

# FULL RESERVE STUDY

## Pineda Crossing Homeowners' Association, Inc.



**Melbourne, Florida**

**November 30, 2018**



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Pineda Crossing Homeowners' Association, Inc.  
Melbourne, Florida

Dear Board of Directors of Pineda Crossing Homeowners' Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Pineda Crossing Homeowners' Association, Inc. in Melbourne, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 30, 2018.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Pineda Crossing Homeowners' Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on January 28, 2019 by

*Reserve Advisors, Inc.*

Visual Inspection and Report by: Nicole L. Lowery, RS<sup>1</sup>, PRA<sup>2</sup>  
Review by: Alan M. Ebert, RS, PRA, Director of Quality Assurance



<sup>1</sup> RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

<sup>2</sup> PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



Long-term thinking. Everyday commitment.

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# 1. RESERVE STUDY EXECUTIVE SUMMARY

**Client:** Pineda Crossing Homeowners' Association, Inc. (Pineda Crossing)

**Location:** Melbourne, Florida

**Reference:** 181820

**Property Basics:** Pineda Crossing Homeowners' Association, Inc. is a homeowners association which is responsible for the common elements shared by 519 single family homes. The common elements of the Association were built in 1994.

**Reserve Components Identified:** 11 Reserve Components.

**Inspection Date:** November 30, 2018.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2031 and 2041 due to coordinated lake maintenance.

**Cash Flow Method:** We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 1.7% anticipated annual rate of return on invested reserves
- 2.1% future Inflation Rate for estimating Future Replacement Costs

**Sources for Local Costs of Replacement:** Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

## **Cash Status of Reserve Fund:**

- \$105,130 as of September 30, 2018
- 2018 budgeted Reserve Contributions of \$5,887
- 2019 budgeted Reserve Contributions of \$6,209
- A potential deficit in reserves might occur by 2027 based upon continuation of the most recent annual reserve contribution of \$6,209 and the identified Reserve Expenditures.

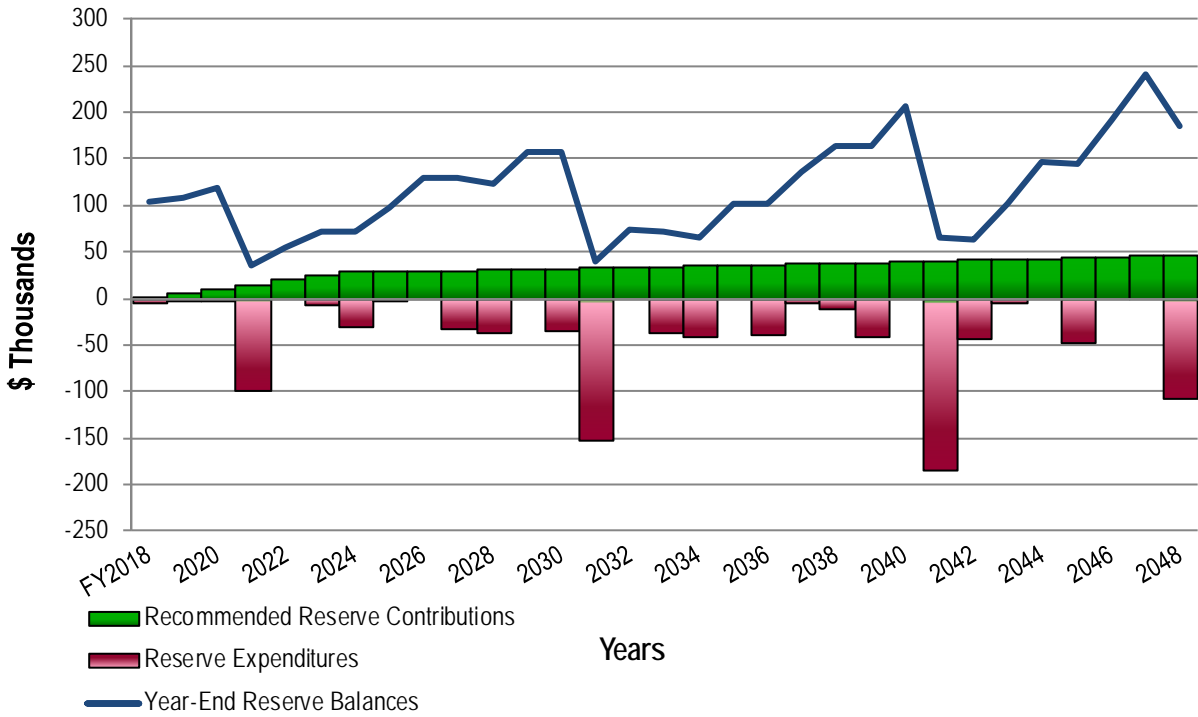
**Recommended Reserve Funding:** We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of approximately \$4,400 from 2020 through 2024
- Inflationary increases through 2048, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$4,391 represents an average monthly increase of \$0.71 per homeowner and about a four percent (4.2%) adjustment in the 2019 total Operating Budget of \$105,120.



**Pineda Crossing**  
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	6,209	107,764	2029	31,200	157,669	2039	38,500	164,273
2020	10,600	118,017	2030	31,900	157,837	2040	39,300	206,700
2021	15,000	35,220	2031	32,600	38,616	2041	40,100	65,001
2022	19,400	55,384	2032	33,300	72,856	2042	40,900	62,847
2023	23,800	71,936	2033	34,000	71,469	2043	41,800	100,984
2024	28,200	70,982	2034	34,700	65,489	2044	42,700	145,764
2025	28,800	97,734	2035	35,400	102,303	2045	43,600	144,842
2026	29,400	129,045	2036	36,100	101,159	2046	44,500	192,183
2027	30,000	128,907	2037	36,900	135,602	2047	45,400	241,236
2028	30,600	124,094	2038	37,700	164,466	2048	46,400	184,335





## 2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

**Pineda Crossing Homeowners' Association, Inc.**

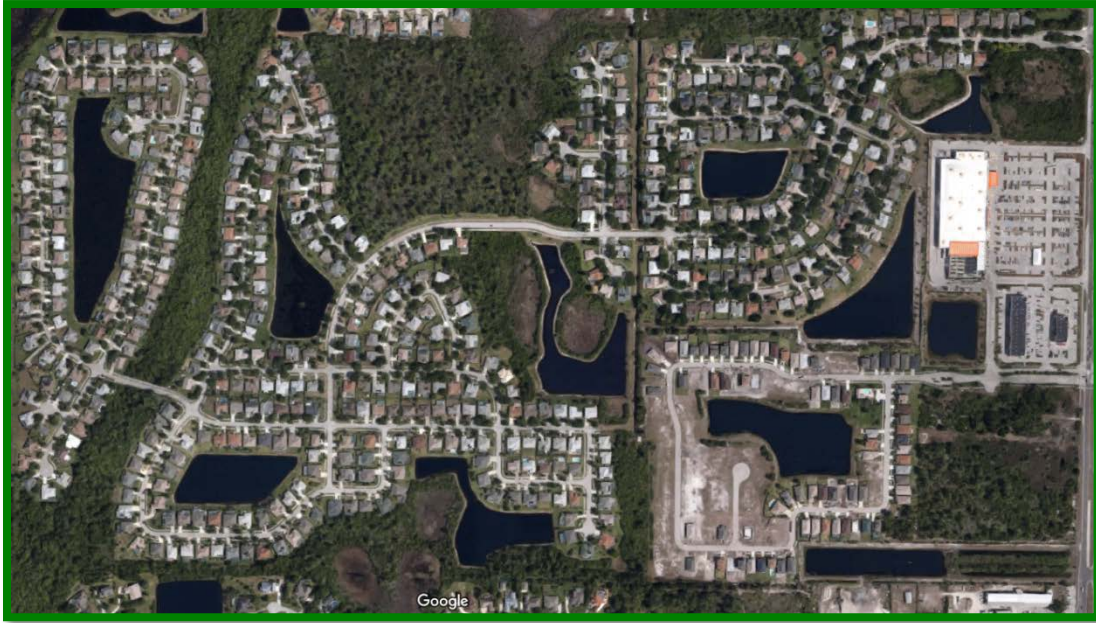
**Melbourne, Florida**

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 30, 2018.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five Year Outlook** - Identifies reserve components and future reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

## IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Brevard County

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Pineda Crossing responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold





Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Irrigation System, Well Casings

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$2,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Benches
- Bulletin Board
- Fountains and Bubblers, Inspections and Pump Replacements
- Irrigation System, Controllers and Interim Maintenance
- Lakes, Fish Stocking
- Lakes, Maintenance and Treatments
- Landscape, General Maintenance
- Paint Finishes, Touch Up
- Storm Water System, Interim Drain Inspections
- Valves, Small Diameter (We assume replacement as needed in lieu of an aggregate replacement of all small diameter valves as a single event.)
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to:

- Homes and Lots

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Brevard County relates to:

- Canal
- Catch Basins
- Street Systems

### **3. RESERVE EXPENDITURES and FUNDING PLAN**

The tables following this introduction present:

#### **Reserve Expenditures**

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2018 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

#### **Reserve Funding Plan**

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end
- Predicted reserves based on current funding level

#### **Five Year Outlook**

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

## RESERVE EXPENDITURES

**Pineda Crossing  
Homeowners' Association, Inc.**  
Melbourne, Florida

**Explanatory Notes:**

- 1) **2.1%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY2018 is Fiscal Year beginning January 1, 2018 and ending December 31, 2018.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033	
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																	
<b>Property Site Elements</b>																												
4.410	3	1	Each	Irrigation System, Pumps, Phased	2019	to 20	1 to 13	3,000.00	3,000	9,000	19,961		3,063					3,470								3,931		
4.420	1	1	Allowance	Irrigation System, Replacement	2034	to 40+	16	30,000.00	30,000	30,000	41,834																	
4.500	1	1	Allowance	Landscape, 2018 Remaining Budgeted	2018	N/A	0	4,200.00	4,200	4,200	4,200	4,200																
4.503	1	1	Allowance	Landscape, Invasive Species Removal	2021	to 3	3	25,000.00	25,000	25,000	357,936			26,608			28,320			30,142			32,081			34,145		
4.506	45	45	Each	Landscape, Light Fixtures	2028	to 20	10	300.00	13,500	13,500	41,801														16,618			
4.509	1	1	Allowance	Landscape, Tree Trimming	2021	to 3	3	1,800.00	1,800	1,800	25,772			1,916			2,039			2,170			2,310			2,458		
4.700	2	2	Each	Lakes, Fountains	2028	15 to 20	10	8,500.00	17,000	17,000	52,639														20,927			
4.705	1	1	Allowance	Lakes, Concrete Control Structures, Inspections and Repairs	2021	to 10	3	13,500.00	13,500	13,500	53,829			14,368												17,688		
4.710	16,000	1,600	Linear Feet	Lakes, Erosion Control, Partial	2021	to 10	3	33.00	52,800	528,000	210,533			56,197												69,178		
4.730	119,500	2,990	Square Yards	Lakes, Sediment Removal, Partial	2031	10 to 15	13	16.00	47,840	1,912,000	139,838															62,680		
4.800	1	1	Allowance	Signage, Renovation	2023	15 to 20	5	7,500.00	7,500	7,500	19,686						8,321											
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	2,250.00	2,250	2,250	2,250			2,250														
<b>Anticipated Expenditures, By Year</b>												<b>\$970,279</b>	4,200	3,063	2,250	99,089	0	8,321	30,359	3,470	0	32,312	37,545	0	34,391	153,477	0	36,603

## RESERVE EXPENDITURES

**Pineda Crossing  
Homeowners' Association, Inc.**  
Melbourne, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$																		
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)	16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048
<b>Property Site Elements</b>																										
4.410	3	1	Each	Irrigation System, Pumps, Phased	2019	to 20	1 to 13	3,000.00	3,000	9,000	19,961			4,453				5,044								
4.420	1	1	Allowance	Irrigation System, Replacement	2034	to 40+	16	30,000.00	30,000	30,000	41,834	41,834														
4.500	1	1	Allowance	Landscape, 2018 Remaining Budgeted	2018	N/A	0	4,200.00	4,200	4,200	4,200															
4.503	1	1	Allowance	Landscape, Invasive Species Removal	2021	to 3	3	25,000.00	25,000	25,000	357,936		36,342		38,679		41,168		43,816		46,635					
4.506	45	45	Each	Landscape, Light Fixtures	2028	to 20	10	300.00	13,500	13,500	41,801											25,183				
4.509	1	1	Allowance	Landscape, Tree Trimming	2021	to 3	3	1,800.00	1,800	1,800	25,772		2,617		2,785		2,964		3,155		3,358					
4.700	2	2	Each	Lakes, Fountains	2028	15 to 20	10	8,500.00	17,000	17,000	52,639											31,712				
4.705	1	1	Allowance	Lakes, Concrete Control Structures, Inspections and Repairs	2021	to 10	3	13,500.00	13,500	13,500	53,829						21,773									
4.710	16,000	1,600	Linear Feet	Lakes, Erosion Control, Partial	2021	to 10	3	33.00	52,800	528,000	210,533						85,158									
4.730	119,500	2,990	Square Yards	Lakes, Sediment Removal, Partial	2031	10 to 15	13	16.00	47,840	1,912,000	139,838						77,158									
4.800	1	1	Allowance	Signage, Renovation	2023	15 to 20	5	7,500.00	7,500	7,500	19,686				11,365											
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	2,250.00	2,250	2,250	2,250															
<b>Anticipated Expenditures, By Year</b>											<b>\$970,279</b>	41,834	0	38,959	4,453	11,365	41,464	0	184,089	44,132	5,044	0	46,971	0	0	106,888

## RESERVE FUNDING PLAN

### CASH FLOW ANALYSIS

Pineda Crossing  
Homeowners' Association, Inc.  
Melbourne, Florida

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Reserves at Beginning of Year (Note 1)</b>	105,130	102,843	107,764	118,017	35,220	55,384	71,936	70,982	97,734	129,045	128,907	124,094	157,669	157,837	38,616	72,856
<b>Total Recommended Reserve Contributions (Note 2)</b>	<b>1,472</b>	<b>6,209</b>	<b>10,600</b>	<b>15,000</b>	<b>19,400</b>	<b>23,800</b>	<b>28,200</b>	<b>28,800</b>	<b>29,400</b>	<b>30,000</b>	<b>30,600</b>	<b>31,200</b>	<b>31,900</b>	<b>32,600</b>	<b>33,300</b>	<b>34,000</b>
Plus <b>Estimated Interest Earned, During Year (Note 3)</b>	441	1,775	1,903	1,292	764	1,073	1,205	1,422	1,911	2,174	2,132	2,375	2,659	1,656	940	1,216
Less <b>Anticipated Expenditures, By Year</b>	(4,200)	(3,063)	(2,250)	(99,089)	0	(8,321)	(30,359)	(3,470)	0	(32,312)	(37,545)	0	(34,391)	(153,477)	0	(36,603)
<b>Anticipated Reserves at Year End</b>	<u>\$102,843</u>	<u>\$107,764</u>	<u>\$118,017</u>	<u>\$35,220</u>	<u>\$55,384</u>	<u>\$71,936</u>	<u>\$70,982</u>	<u>\$97,734</u>	<u>\$129,045</u>	<u>\$128,907</u>	<u>\$124,094</u>	<u>\$157,669</u>	<u>\$157,837</u>	<u>\$38,616</u>	<u>\$72,856</u>	<u>\$71,469</u>
Predicted Reserves based on 2019 funding level of: \$6,209	102,843	107,764	113,589	21,851	28,484	26,838	2,939	5,751	12,111	(14,008)	(45,848)					

(NOTE 5)

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
<b>Reserves at Beginning of Year</b>	71,469	65,489	102,303	101,159	135,602	164,466	164,273	206,700	65,001	62,847	100,984	145,764	144,842	192,183	241,236
<b>Total Recommended Reserve Contributions</b>	<b>34,700</b>	<b>35,400</b>	<b>36,100</b>	<b>36,900</b>	<b>37,700</b>	<b>38,500</b>	<b>39,300</b>	<b>40,100</b>	<b>40,900</b>	<b>41,800</b>	<b>42,700</b>	<b>43,600</b>	<b>44,500</b>	<b>45,400</b>	<b>46,400</b>
Plus <b>Estimated Interest Earned, During Year</b>	1,154	1,414	1,715	1,996	2,529	2,771	3,127	2,290	1,078	1,381	2,080	2,449	2,841	3,653	3,587
Less <b>Anticipated Expenditures, By Year</b>	(41,834)	0	(38,959)	(4,453)	(11,365)	(41,464)	0	(184,089)	(44,132)	(5,044)	0	(46,971)	0	0	(106,888)
<b>Anticipated Reserves at Year End</b>	<u>\$65,489</u>	<u>\$102,303</u>	<u>\$101,159</u>	<u>\$135,602</u>	<u>\$164,466</u>	<u>\$164,273</u>	<u>\$206,700</u>	<u>\$65,001</u>	<u>\$62,847</u>	<u>\$100,984</u>	<u>\$145,764</u>	<u>\$144,842</u>	<u>\$192,183</u>	<u>\$241,236</u>	<u>\$184,335</u>

(NOTE 5)

(NOTE 4)

**Explanatory Notes:**

- 1) Year 2018 starting reserves are as of September 30, 2018; FY2018 starts January 1, 2018 and ends December 31, 2018.
- 2) Reserve Contributions for 2018 are the remaining budgeted 3 months; 2019 is budgeted; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

**FIVE YEAR OUTLOOK****Pineda Crossing  
Homeowners' Association, Inc.**

Melbourne, Florida

Line Item	Reserve Component Inventory	RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023
<b><u>Property Site Elements</u></b>							
4.410	Irrigation System, Pumps, Phased		3,063				
4.500	Landscape, 2018 Remaining Budgeted	4,200					
4.503	Landscape, Invasive Species Removal				26,608		
4.509	Landscape, Tree Trimming				1,916		
4.705	Lakes, Concrete Control Structures, Inspections and Repairs				14,368		
4.710	Lakes, Erosion Control, Partial				56,197		
4.800	Signage, Renovation						8,321
<b>Reserve Study Update with Site Visit</b>				2,250			
<b>Anticipated Expenditures, By Year</b>		4,200	3,063	2,250	99,089	0	8,321

## 4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

### Property Site Elements

#### Irrigation System, Pumps

---

**Line Item:** 4.410

**Quantity:** Three each

**History:** The pump at Crane Lake is original. The pump at Gator Lake was replaced in 2018 and the pump near the community entrance was replaced in 2015.

**Condition:** The two newer pumps are reported satisfactory. The original pump at Crane Lake is reported as in need of replacement soon.



Pump at Crane Lake



Pump at Gator Lake

**Useful Life:** Up to 20 years

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Irrigation System, Replacement**

---

**Line Item:** 4.420

**History:** Original

**Condition:** Reported satisfactory overall and Management and the Board does not report any deficiencies

**Useful Life:** Up to 40 years

**Component Detail Notes:** Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Pumps
- Valves

Pineda Crossing should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Landscape**

---

**Line Items:** 4.500 through 4.509

**Component Detail Notes:** The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.





**Landscape at entrance**



**Conservation area where invasive species are removed periodically**



**Landscape light fixtures**

**Useful Life:** At the request of Management and the Board, we include a landscape allowance for invasive species removal and tree trimming every three years. We also include the remaining 2018 expenditure of \$4,200 for the completion of the entrance landscape project. The landscape light fixtures have a useful life of up to 20 years.

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Lakes, Fountains**

---

**Line Item:** 4.700

**Quantity:** Two fountains

**History:** Original

**Condition:** Reported in satisfactory condition



**Fountain in Crane Lake**



**Fountain in Gator Lake**

**Useful Life:** 15- to 20-years

**Component Detail Notes:** The use of small pumps, motors and aerators circulates pond water and increases the amount of entrained oxygen in the water, increasing water quality and reducing algae growths.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The estimate of cost is for replacement of the fountain structure and associated mechanical equipment. We suggest interim replacements of the motors be funded through the operating budget as necessary.

## **Lakes, Control Structures, Erosion Control and Sediment Removal**

**Line Items:** 4.705 through 4.730

**Quantity:** 16,000 linear feet of natural vegetation at the shorelines, 119,500 square yards of water surface area and approximately 25 concrete control structures

**Condition:** The lakes visually appear to be in satisfactory condition overall with isolated areas of erosion, silt build up, spalled concrete and hairline cracks at concrete control structures and submerged inlet structures evident.



**Egret Lake**



**Egret Lake – Erosion evident**



**Osprey Lake**



**Osprey Lake – Evidence of silt build up**



**Quail Lake**



**Quail Lake – Steep slope at shoreline**



**Quail Lake – Spalled concrete at outlet structure**



**Gator Lake**



**Gator Lake – Erosion at concrete inlet structure**



**Deer Lake**



**Deer Lake – Outlet structure**



**Crane Lake**



**Crane Lake – Erosion evident**



**Crane Lake – Erosion evident**



**No Name Lake**



**No Name Lake – Hairline cracks in concrete inlet structure**



**Heron Lake**



**Heron Lake – Submerged concrete inlet structure**

**Useful Life:** Concrete control structures have a useful life of up to and beyond 65 years. We do not anticipate complete replacement of every structure over the course of

this 30 year reserve study; however, we recommend the Association perform inspections and repairs every 10 years. Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 10 years. Based on the visual condition, construction and visibly apparent erosion, we also recommend the Association anticipate the need to remove a small quantity of lake sediment every 10- to 15-years.

**Component Detail Notes:** The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the lake shorelines will help maintain an attractive appearance and prevent soil erosion.

Shoreline plantings are referred to as buffer zones. Buffer zones provide the following advantages:

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat
- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the lakes. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of lakes becomes necessary if this accumulation alters the quality of lake water or the functionality of the lakes as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of lake management.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan to install a combination of plantings and rip rap around the lakes along 1,600 linear feet, or approximately ten percent (10%), of the shorelines per event.

For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately three percent (3%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over

many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Pineda Crossing contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

## Signage

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**Line Item:** 4.800

**Quantity:** Two property identification signs

**History:** Unknown age

**Condition:** Good to fair overall with weathering evident



**Signage**



**Signage with weathering evident**

**Useful Life:** 15- to 20-years

**Component Detail Notes:** Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary.

**Priority/Criticality:** Per Board discretion



**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.



## 5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Pineda Crossing can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards<sup>1</sup> set forth by the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local<sup>2</sup> costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Melbourne,

<sup>1</sup> Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

<sup>2</sup> See Credentials for additional information on our use of published sources of cost data.

Florida at an annual inflation rate<sup>3</sup>. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Pineda Crossing and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

<sup>3</sup> Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



## 6. CREDENTIALS

### HISTORY AND DEPTH OF SERVICE

**Founded in 1991**, Reserve Advisors, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

**No Conflict of Interest** - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

### TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

### OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

### VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

### OLD TO NEW

Reserve Advisors experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

**QUALIFICATIONS**  
**THEODORE J. SALGADO**  
**Principal Owner**

**CURRENT CLIENT SERVICES**

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



**PRIOR RELEVANT EXPERIENCE**

Before founding Reserve Advisors, Inc. with John P. Poehlmann in 1991, Mr. Salgado, a professional engineer registered in the State of Wisconsin, served clients for over 15 years through American Appraisal Associates, the world's largest full service valuation firm. Mr. Salgado conducted facilities analyses of hospitals, steel mills and various other large manufacturing and petrochemical facilities and casinos.

He has served clients throughout the United States and in foreign countries, and frequently acted as project manager on complex valuation, and federal and state tax planning assignments. His valuation studies led to negotiated settlements on property tax disputes between municipalities and property owners.

Mr. Salgado has authored articles on the topic of reserve studies and facilities maintenance. He also co-authored *Reserves*, an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and maintaining appropriate reserves. Mr. Salgado has also written in-house computer applications manuals and taught techniques relating to valuation studies.

**EXPERT WITNESS**

Mr. Salgado has testified successfully before the Butler County Board of Tax Revisions in Ohio. His depositions in pretrial discovery proceedings relating to reserve studies of Crestview Estates Condominium Association in Wauconda, Illinois, Rivers Point Row Property Owners Association, Inc. in Charleston, South Carolina and the North Shore Club Associations in South Bend, Indiana have successfully assisted the parties in arriving at out of court settlements.

**EDUCATION** - Milwaukee School of Engineering - B.S. Architectural Engineering

**PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)

Community Associations Institute - Member and Volunteer Leader of multiple chapters

Concordia Seminary, St. Louis - Member, National Steering Committee

Milwaukee School of Engineering - Member, Corporation Board

Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.

**JOHN P. POEHLMANN, RS**  
**Principal**

John P. Poehlmann is a co-founder of Reserve Advisors, Inc. He is responsible for the finance, accounting, marketing, and overall administration of Reserve Advisors, Inc. He also regularly participates in internal Quality Control Team Reviews of Reserve Study reports.



Mr. Poehlmann directs corporate marketing, including business development, advertising, press releases, conference and trade show exhibiting, and electronic marketing campaigns. He frequently speaks throughout the country at seminars and workshops on the benefits of future planning and budgeting for capital repairs and replacements of building components and other assets.

**PRIOR RELEVANT EXPERIENCE**

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

**INDUSTRY SERVICE AWARDS**

- CAI Wisconsin Chapter Award
- CAI National Rising Star Award
- CAI Michigan Chapter Award

**EDUCATION**

- University of Wisconsin-Milwaukee - Master of Science Management
- University of Wisconsin - Bachelor of Business Administration

**PROFESSIONAL AFFILIATIONS**

- Community Associations Institute (CAI)** - Founding member of Reserve Committee; former member of National Board of Trustees; Reserve Specialist (RS) designation; Member of multiple chapters
- Association of Condominium, Townhouse, & Homeowners Associations (ACTHA)** – member



**NICOLE L. LOWERY, PRA, RS**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

Nicole L. Lowery, a Civil Engineer, is an Advisor for Reserve Advisors. Ms. Lowery is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.

Ms. Lowery has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

**Amelia Surf & Racquet Club** This oceanfront condominium community comprises 156 units in three mid rise buildings. This Fernandina Beach, Florida development contains amenities such as clay tennis courts, two pools and boardwalks.

**Ten Museum Park** This boutique, luxury 50-story high rise building in downtown Miami, Florida consists of 200 condominium units. The amenities comprise six pools including resistance and plunge pools, a full-service spa and a state-of-the-art fitness center. The property also contains a multi-level parking garage.

**3 Chisolm Street Homeowners Association** This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction with asphalt shingle and modified bitumen roofs. The unique buildings were originally the Murray Vocational School. The buildings were transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

**Lakes of Pine Run Condominium Association** This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

**Rivertowne on the Wando Homeowners Association** This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes several private docks along the Wando River, a pool and tennis courts for use by its residents.

**Biltmore Estates Homeowners Association** This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

**Bellavista at Miramar Lakes Condominium Association** Located in the residential waterfront resort community of Miramar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve studies and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

**EDUCATION**

West Virginia University - B.S. Civil Engineering

**PROFESSIONAL AFFILIATIONS / DESIGNATIONS**

*Reserve Specialist (RS)* - Community Associations Institute



*Professional Reserves Analyst (PRA) - Association of Professional Reserve Analysts***ALAN M. EBERT, P.E., PRA, RS**

**Director of Quality Assurance**

**CURRENT CLIENT SERVICES**

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

**Brownsville Winter Haven** Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

**Rosemont Condominiums** This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

**Stillwater Homeowners Association** Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

**Birchfield Community Services Association** This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

**Oakridge Manor Condominium Association** Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

**Memorial Lofts Homeowners Association** This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

**PRIOR RELEVANT EXPERIENCE**

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

**EDUCATION**

University of Wisconsin-Madison - B.S. Geological Engineering

**PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

*Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado*

*Reserve Specialist (RS) - Community Associations Institute*

*Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts*



## RESOURCES

Reserve Advisors, Inc. utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

**Association of Construction Inspectors**, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at [www.iami.org](http://www.iami.org). Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

**American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc.**, (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at [www.ashrae.org](http://www.ashrae.org). Reserve Advisors, Inc. actively participates in its local chapter and holds individual memberships.

**Community Associations Institute**, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

**Marshall & Swift / Boeckh**, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at [www.marshallswift.com](http://www.marshallswift.com).

**R.S. Means CostWorks**, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at [www.rsmeans.com](http://www.rsmeans.com).

Reserve Advisors, Inc., library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.



## 7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

**Cash Flow Method** - A method of calculating Reserve Contributions where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

**Component Method** - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

**Current Cost of Replacement** - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials, labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

**Fully Funded Balance** - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

**Funding Goal (Threshold)** - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

**Future Cost of Replacement** - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

**Long-Lived Property Component** - Property component of Pineda Crossing responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

**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.

**Remaining Useful Life** - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

**Reserve Component** - Property elements with: 1) Pineda Crossing responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

**Reserve Component Inventory** - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

**Reserve Contribution** - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

**Reserve Expenditure** - Future Cost of Replacement of a Reserve Component.

**Reserve Fund Status** - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

**Reserve Funding Plan** - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

**Reserve Study** - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

**Useful Life** - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



## 8. PROFESSIONAL SERVICE CONDITIONS

**Our Services** - Reserve Advisors, Inc. (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

**Report** - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

**Your Obligations** - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

**Use of Our Report and Your Name** - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part ***is not and cannot be used as a design specification for design engineering purposes or as an appraisal.*** You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and ***shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA.***

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

**Payment Terms, Due Dates and Interest Charges** - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.