expense projections which are a combination of historical expenditures and current estimates. All expenses are projected 30 years into the future, utilizing the inflation rate assumptions. However, for the sake of conciseness, the graphical results may display less than 30 years.

It is crucial to highlight peak years with substantial projected expenditures related to one or more component projects requiring repair or replacement. These infrequent but significant expenses during "peak" years are often challenging to budget for, as they are commonly overlooked or disregarded due to the perception that the expenses are distant and can be budgeted for at a later time.

Out of a total of 48 reserve components in this analysis, 48 components have been identified as Structural Integrity (SI) Components. Refer to Structural Integrity Reserve Study – Definition on page 2 for more information about Structural Integrity (SI) components.

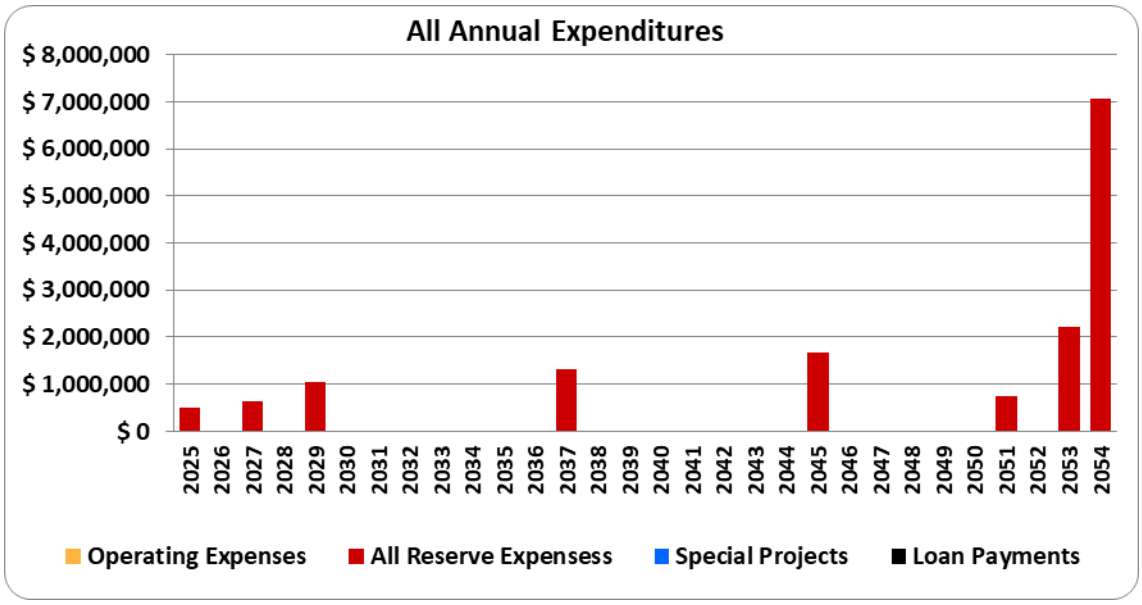
Figure 3: Reserve Fund Expenditures



All Expenses

In addition to reserve expenditures, the association needs to cover operational expenses, costs for special projects and any loan payments. The following graph depicts all annual expenditures that the association can expect over the next 30 years.

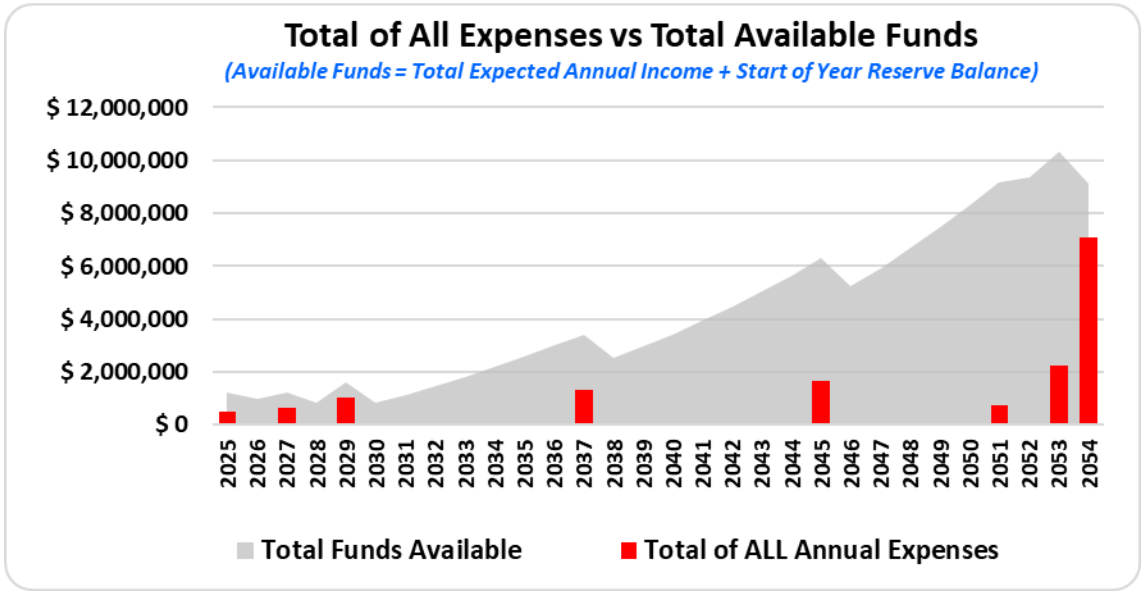
Figure 4: All Annual Expenses



As with any projections of future expenditures, "near-term" projects will be more accurate than events in the future, especially events projected many years away.

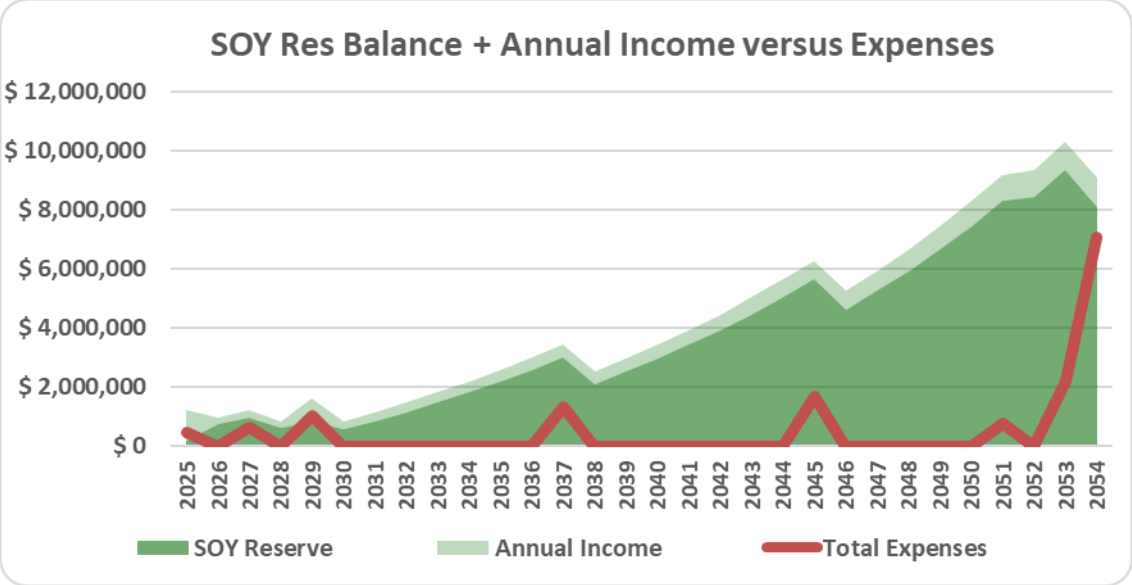
The following graph illustrates each year's anticipated expenses versus the available cash assets. The cash assets are assumed to be the total of the start of year reserve fund balance plus the anticipated annual income plus any additional income such as loans or other income types. In effect, this chart shows you the total expenses versus total available funds in each year.

Figure 5: All Annual Expenses versus Available Funds



Another method of graphical representation is to view the annual reserve fund balance as a combination of the start of year reserve balance plus the anticipated annual income versus total annual expenses as the following graph illustrates.

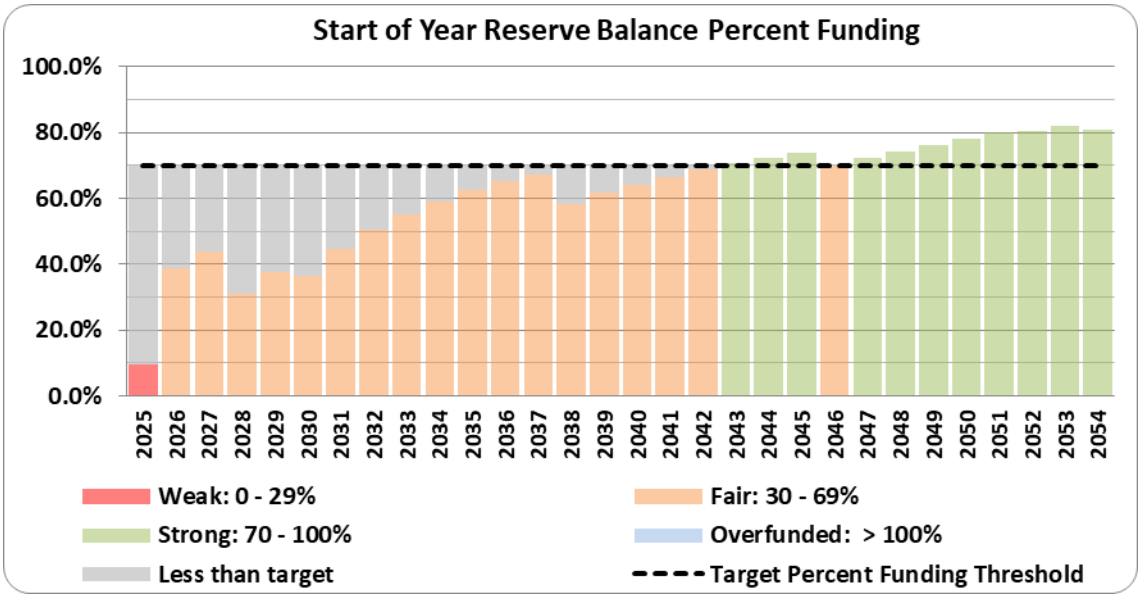
Figure 6: Start of Year Reserve Balance plus Annual Income versus Expenses



Reserve Balance

This graph illustrates the key elements of the funding model proposed in this assessment. Over the timeframe of this reserve study, the allocation rates and the percent funding will fluctuate based on the expenditures projected in any given year.

Figure 7: Start of Year Reserve Balance Percent Funding



Annual Income and Contribution to Reserve Fund

Based on the current percent funded and the projected cash flow requirements, the recommended reserve contributions should be established at per month this fiscal year. This represents the first year of a 30-year Funding Plan. The actual contribution to the

reserve fund will vary from year-to-year depending on the anticipated reserve expenses. To most fairly spread out the contribution burden on current and future owners in our inflationary economic environment, nominal annual increases should be expected in future years. Most authorities say that the annual reserve contribution should be at least 10% of the annual income. Associations with a contribution rate less than 10% can expect future special assessments.

This recommended reserve contribution rate is depicted in the following two graphs.

Figure 8: Annual Income and Reserve Contribution

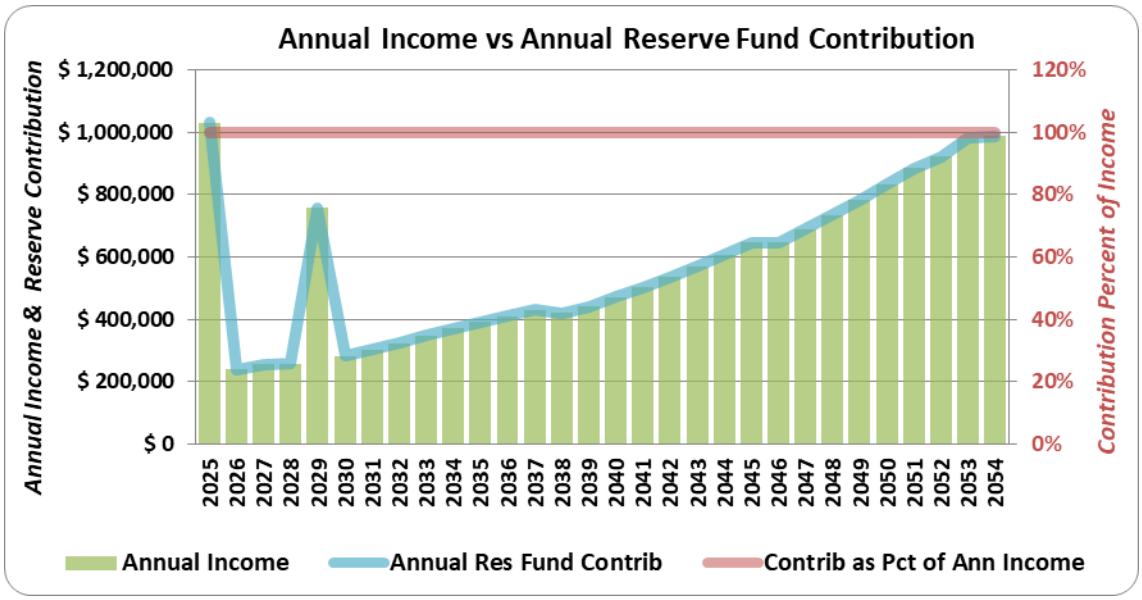
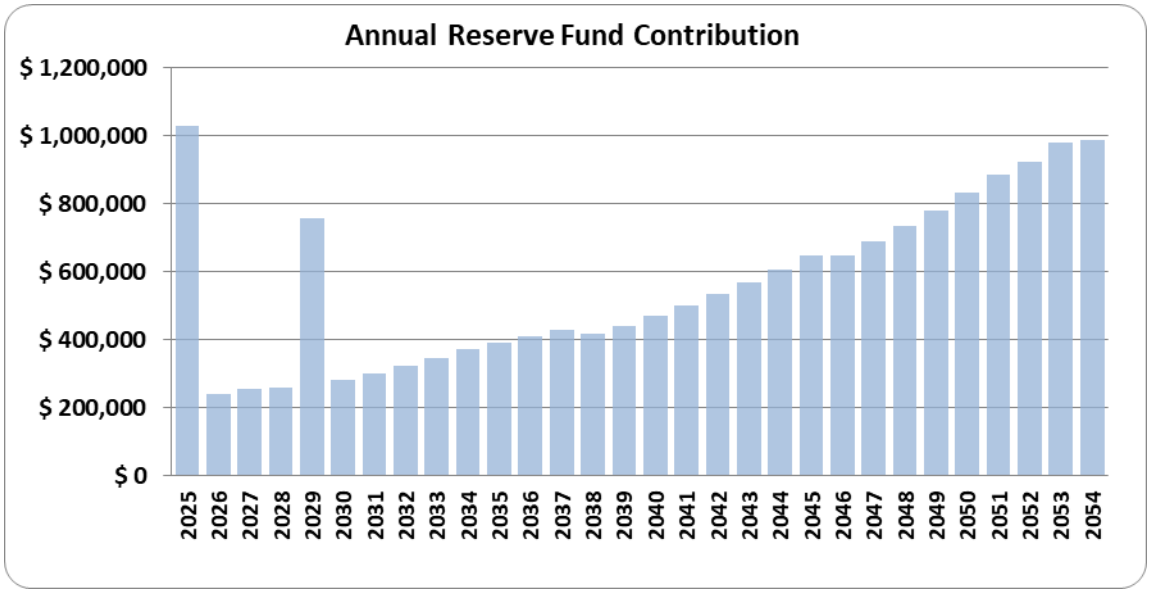


Figure 9: Average Monthly Reserve Fund Contribution Rate



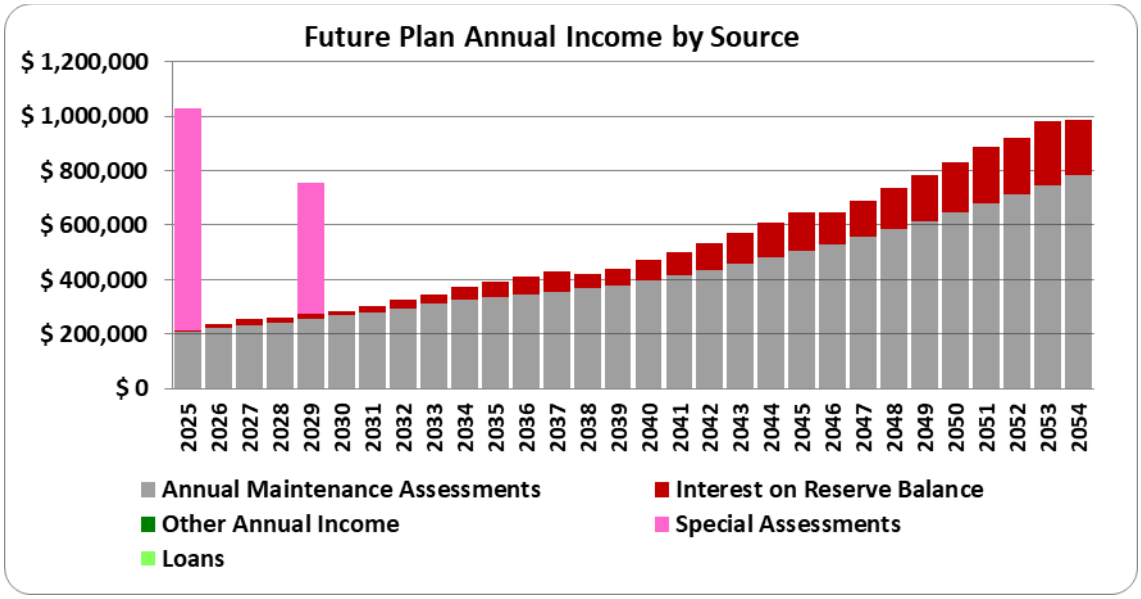
Income Sources

Income is derived from several potential sources:

- Annual maintenance assessments (or fees)
- Special assessments
- Interest on reserve account
- Interest on other bank accounts
- One-time income (e.g., Loans)
- Other annual income sources (e.g., rentals and fees)

The future annual incomes are depicted in the following graph.

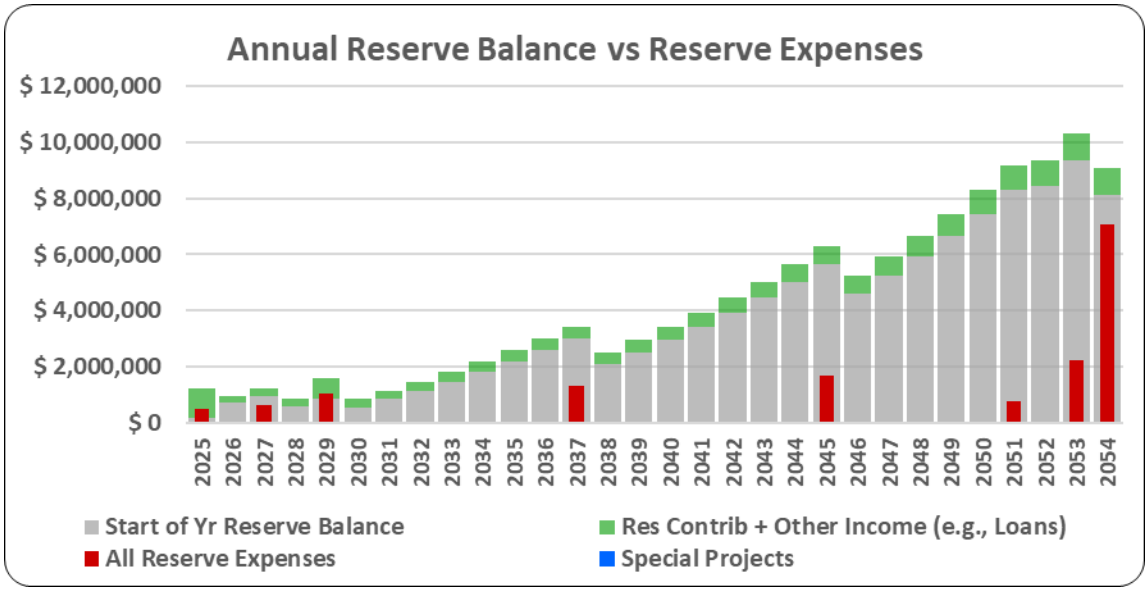
Figure 10: Annual Income by Source



Annual Reserve Balance and Reserve Expenses

The following graph is often cited as the most important statistic for the Association's financial analysis. This graph depicts the estimated reserve expenses compared to the estimated reserve fund balance in each year of the analysis. The Association's key responsibility is to ensure that the Reserve Fund is adequate to provide for the maintenance or replacement of depreciable components. This graph provides a quick and vivid view.

Figure 11: Annual Reserve Balance vs Reserve Expenses



Current Funding versus Recommend Funding Plans

The following two graphs compare the current funding plan to the proposed funding plan of this reserve study. The comparisons shown here illustrate both the Start of Year Reserve Balances and the Percent Funding comparisons. The term, "current plan", as used here is simplified in that it accounts for planned maintenance assessments (fees) increases and special assessments that the Association could levy. Refer to each graph's notes for details.

Figure 12: Reserve Account Comparison

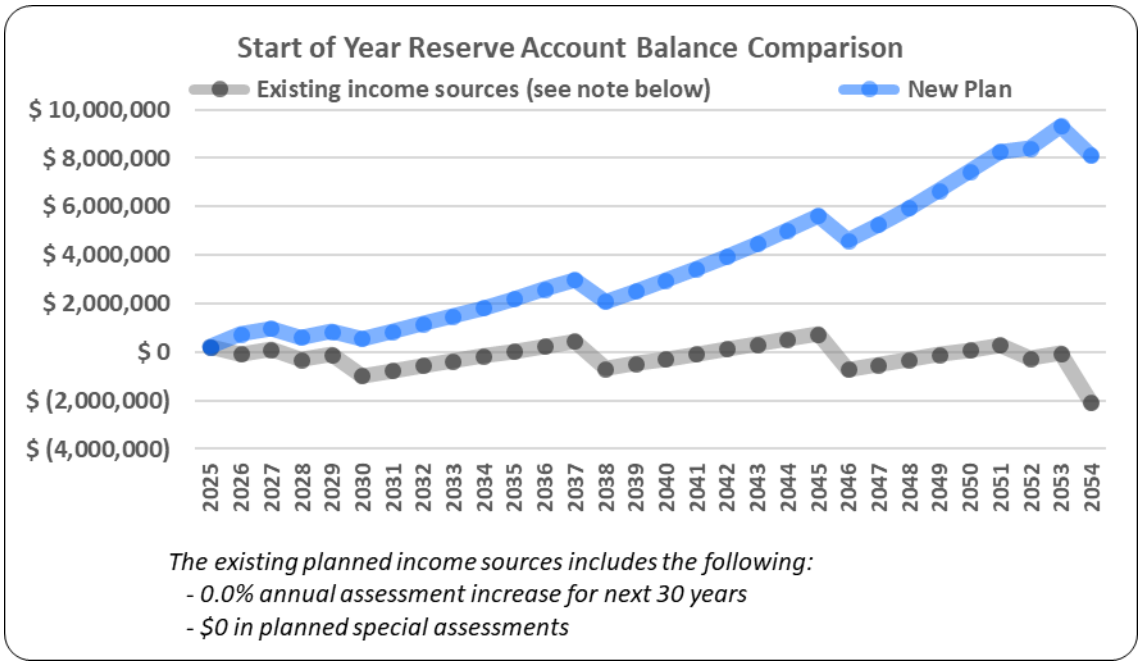
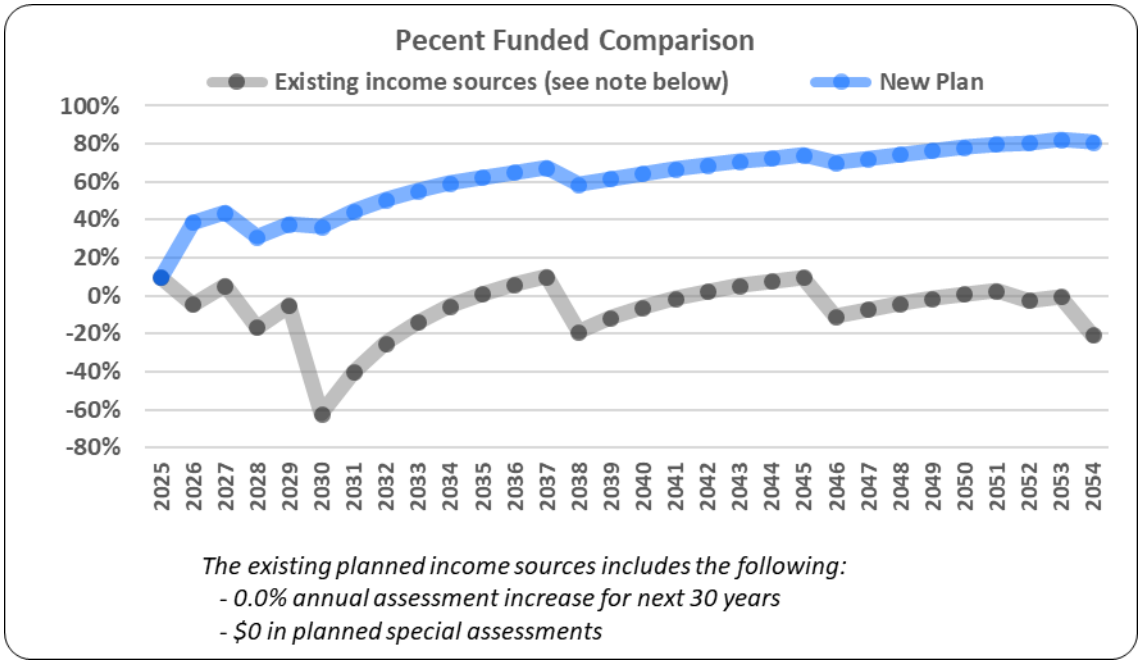


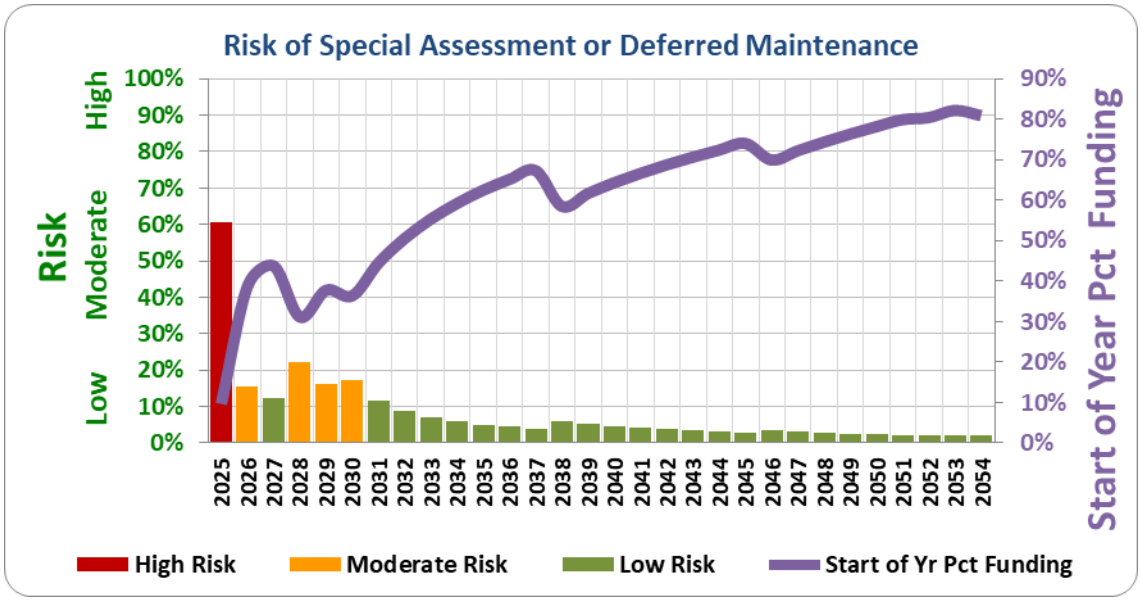
Figure 13: Percent Funded Comparison



Risk of Special Assessment or Deferred Maintenance

Calculating the risk of a special assessment is not an exact science. However, it is well understood that percent funding is a reliable predictor of the likelihood of a special assessment or the deferral of maintenance of reserve components. Associations above 70% funded have less than a 4% chance of ever needing a special assessment, whereas associations less than 30% funded are likely to need a special assessment every 2 to 4 years. The following chart represents an estimate of the risk of a special assessment or deferred maintenance.

Figure 14: Risk of Special Assessment or Deferred Maintenance



Comparison of Cash-Flow Funding and Component Funding

In reserve studies, Cash Flow Funding and Component Funding are two primary approaches to reserve funding, each with different strategies and implications for planning and budgeting.

Component Funding Method

This method allocates funds to each individual component separately. Every asset (e.g., roof, elevators, HVAC, etc.) in an association's reserve inventory has its own timeline and projected replacement cost. Reserve contributions are calculated specifically for each component based on its expected life and cost.

Pros:

- Precise targeting of funds, as each component's funding is managed individually.
- Simplifies planning for associations with large assets where separate funding is preferred.

Cons:

- Less flexible. If an unanticipated expense arises or a component fails prematurely, funds allocated to other components might not be easily redirected.
- Potentially results in the need for frequent analysis or adjustments to ensure adequate funding which can lead to higher administrative efforts and costs.
- Some assets may end up overfunded if replacement or repair costs decrease or if components last longer than expected.
- Without proactive measures, the component method may overlook expenses for special projects and one-time expenditures.
- Does not take into account earned interest on the reserve account or annual inflation.

Cash Flow Funding Method

Under the cash flow method, funds are pooled together and managed collectively rather than separately. A schedule of contributions is developed to ensure that the overall reserve balance remains sufficient over time to meet the anticipated expenses as they arise.

Pros:

- More Flexible. Funds are available to address any reserve component, making it easier to handle unexpected repairs or replacements.
- Aggregates all reserve contributions, making it simpler to manage and administer.
- This approach often leads to lower reserve contributions by strategically leveraging the timing of expenses and the collective reserve balance to optimize funding.
- Takes into account interest earned on the reserve account and inflation on all items.

Cons:

- Less precise in tracking individual component needs, which may complicate long-term planning if not managed carefully.
- Requires diligent reserve study updates to ensure that overall funding levels remain adequate, as underfunding could become a risk if projections change, or unexpected expenses arise.

Key Differences

- Funding Precision: Component funding is highly precise but can be restrictive, while cash flow funding provides flexibility by pooling resources.
- Contribution Levels: Cash flow funding often leads to lower contribution levels compared to component funding, due to the pooling effect and optimized use of available reserves.
- Administrative Complexity: Component funding can be more complex to administer due to the individual tracking of each asset. Cash flow funding requires more holistic and ongoing monitoring to ensure overall financial health.

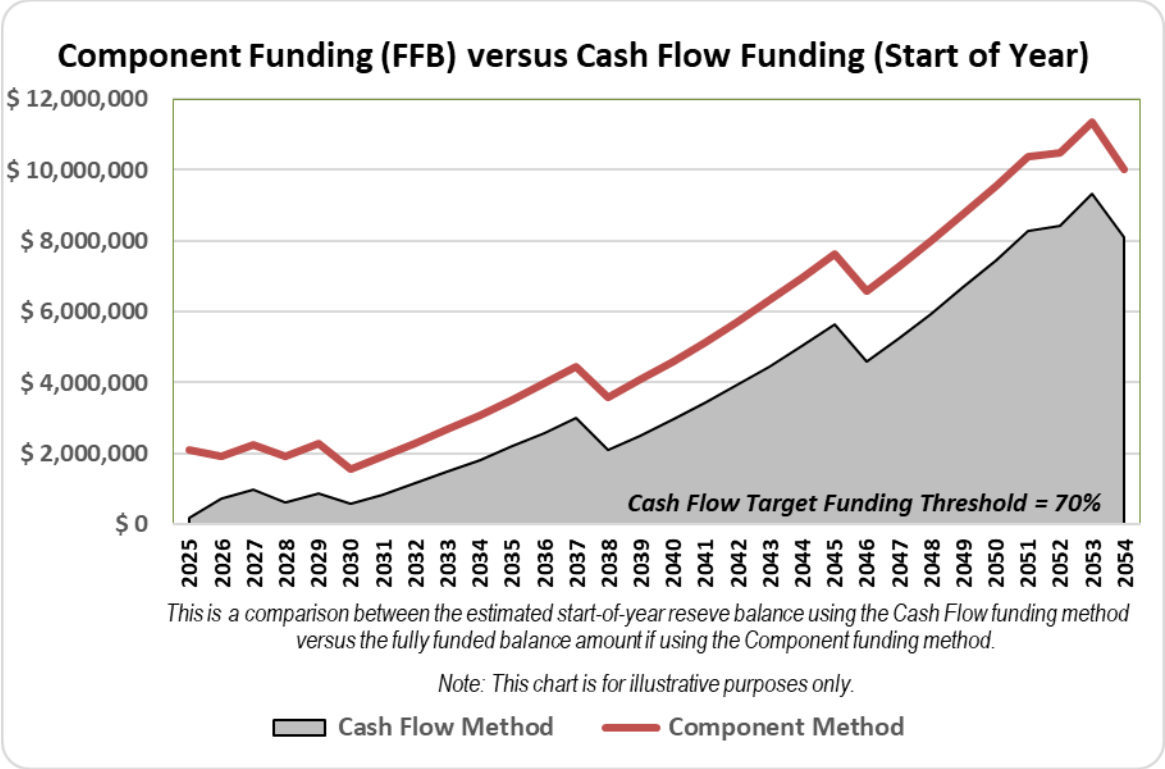
Which Method Is Better?

In most situations, the cash flow method is considered a better funding method compared to the component method, as it offers more flexibility, typically results in lower reserve contributions, and is better suited to managing fluctuations in major repair costs over time, making it the preferred choice for most associations and communities.

- Component Funding would be preferred for Associations that want more detailed, conservative planning, or if members want clarity on where funds are allocated.
- Cash Flow Funding is more practical for Associations or communities with stable, predictable expenses, though it requires diligent monitoring to ensure future liabilities are covered. Keep in mind that if the target funding threshold is 100%, Cash Flow funding effectively mirrors the Component funding method.

The chart below visually compares the total available funds calculated using two distinct methodologies: the cash flow funding method with the chosen target threshold and the component funding method using 100% of the fully funded balance. It illustrates how overall funding can vary depending on the chosen calculation approach. Please note, this comparison is for illustrative purposes only and should not be construed as a financial recommendation.

Figure 15: Cash Flow vs Component Funding



The preferred method of funding for a reserve study is typically the Cash Flow Method. This method is favored because it handles funding more efficiently, offers greater flexibility and simplifies the funding process by focusing on overall cash flow compared to the Component Method. This report was created targeting a threshold funding of 70% and using the Cash Flow funding methodology.

Contingency Fund

A contingency fund serves as a financial cushion to address unexpected expenses or unforeseen circumstances that aren't covered by planned reserve allocations. These funds help associations deal with emergencies, fluctuations in maintenance costs, or other financial risks without needing to impose special assessments or increase regular dues. The use of a contingency fund helps keep the financial health of the association stable by reducing the need for sudden, burdensome financial contributions from members.

Should the Association decide to create a contingency fund, the following guidelines are recommended:

- Maintain your contingency fund in a separate account from reserve and operational expenses.

- Set a policy for maintenance of the contingency fund. For example, a minimum and/or maximum balance, a percent of the annual operational expense budget or a percent of the annual reserve fund balance.
- Document all deposits and withdrawals from the contingency fund.

Income and Expense Summaries

Income and expenses summaries are presented on the following pages.

NOTE: This report may display less than 30 years of analysis in the charts, tables, and graphics in some instances. This is intentionally concise to emphasize a shorter analysis. A thorough financial analysis spanning 30 years has been conducted, and the comprehensive results are presented on the following pages.

Years 2025 to 2034

Income Years 2025 to 2034

Estimated Incomes	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Maintenance Assessments Including Sched Increases	$ 210,000	$ 220,500	$ 231,525	$ 243,101	$ 255,256	$ 268,019	$ 281,420	$ 295,491	$ 310,266	$ 325,779	$ 2,641,357
Interest Income Reserve Balance	$ 5,000	$ 18,525	$ 24,501	$ 14,988	$ 21,440	$ 14,135	$ 21,189	$ 28,754	$ 36,861	$ 45,539	$ 230,931
Other Annual Income											$ 0
Special Assessments	$ 816,000				$ 480,000						$ 1,296,000
Loans											
Total Income	$ 1,031,000	$ 239,025	$ 256,026	$ 258,089	$ 756,696	$ 282,154	$ 302,609	$ 324,245	$ 347,126	$ 371,318	$ 4,168,289

Expenses Years 2025 to 2034

Operating and Loan Expenses	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Estimated Operating Expenses											
Estimated Annual Loan Payments											

Special Projects	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total

Estimated Tax Liability	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Tax Liability not Included in Analysis											

Totals	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Total Operating Expenses											
Special Projects											
Total Reserve Fund Expenses	$ 490,000		$ 636,540		$ 1,048,884						$ 2,175,424

Reserve Fund Years 2025 to 2034

Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Start of Year Fully Funded Reserve	$ 2,095,656	$ 1,915,303	$ 2,242,084	$ 1,931,112	$ 2,274,768	$ 1,556,954	$ 1,906,787	$ 2,276,208	$ 2,666,079	$ 3,077,293
Start of Year Reserve Fund Balance *	$ 200,000	$ 741,000	$ 980,025	$ 599,511	$ 857,600	$ 565,412	$ 847,566	$ 1,150,176	$ 1,474,421	$ 1,821,547
Percent Funded at Start of Year	10%	39%	44%	31%	38%	36%	44%	51%	55%	59%
Annual Reserve Fund Contributions	$ 1,031,000	$ 239,025	$ 256,026	$ 258,089	$ 756,696	$ 282,154	$ 302,609	$ 324,245	$ 347,126	$ 371,318
Net Reserve Withdrawals	$ (490,000)		$ (636,540)		$ (1,048,884)					
EOY Reserve Fund Balance	$ 741,000	$ 980,025	$ 599,511	$ 857,600	$ 565,412	$ 847,566	$ 1,150,176	$ 1,474,421	$ 1,821,547	$ 2,192,865

** 2025 balance as of 03-December-2024. Includes any balance in the operations fund account*

Reserve Expenses 2025 to 2034

Bldg	Type	Reserve Fund Withdrawals	Original Cost	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Bldg 06	SI	Fire Alarm System Bldg 6	$ 19,000											$ 0
Bldg 12	SI	Fire Alarm System Bldg 12	$ 19,000											$ 0
Bldg 01	SI	Ext Painting Bldg 1	$ 69,000					$ 87,407						$ 87,407
Bldg 02	SI	Ext Painting Bldg 2	$ 69,000					$ 87,407						$ 87,407
Bldg 03	SI	Ext Painting Bldg 3	$ 69,000					$ 87,407						$ 87,407
Bldg 04	SI	Ext Painting Bldg 4	$ 69,000					$ 87,407						$ 87,407
Bldg 05	SI	Ext Painting Bldg 5	$ 69,000					$ 87,407						$ 87,407
Bldg 06	SI	Ext Painting Bldg 6	$ 69,000					$ 87,407						$ 87,407
Bldg 07	SI	Ext Painting Bldg 7	$ 69,000					$ 87,407						$ 87,407
Bldg 08	SI	Ext Painting Bldg 8	$ 69,000					$ 87,407						$ 87,407
Bldg 09	SI	Ext Painting Bldg 9	$ 69,000					$ 87,407						$ 87,407
Bldg 10	SI	Ext Painting Bldg 10	$ 69,000					$ 87,407						$ 87,407
Bldg 11	SI	Ext Painting Bldg 11	$ 69,000					$ 87,407						$ 87,407
Bldg 12	SI	Ext Painting Bldg 12	$ 69,000					$ 87,407						$ 87,407
Bldg 01	SI	Bitumen Roof Bldg 1	$ 300,000											$ 0
Bldg 02	SI	Bitumen Roof Bldg 2	$ 300,000											$ 0
Bldg 03	SI	Bitumen Roof Bldg 3	$ 300,000											$ 0
Bldg 04	SI	Bitumen Roof Bldg 4	$ 300,000											$ 0
Bldg 05	SI	Bitumen Roof Bldg 5	$ 300,000											$ 0
Bldg 06	SI	Bitumen Roof Bldg 6	$ 300,000											$ 0
Bldg 07	SI	Bitumen Roof Bldg 7	$ 300,000											$ 0
Bldg 08	SI	Bitumen Roof Bldg 8	$ 300,000											$ 0
Bldg 09	SI	Bitumen Roof Bldg 9	$ 300,000											$ 0
Bldg 10	SI	Bitumen Roof Bldg 10	$ 300,000											$ 0
Bldg 11	SI	Bitumen Roof Bldg 11	$ 300,000			$ 318,270								$ 318,270
Bldg 12	SI	Bitumen Roof Bldg 12	$ 300,000			$ 318,270								$ 318,270
Bldg 01	SI	Elevator Refurbish Bldg 1	$ 70,000											$ 0
Bldg 02	SI	Elevator Refurbish Bldg 2	$ 70,000											$ 0
Bldg 03	SI	Elevator Refurbish Bldg 3	$ 70,000											$ 0
Bldg 04	SI	Elevator Refurbish Bldg 4	$ 70,000											$ 0
Bldg 05	SI	Elevator Refurbish Bldg 5	$ 70,000											$ 0
Bldg 06	SI	Elevator Refurbish Bldg 6	$ 70,000	$ 70,000										$ 70,000
Bldg 07	SI	Elevator Refurbish Bldg 7	$ 70,000	$ 70,000										$ 70,000
Bldg 08	SI	Elevator Refurbish Bldg 8	$ 70,000	$ 70,000										$ 70,000

Reserve Expenses 2025 to 2034

Bldg 09	**SI**	**Elevator Refurbish Bldg 9**	**$ 70,000**	**$ 70,000**									**$ 70,000**
Bldg 10	**SI**	**Elevator Refurbish Bldg 10**	**$ 70,000**	**$ 70,000**									**$ 70,000**
Bldg 11	**SI**	**Elevator Refurbish Bldg 11**	**$ 70,000**	**$ 70,000**									**$ 70,000**
Bldg 12	**SI**	**Elevator Refurbish Bldg 12**	**$ 70,000**	**$ 70,000**									**$ 70,000**
		Total Reserve Expenses		**$ 490,000**	**$ 0**	**$ 636,540**	**$ 0**	**$ 1,048,884**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 2,175,424**

Years 2035 to 2044

Income Years 2035 to 2044

Estimated Incomes	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total
Maintenance Assessments Including Sched Increases	$ 335,552	$ 345,619	$ 355,987	$ 366,667	$ 377,667	$ 396,550	$ 416,378	$ 437,197	$ 459,057	$ 482,010	$ 3,972,684
Interest Income Reserve Balance	$ 54,822	$ 64,581	$ 74,836	$ 52,389	$ 62,865	$ 73,879	$ 85,639	$ 98,190	$ 111,575	$ 125,840	$ 804,616
Other Annual Income											$ 0
Special Assessments											
Loans											
Total Income	$ 390,374	$ 410,200	$ 430,823	$ 419,056	$ 440,533	$ 470,429	$ 502,017	$ 535,387	$ 570,631	$ 607,850	$ 4,777,300

Expenses Years 2035 to 2044

Operating and Loan Expenses	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total
Estimated Operating Expenses											
Estimated Annual Loan Payments											

Special Projects	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total

Estimated Tax Liability	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total
Tax Liability not Included in Analysis											

Totals	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total
Total Operating Expenses											
Special Projects											
Total Reserve Fund Expenses			$ 1,328,700								$ 1,328,700

Reserve Fund Years 2035 to 2044

Description	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Start of Year Fully Funded Reserve	$ 3,510,781	$ 3,967,508	$ 4,448,479	$ 3,586,180	$ 4,077,754	$ 4,595,594	$ 5,140,836	$ 5,714,655	$ 6,318,277	$ 6,952,973
Start of Year Reserve Fund Balance	$ 2,192,865	$ 2,583,239	$ 2,993,439	$ 2,095,562	$ 2,514,618	$ 2,955,151	$ 3,425,580	$ 3,927,597	$ 4,462,984	$ 5,033,615
Percent Funded at Start of Year	62%	65%	67%	58%	62%	64%	67%	69%	71%	72%
Annual Reserve Fund Contributions	$ 390,374	$ 410,200	$ 430,823	$ 419,056	$ 440,533	$ 470,429	$ 502,017	$ 535,387	$ 570,631	$ 607,850
Net Reserve Withdrawals			$ (1,328,700)							
EOY Reserve Fund Balance	$ 2,583,239	$ 2,993,439	$ 2,095,562	$ 2,514,618	$ 2,955,151	$ 3,425,580	$ 3,927,597	$ 4,462,984	$ 5,033,615	$ 5,641,465

Reserve Expenses 2035 to 2044

Bldg	Type	Reserve Fund Withdrawals	Original Cost	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Total
Bldg 06	SI	Fire Alarm System Bldg 6	$ 19,000											$ 0
Bldg 12	SI	Fire Alarm System Bldg 12	$ 19,000											$ 0
Bldg 01	SI	Ext Painting Bldg 1	$ 69,000			$ 110,725								$ 110,725
Bldg 02	SI	Ext Painting Bldg 2	$ 69,000			$ 110,725								$ 110,725
Bldg 03	SI	Ext Painting Bldg 3	$ 69,000			$ 110,725								$ 110,725
Bldg 04	SI	Ext Painting Bldg 4	$ 69,000			$ 110,725								$ 110,725
Bldg 05	SI	Ext Painting Bldg 5	$ 69,000			$ 110,725								$ 110,725
Bldg 06	SI	Ext Painting Bldg 6	$ 69,000			$ 110,725								$ 110,725
Bldg 07	SI	Ext Painting Bldg 7	$ 69,000			$ 110,725								$ 110,725
Bldg 08	SI	Ext Painting Bldg 8	$ 69,000			$ 110,725								$ 110,725
Bldg 09	SI	Ext Painting Bldg 9	$ 69,000			$ 110,725								$ 110,725
Bldg 10	SI	Ext Painting Bldg 10	$ 69,000			$ 110,725								$ 110,725
Bldg 11	SI	Ext Painting Bldg 11	$ 69,000			$ 110,725								$ 110,725
Bldg 12	SI	Ext Painting Bldg 12	$ 69,000			$ 110,725								$ 110,725
Bldg 01	SI	Bitumen Roof Bldg 1	$ 300,000											$ 0
Bldg 02	SI	Bitumen Roof Bldg 2	$ 300,000											$ 0
Bldg 03	SI	Bitumen Roof Bldg 3	$ 300,000											$ 0
Bldg 04	SI	Bitumen Roof Bldg 4	$ 300,000											$ 0
Bldg 05	SI	Bitumen Roof Bldg 5	$ 300,000											$ 0
Bldg 06	SI	Bitumen Roof Bldg 6	$ 300,000											$ 0
Bldg 07	SI	Bitumen Roof Bldg 7	$ 300,000											$ 0
Bldg 08	SI	Bitumen Roof Bldg 8	$ 300,000											$ 0
Bldg 09	SI	Bitumen Roof Bldg 9	$ 300,000											$ 0
Bldg 10	SI	Bitumen Roof Bldg 10	$ 300,000											$ 0
Bldg 11	SI	Bitumen Roof Bldg 11	$ 300,000											$ 0
Bldg 12	SI	Bitumen Roof Bldg 12	$ 300,000											$ 0
Bldg 01	SI	Elevator Refurbish Bldg 1	$ 70,000											$ 0
Bldg 02	SI	Elevator Refurbish Bldg 2	$ 70,000											$ 0
Bldg 03	SI	Elevator Refurbish Bldg 3	$ 70,000											$ 0
Bldg 04	SI	Elevator Refurbish Bldg 4	$ 70,000											$ 0
Bldg 05	SI	Elevator Refurbish Bldg 5	$ 70,000											$ 0
Bldg 06	SI	Elevator Refurbish Bldg 6	$ 70,000											$ 0
Bldg 07	SI	Elevator Refurbish Bldg 7	$ 70,000											$ 0
Bldg 08	SI	Elevator Refurbish Bldg 8	$ 70,000											$ 0

Reserve Expenses 2035 to 2044

Bldg 09	**SI**	**Elevator Refurbish Bldg 9**	**$ 70,000**											**$ 0**
Bldg 10	**SI**	**Elevator Refurbish Bldg 10**	**$ 70,000**											**$ 0**
Bldg 11	**SI**	**Elevator Refurbish Bldg 11**	**$ 70,000**											**$ 0**
Bldg 12	**SI**	**Elevator Refurbish Bldg 12**	**$ 70,000**											**$ 0**
		Total Reserve Expenses		**$ 0**	**$ 0**	**$ 1,328,700**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 1,328,700**

Years 2045 to 2055

Income Years 2045 to 2054

Estimated Incomes	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total
Maintenance Assessments Including Sched Increases	$ 506,110	$ 531,415	$ 557,986	$ 585,886	$ 615,180	$ 645,939	$ 678,236	$ 712,148	$ 747,755	$ 785,143	$ 6,365,797	$ 12,979,838
Interest Income Reserve Balance	$ 141,037	$ 115,136	$ 131,300	$ 148,532	$ 166,893	$ 186,445	$ 207,254	$ 210,521	$ 233,588	$ 202,644	$ 1,743,350	$ 2,778,898
Other Annual Income											$ 0	$ 0
Special Assessments												$ 1,296,000
Loans												
Total Income	$ 647,147	$ 646,552	$ 689,286	$ 734,418	$ 782,073	$ 832,383	$ 885,490	$ 922,669	$ 981,343	$ 987,786	$ 8,109,147	$ 17,054,736

Expenses Years 2045 to 2054

Operating and Loan Expenses	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total
Estimated Operating Expenses												
Estimated Annual Loan Payments												

Special Projects	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total

Estimated Tax Liability	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total
Tax Liability not Included in Analysis												

	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total
Total Operating Expenses												
Special Projects												
Total Reserve Fund Expenses	$ 1,683,156						$ 754,805		$ 2,219,114	$ 7,069,700	$ 11,726,775	$ 15,230,899

Reserve Fund Years 2045 to 2054

Description	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Start of Year Fully Funded Reserve	$ 7,620,065	$ 6,587,276	$ 7,271,319	$ 7,990,477	$ 8,746,239	$ 9,540,156	$ 10,373,837	$ 10,471,501	$ 11,366,463	$ 10,020,015
Start of Year Reserve Fund Balance	$ 5,641,465	$ 4,605,456	$ 5,252,008	$ 5,941,294	$ 6,675,712	$ 7,457,785	$ 8,290,168	$ 8,420,853	$ 9,343,522	$ 8,105,751
Percent Funded at Start of Year	74%	70%	72%	74%	76%	78%	80%	80%	82%	81%
Annual Reserve Fund Contributions	$ 647,147	$ 646,552	$ 689,286	$ 734,418	$ 782,073	$ 832,383	$ 885,490	$ 922,669	$ 981,343	$ 987,786
Net Reserve Withdrawals	$ (1,683,156)						$ (754,805)		$ (2,219,114)	$ (7,069,700)
EOY Reserve Fund Balance	$ 4,605,456	$ 5,252,008	$ 5,941,294	$ 6,675,712	$ 7,457,785	$ 8,290,168	$ 8,420,853	$ 9,343,522	$ 8,105,751	$ 2,023,837

Reserve Expenses 2045 to 2054

Bldg	Type	Reserve Fund Withdrawals	Original Cost	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	Total	30 Yrs Total
Bldg 06	SI	Fire Alarm System Bldg 6	$ 19,000									$ 43,471		$ 43,471	$ 43,471
Bldg 12	SI	Fire Alarm System Bldg 12	$ 19,000									$ 43,471		$ 43,471	$ 43,471
Bldg 01	SI	Ext Painting Bldg 1	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 02	SI	Ext Painting Bldg 2	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 03	SI	Ext Painting Bldg 3	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 04	SI	Ext Painting Bldg 4	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 05	SI	Ext Painting Bldg 5	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 06	SI	Ext Painting Bldg 6	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 07	SI	Ext Painting Bldg 7	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 08	SI	Ext Painting Bldg 8	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 09	SI	Ext Painting Bldg 9	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 10	SI	Ext Painting Bldg 10	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 11	SI	Ext Painting Bldg 11	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 12	SI	Ext Painting Bldg 12	$ 69,000	$ 140,263								$ 177,681		$ 317,944	$ 516,076
Bldg 01	SI	Bitumen Roof Bldg 1	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 02	SI	Bitumen Roof Bldg 2	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 03	SI	Bitumen Roof Bldg 3	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 04	SI	Bitumen Roof Bldg 4	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 05	SI	Bitumen Roof Bldg 5	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 06	SI	Bitumen Roof Bldg 6	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 07	SI	Bitumen Roof Bldg 7	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 08	SI	Bitumen Roof Bldg 8	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 09	SI	Bitumen Roof Bldg 9	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 10	SI	Bitumen Roof Bldg 10	$ 300,000										$ 706,970	$ 706,970	$ 706,970
Bldg 11	SI	Bitumen Roof Bldg 11	$ 300,000											$ 0	$ 318,270
Bldg 12	SI	Bitumen Roof Bldg 12	$ 300,000											$ 0	$ 318,270
Bldg 01	SI	Elevator Refurbish Bldg 1	$ 70,000							$ 150,961				$ 150,961	$ 150,961
Bldg 02	SI	Elevator Refurbish Bldg 2	$ 70,000							$ 150,961				$ 150,961	$ 150,961
Bldg 03	SI	Elevator Refurbish Bldg 3	$ 70,000							$ 150,961				$ 150,961	$ 150,961
Bldg 04	SI	Elevator Refurbish Bldg 4	$ 70,000							$ 150,961				$ 150,961	$ 150,961
Bldg 05	SI	Elevator Refurbish Bldg 5	$ 70,000							$ 150,961				$ 150,961	$ 150,961
Bldg 06	SI	Elevator Refurbish Bldg 6	$ 70,000											$ 0	$ 70,000
Bldg 07	SI	Elevator Refurbish Bldg 7	$ 70,000											$ 0	$ 70,000
Bldg 08	SI	Elevator Refurbish Bldg 8	$ 70,000											$ 0	$ 70,000

Reserve Expenses 2045 to 2054

Bldg 09	**SI**	**Elevator Refurbish Bldg 9**	**$ 70,000**										**$ 0**	**$ 70,000**
Bldg 10	**SI**	**Elevator Refurbish Bldg 10**	**$ 70,000**										**$ 0**	**$ 70,000**
Bldg 11	**SI**	**Elevator Refurbish Bldg 11**	**$ 70,000**										**$ 0**	**$ 70,000**
Bldg 12	**SI**	**Elevator Refurbish Bldg 12**	**$ 70,000**										**$ 0**	**$ 70,000**
		Total Reserve Expenses		**$ 1,683,156**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 754,805**	**$ 0**	**$ 2,219,114**	**$ 7,069,700**	**$ 11,726,775**	**$ 15,230,899**

Reserve Fund Disclosure Summary

This form is provided as a means of disclosing the level of deficiencies (if any) in the Association's reserves expressed on a per unit basis.
This form meets the requirements of the State of California Davis-Stirling Act (Civil Code §§ 4000 – 6150) requiring that a reserve summary accompany the Association's annual budget report.

Lakeshore University Park

Assessment and Reserve Funding Disclosure Summary — Fiscal Year 2025

1. **For the year 2024, the regular assessment per ownership interest is $417. The current number of units or owners in the association is 480.**
The Operations Expenses (OpEx) annual inflation is estimated to be 3.00% per year. The Reserve or Capital Expenditure (CapEx) annual inflation is estimated to be 3.00% per year.

2. **If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found within the attached report or summary.**

3. **If approved by the board or members, the following annual maintenance assessments will assure adequate income to meet current and future expenses.**

Year	Total Amt of Annual Maintenance (Dues)	Percent Increase from Prior Year	Amount of Ownership Interest
2025	$ 210,000	5.0%	$ 438
2026	$ 220,500	5.0%	$ 459
2027	$ 231,525	5.0%	$ 482
2028	$ 243,101	5.0%	$ 506
2029	$ 255,256	5.0%	$ 532

In addition to annual maintenance or special assessments, the following new or existing loans will supplement annual income to meet current or future expenses.

Origin Year	Loan Amount	Term of Loan	Annual Payment

4. **If they have been approved by the board and/or members, regardless of purpose, the following table are special assessments that have been scheduled to be imposed or charged:**

Assessment Date (Year)	Total Amount of Assessment	Amount of Ownership Interest	Purpose
2025	$ 816,000	$ 1,700	Build reserve fund
2029	$ 480,000	$ 1,000	Ensure adequate funding

5. **Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?**

Yes X **No**

6. **If the answer to Number 5 *(above)* is 'No', these additional assessments or other contributions to reserves are necessary to ensure that sufficient reserve funds will be available each year during the next 30 years:**

Assessment Date (Year)	Total Amount of Assessment	Amount of Ownership Interest	Purpose

7. **All major components are included in the reserve study and are included in its calculations.**

8. **Based on the method of calculation described in Number 9. b)** *… below …* **the estimated reserve fund balances for each of the next five budget years is shown in the following table:**

Year	Start of Year Reserve Fund Balance	Percent Funded at Start of Year	Estimated Operations Expenses	Estimated Structural Integrity (SI) Reserve Expenses	Est Non-Structural Integrity (Non-SI) Reserve Expenses	Total Estimate of All Reserve Expenses	Estimated Contribution to Reserve Fund	End of Year Reserve Fund Balance
2025	$ 200,000	10%	$ 0	$ 490,000	$ 0	$ 490,000	$ 1,031,000	$ 741,000
2026	$ 741,000	39%	$ 0	$ 0	$ 0	$ 0	$ 239,025	$ 980,025
2027	$ 980,025	44%	$ 0	$ 636,540	$ 0	$ 636,540	$ 256,026	$ 599,511
2028	$ 599,511	31%	$ 0	$ 0	$ 0	$ 0	$ 258,089	$ 857,600
2029	$ 857,600	38%	$ 0	$ 1,048,884	$ 0	$ 1,048,884	$ 756,696	$ 565,412

If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance for each of the next five years will be as shown in this table.

9. **For the purposes of preparing this summary:**

a) ***"Major component"*** means those components that the association is obligated to repair, replace, restore, or maintain. Unless otherwise indicated in the reserve study, the major components, as of the date of the study, have a remaining useful life of less than 30 years.

b) The amount of reserves needed to be accumulated for a component at a given time is computed as the current cost of replacement or repair, multiplied by (1 + the CapEx inflation rate), multiplied by the number of years the component has been in service, divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

c) ***"Estimated remaining useful life"*** means the time reasonably calculated to remain before a major component will require repair, service or replacement.

Component Details

Note: If the Last Service Year is greater than the start year entered for analysis (2025), this indicates that the item is a future scheduled item. In which case the Last Service Year will be the same as the Next Service Year.

If a component has been identified as a Structural Integrity component, it will have the notation (SI) and be highlighted in pink.

The following key is used as an indicator for Remaining Useful Life and General Asset Condition.

Remaining Useful Life Key
Less than 30% Life Remaining
30% to 70% Life Remaining
Greater than 70% Life Remaining

Condition Key	
Good	**No** Deterioration Observed — **And** — **No** Dangerous Condition Exists
Fair	**Some** Indication of Deterioration Observed — **And** — **No** Dangerous Condition Exists
Poor	**Substantial** Deterioration Observed — **Or** — A **Dangerous** Condition Exists

Item 1: Fire Alarm System Bldg 1 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024		
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.

Item 2: Fire Alarm System Bldg 2 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024		
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.

Item 3: Fire Alarm System Bldg 3 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024		
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.

Item 4: Fire Alarm System Bldg 4 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024		
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.

Item 5: Fire Alarm System Bldg 5 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024		
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.

Item 6: Fire Alarm System Bldg 6 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$43,471	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2018	*Upgraded in 2018*	
Next Service Year	2053		
Remaining Useful Life (yrs)	28		

Item 7: Fire Alarm System Bldg 7 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024	*Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.*	
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Item 8: Fire Alarm System Bldg 8 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024	*Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.*	
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Item 9: Fire Alarm System Bldg 9 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024	*Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.*	
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Item 10: Fire Alarm System Bldg 10 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024	*Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.*	
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Item 11: Fire Alarm System Bldg 11 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$51,906	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2024	*Prepaid for fire alarm system upgrade. Contractors proceeding with project. Assume completed in 2024.*	
Next Service Year	2059		
Remaining Useful Life (yrs)	34		

Item 12: Fire Alarm System Bldg 12 (SI) Category: Fire Protection

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$19,000
Estimated Future Cost (at next svc yr):	$43,471	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2018	*Upgraded in 2018*	
Next Service Year	2053		
Remaining Useful Life (yrs)	28		

Item 13: Ext Painting Bldg 1 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 14: Ext Painting Bldg 2 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 15: Ext Painting Bldg 3 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 16: Ext Painting Bldg 4 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 17: Ext Painting Bldg 5 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 18: Ext Painting Bldg 6 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 19: Ext Painting Bldg 7 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 20: Ext Painting Bldg 8 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 21: Ext Painting Bldg 9 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 22: Ext Painting Bldg 10 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 23: Ext Painting Bldg 11 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 24: Ext Painting Bldg 12 (SI) Category: Paint/Waterproof

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$77,660
Estimated Future Cost (at next svc yr):	$87,407	Current General Condition:	Good
Estimated Useful Life (yrs)	8	Useful Life Adjustment (yrs)	
Service Year	2021	*Exterior painting was visually inspected and no unexpected deteriotion was observed or noted.*	
Next Service Year	2029		
Remaining Useful Life (yrs)	4		

Item 25: Bitumen Roof Bldg 1 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019	*Roofing is relatively new and in good overall condition.*	
Next Service Year	2054		
Remaining Useful Life (yrs)	29		

Item 26: Bitumen Roof Bldg 2 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019	*Roofing is relatively new and in good overall condition.*	
Next Service Year	2054		
Remaining Useful Life (yrs)	29		

Item 27: Bitumen Roof Bldg 3 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019	*Roofing is relatively new and in good overall condition.*	
Next Service Year	2054		
Remaining Useful Life (yrs)	29		

Item 28: Bitumen Roof Bldg 4 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019	*Roofing is relatively new and in good overall condition.*	
Next Service Year	2054		
Remaining Useful Life (yrs)	29		

Item 29: Bitumen Roof Bldg 5 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019	*Roofing is relatively new and in good overall condition.*	
Next Service Year	2054		
Remaining Useful Life (yrs)	29		

Item 30: Bitumen Roof Bldg 6 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019		
Next Service Year	2054	*Roofing is relatively new and in good overall condition.*	
Remaining Useful Life (yrs)	29		

Item 31: Bitumen Roof Bldg 7 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019		
Next Service Year	2054	*Roofing is relatively new and in good overall condition.*	
Remaining Useful Life (yrs)	29		

Item 32: Bitumen Roof Bldg 8 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019		
Next Service Year	2054	*Roofing is relatively new and in good overall condition.*	
Remaining Useful Life (yrs)	29		

Item 33: Bitumen Roof Bldg 9 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019		
Next Service Year	2054	*Roofing is relatively new and in good overall condition.*	
Remaining Useful Life (yrs)	29		

Item 34: Bitumen Roof Bldg 10 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$706,970	Current General Condition:	Good
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	2019		
Next Service Year	2054	*Roofing is relatively new and in good overall condition.*	
Remaining Useful Life (yrs)	29		

Item 35: Bitumen Roof Bldg 11 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$318,270	Current General Condition:	Fair
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	1992		
Next Service Year	2027	*Roofing is in fair condition and with an estimated remaining life of 2 to 5 years.*	
Remaining Useful Life (yrs)	2		

Item 36: Bitumen Roof Bldg 12 (SI) Category: Roofing

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$300,000
Estimated Future Cost (at next svc yr):	$318,270	Current General Condition:	Fair
Estimated Useful Life (yrs)	35	Useful Life Adjustment (yrs)	
Service Year	1992		
Next Service Year	2027	*Roofing is in fair condition and with an estimated remaining life of 2 to 5 years.*	
Remaining Useful Life (yrs)	2		

Item 37: Elevator Refurbish Bldg 1 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$150,961	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	2021		
Next Service Year	2051		
Remaining Useful Life (yrs)	26		

Item 38: Elevator Refurbish Bldg 2 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$150,961	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	2021		
Next Service Year	2051		
Remaining Useful Life (yrs)	26		

Item 39: Elevator Refurbish Bldg 3 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$150,961	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	2021		
Next Service Year	2051		
Remaining Useful Life (yrs)	26		

Item 40: Elevator Refurbish Bldg 4 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$150,961	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	2021		
Next Service Year	2051		
Remaining Useful Life (yrs)	26		

Item 41: Elevator Refurbish Bldg 5 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$150,961	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	2021		
Next Service Year	2051		
Remaining Useful Life (yrs)	26		

Item 42: Elevator Refurbish Bldg 6 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 43: Elevator Refurbish Bldg 7 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 44: Elevator Refurbish Bldg 8 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 45: Elevator Refurbish Bldg 9 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 46: Elevator Refurbish Bldg 10 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 47: Elevator Refurbish Bldg 11 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Item 48: Elevator Refurbish Bldg 12 (SI) Category: Mechanical

Component Qty: 1	Unit of Measure: each	Estimated Current Cost:	$70,000
Estimated Future Cost (at next svc yr):	$70,000	Current General Condition:	Good
Estimated Useful Life (yrs)	30	Useful Life Adjustment (yrs)	
Service Year	1984		
Next Service Year	2025		
Remaining Useful Life (yrs)	0		

Appendix

Analysis Class

Four classes (or levels) of reserve studies are defined:

- Class I: A comprehensive study
  - Component Inventory established
  - Component quantities and measurements established
  - Condition Assessments performed
  - Life and Valuation Estimates
  - Funding Status Statement
  - Develop a Funding Plan
- Class II: An updated study based that includes a site inspection
  - Verifies Component Inventory from Previous Study
  - Verifies Component quantities and measurements from Previous Study
  - Condition Assessments performed
  - Life and Valuation Estimates
  - Funding Status Statement
  - Develop a Funding Plan
- Class III: An updated study that does not include a site inspection.
  - Verifies Component Inventory from Previous Study
  - Verifies Component quantities and measurements from Previous Study
  - Condition Assessments estimated
  - Life and Valuation Estimates
  - Funding Status Statement
  - Develop a Funding Plan
- Class IV: Preliminary study for communities not yet constructed.
  - Componenti inventory based on site plans
  - Life and Valuation Estimates based on industry standards
  - Funding Status Statement
  - Develop a Funding Plan for budgeting purposes

Terms and Definitions

A reserve study contains a number of industry-related terms and phrases. The following are definitions for the most used terms.

- **Annual Reserve Contribution** — A regular amount of money that is set aside or is a line item in the Association's budget to add to the reserve fund to cover the depreciation expenses associated with the reserve components.
- **Annual Reserve Fund Contribution** — The amount that should be saved during the current year for future component replacements. Provided for each component and summed for all components.
- **Baseline Funding** — Establishing a reserve funding goal of keeping the reserve cash balance above zero. See Funding Models.
- **Cash Flow Funding Method** — The preferred method of developing a reserve funding plan where the contributions to the reserve fund are pooled together allowing money to be used for any necessary reserve expense as needed.
- **Component** — Also referred to as an "Asset." Individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are:
  1. Association responsibility
  2. Have limited useful life expectancies
  3. Have predictable remaining life expectancies
  4. Are above a minimum threshold cost
  5. Required by local codes.
- **Component Funding Method** — Refers to a method where each individual component (like roofs, pools, or elevators) is assigned to its own separate reserve account, meaning funds are calculated and tracked individually for each component, rather than being pooled together. This approach is sometimes referred to as "straight-line" funding where each component is treated independently.
- **Component Inventory** — The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, review of established association precedents and discussion with appropriate association representative(s) of the association or cooperative.
- **Contingency** — An allowance for miscellaneous components, unpredictable expenses and/or costs that were higher than expected.
- **Deficit** — An actual (or projected reserve balance), which is less than the fully funded balance.
- **Fully Funded Balance Percent** — The reserve balance expressed as a percentage of the total fully funded balance of all components.

- Fully Funded Balance
  - The Fully Funded Balance as used in reserve studies is an indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost of a reserve component. This number is calculated for each component, and then summed together for an association total and represents the total depreciation over the life of the components. In other words, the amount that should have been saved during the life of the components. Without considering the effect of inflation, the calculation for FFB is:

    $$FFB = \frac{Current\ Cost\ \times Effective\ Age}{Useful\ Life}$$

  - A 100% FFB does not imply that the association or the reserve fund is fully funded.

- Fully Funded Reserve
  - A fully funded reserve is one in which the funding goal is set to consistently maintain reserves, ensuring a stable cash flow to replace each common element when it reaches the end of its life without waiving or deferring maintenance or funding. Achieving this level of funding indicates that an association (and its reserve fund) is fully funded. It's important to note that this differs from the concept of Fully Funded Balance (see above).

- Funding Methods
  - Two methods of funding are Cash Flow and Component (or Straight Line).
    1. Cash Flow: The reserve fund is considered one large pool of money. Expenses for any individual component are withdrawn from the single, shared reserve fund.
    2. Component (or Straight Line): A simple calculation that calculates a reserve contribution based on each individual component. Expenses for any individual component are withdrawn only from that component's fund. Funds are not shared across multiple components.

- Funding Models
  - The four funding models are:
    1. Fully Funding Model: Setting a reserve funding goal of keeping the reserves at or near 100% of FFB. This is the same as Threshold Funding if the threshold is set at 100%.
    2. Threshold Funding Model: Setting a Reserve funding goal of keeping the Reserve balance near some threshold, generally less than the Fully Funding Strategy.
    3. Baseline Funding Model: Setting a reserve funding goal of keeping the reserve cash balance at the end of each year in the overall reserve funding projection at or above $ 0.
    4. Statutory Funding Model: Based on local statutes where associations set aside specific cash amounts, or specific thresholds are set, as required by statutes.

- Funding Plan
  - An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

- **Inflation**

  Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of the average price level of a basket of selected goods and services in an economy over some period. The rise in the general level of prices, often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods.

  Two types of inflation are used in this analysis:

  1. Reserve Item Expense Inflation: Sometimes referred to as CapEx (Capital Expenditures) inflation. CapEx inflation generally runs higher than OpEx inflation and is commonly tied to the Construction Cost Index (CCI). This index is published by various major construction firms and is a good measure for long-term construction and capital equipment costs. Reserve Item expenses tend to be related to capital equipment.
  2. Operating Expense Inflation: Generally referred to as OpEx (Operating Expenses) inflation. OpEx inflation is commonly tied to the Core Inflation Rate which is part of the Consumer Price Index but excludes unstable costs such as food and energy. Operating expenses tend to be service related.

- **Percent Funded**

  The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage. Percent funding is used a measure of the "health" of the reserve fund. As one of several key performance indicators, the percent funding must be viewed considering other indicators, such as available funds to meet expenses.

  The measures of strength for percent funded of the FFB are:

  - 0% – 30% Funded: Generally considered to be a "weak" financial position. Associations that fall into this category are subject to higher frequencies of special assessments and deferred maintenance.
  - 31% – 69% Funded: Considered a "fair" financial position. Compared to the "weak" position, the likelihood of special assessments and deferred maintenance is diminished. Associations that find themselves in this position should be taking measures to strengthen their position.
  - 70% – 99% Funded: This range is considered a "strong" financial position. Associations should strive to maintain their percent funded in this range.
  - 100% Funded: If the association is 100% funded, theoretically they have the exact amount of funds equal to the Fully Funded Balance
  - Greater than 100% Funded: If in this situation, the association has more than the Fully Funded Balance. The impact on the community is that the members' annual payments are likely more than is required to meet annual expenses.

- **Projected Start-of-Year or End-of-Year Reserve Balance**
  - Projected reserve balance at the start of the fiscal year or end of the fiscal year. Calculated using the estimated reserve balance, contributions to reserves before year-end, and planned expenses before year-end.

- **Recommended Reserve Contribution**
  - Recommended amount that the association should allocate into reserves to offset future expenses. This is frequently and incorrectly classified as an expense item in the association's budget. This is not an expense item. It should be considered a goal or objective.

- **Remaining Useful Life**
  - Expected remaining useable life of component. (0-year remaining life means the component will be serviced in the upcoming fiscal year)

• Replacement Cost	• The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.
• Replacement Year	• The year that a component is projected to be replaced or repaired.
• Reserve Balance	• Actual or projected funds as of a particular point in time (typically the beginning or end of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components that the association is obligated to maintain. Also known as “reserves,” “reserve accounts,” or “cash reserves.” In this report the reserve balance is based upon the information provided and is not audited.
• Reserve Contribution	• A regular amount of money that is set aside or is a line item in the Association’s budget to add to the reserve fund to cover the depreciation expenses associated with the reserve components.
• Reserve Study	• A long-term capital budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset ongoing deterioration, resulting in sufficient funds when those anticipated major common area expenditures actually occur. A reserve study is in essence a planning tool designed to help the board anticipate, and prepare for, the property's major repair and replacement projects.
• Special Assessment	• An assessment levied on the members of an association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.
• Statutory Funding	• Establishing a reserve funding goal of setting aside specific minimum amounts of reserves required by local statues
• Structural Integrity Reserve Study (SIRS)	• A Structural Integrity Reserve Study (SIRS) is a form of reserve study, required by Florida Statue that is designed to ensure that Condo Owners Associations are reserving funds for the long-term maintenance and necessary replacement of critical structural elements in their buildings.
• Threshold Funding	• Used with the Cash-Flow Methodology. Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount.
• Useful Life	• Typical useable life for a component.

Funding Methodologies

Cash Flow Methodology

The Cash Flow Reserve Funding methodology is used in this analysis as it allows reserve funds to be used efficiently and evenly spreads costs among the community owners over the years.

- The reserve fund is considered one large pool of money.
- Contributions are established by testing and retesting different contribution rates until the desired funding objective is achieved.
- Encourages the use of threshold levels to test various funding strategies with respect to funding requirements.
- May increase risk of underfunding and special assessments, but this is mitigated by understanding of component costs and useful life, setting reasonable threshold funding levels and careful analysis of annual cash flows
- Typically, it results in a lower rate of reserve contributions as the funds can be used more efficiently; and the contributions are more evenly spread over the years.

Threshold Funding Model

The Threshold Funding strategy is employed with a threshold, or goal, of keeping the reserve balance above a specified percent funded amount. Use of this strategy requires examining the estimated annual reserve component costs against the anticipated reserve balance to ensure that costs do not exceed available funds. The Threshold Funding Strategy consists of setting a funding goal of keeping the reserve balance above some threshold, generally less than the Fully Funding Model.

- The Threshold Funding strategy reduces the annual contribution (compared to Full Funding) for maintaining the reserve. The threshold funding strategy must be used rationally to ensure that under funding does not occur in any years. It also requires careful analysis of expenses and funding over all the years. A key benefit is that it reduces the annual contribution to the reserve fund compared to the Full Funding strategy.

Performance Indicators

Two key performance indicators used in this analysis are “Fully Funded Balance” and “Percent Funded”.

The Fully Funded Balance of all reserve components are individually determined and summed together. Each component’s FFB is determined for each year using the following formula:

$$FFB = \frac{Current\ Cost\ x\ Effective\ Age}{Useful\ Life}\ x\ (1 + Inflation\ Rate)^{Effective\ Age}$$

Where: $Effective\ Age = Useful\ Life - Remaining\ Useful\ Life$

The Percent Funding for each year in the analysis is computed using the following formula:

$$\%\ Funded = \frac{Estimated\ Reserve\ Fund\ Balance}{Estimated\ Fully\ Funded\ Balance}$$

All future cost estimates are based on the current costs with provision for inflation. The reserve fund and contingency fund balance is assumed to earn interest at the rate provided by the association.