



THE REPLACEMENT RESERVE REPORT

CONDOMINIUMS

FEDERAL
&
STATE
ASSISTED
HOUSING

SPECIAL USE
PROPERTIES

RESORT
PROPERTIES

AN UPDATE, PREPARED FOR

THE PRESERVE OF VERO BEACH HOMEOWNERS ASSOCIATION

LOCATED IN
VERO BEACH, FLORIDA

JUNE 1, 2020



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THE REPLACEMENT RESERVE REPORT

June 1, 2020

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THE PRESERVE OF VERO BEACH HOMEOWNERS ASSOCIATION

Mr. Bert Bolton
Elite Property Management Group, LLC
PO Box 690577
Vero Beach, FL 32969

Dear Mr. Bolton,

Thank you for requesting the *updated* **REPLACEMENT RESERVE REPORT** for **THE PRESERVE OF VERO BEACH**.

The Preserve has good curb appeal and aesthetic attraction.

The cash flow analysis is shown with three presentations; first with no funding from the annual budget, second with the minimum required amount to meet cash expenses, and third describing a fully funded level. At the present time the association is not funding the reserve account. The projected year end balance at 12/31/20 will be \$203,655.49 or less, approximately \$70,000 less than the projections of our last report.

Thank you for the opportunity to prepare this analysis for you; it has been a pleasure to see the property again.

Please do not hesitate to contact me with any questions or comments.

Very truly yours,

Charles J. Stuart

Charles J. Stuart, CPM

THE PRESERVE OF VERO BEACH includes one common interest realty association. A professional managing agent assists the Board of Trustees in its fiduciary responsibilities.

The purpose of this analysis is to define the capital needs and adequate reserve funding for the next 20 years.

MISSION STATEMENT

The scope and purpose of this analysis is to provide financial conclusions that will suggest required funding levels for capital repairs and replacements of the property components and improvements. The analysis does not intend to project an engineering of the property, opinions of utility or inutility, or an opinion of value of divided or undivided interests.

The methodology used is two-fold. First, to perform an analysis regarding current physical conditions; which, through non-invasive observations and our experience in such matters, would indicate the probable remaining life of the property components. Second, the report will suggest the costs associated with capital repair and replacement over the next twenty-year period. As a product of these two functions, the report will also comment on observations made, the level of proficiency in maintaining the physical plant, deferred and preventative maintenance, and any possible life extension of the components.

When interpreting this report, the value of time should be considered. As a twenty-year period is a probable scenario based on our experiences, it is open to influences from many sources such as maintenance levels, economics, inflation of expenses, and the environment in which the property exists. Accordingly, give particular attention to suggested capital expenses during the next five-year period. With scheduled re-evaluation of the report every three to five years, the recommendations will remain a working tool for the benefit of the property.

The observations made during the field inspections of **June 1, 2020** indicated that the level of service to the components is at a proficient level. A capsule of components exhibiting liabilities, obsolescence, or deferred maintenance follows.

LIABILITIES

This report is not intended as a loss or risk assessment, however, it will comment on possible liabilities that may present a financial risk to our client. During our property inspections, we did not encounter any such conditions.

OBSOLESCENCE

Within the text of the physical plant report pages the reader will note areas that indicate either functional or economic obsolescence. All obsolescence should be considered curable.

DEFERRED MAINTENANCE

It is obvious that the property has maintained a responsible degree of maintenance. We did not observe any intentionally deferred maintenance. This report suggests additional levels as an enhancement only.

The subject property has a chronological age of improvements of **17 years**. In our professional opinion, the *effective age* for the improvements, enmasse, is equal at approximately **17 years**.

FUTURE FINANCIAL PROJECTIONS

Our process of projecting future financial needs is presented through two methods;

We see **minimum funding** requirements as meeting anticipated expenses or, dedicating cash in/cash out with inflation and interest income over the projected twenty year period. This funding rate is further identified as either the threshold or baseline rate.

The Preserve's threshold rate is **\$30,000 per year**. The current reserve rate is \$0.00. At this rate, the reserve fund will be totally spent by mid-term of the plan.

Our second method of projecting reserve funding includes long term segregating of each site component. This rate is based on funding attrition of the components as they age, encompassing all components regardless of when actual expenses may occur. This is a fully-funded rate, creating the **maximum funding** level.

The Preserve's projected annual funding to meet a fully funded reserve is **\$40,000 per year with an annual increase of 3%**.

There are no immediate life and safety priority expenses. Capital expenses over the term are estimated at \$708,281. The anticipated reserve account balance for 12/31/2020 is \$203,655; substantially reduced from projections.

All projections are considered dependent on inflation and proficient services during the use of the term. The ideal time to begin the plan is January 1, 2021 although its recommendations and funding can start at any time.

We hope that this report will benefit the owners by providing ample information to make informed decisions.

CAPITAL NEEDS ASSESSMENT - STATEMENT OF WORK

The Statement of Work includes information regarding the qualifications, declarations, and property profile of this capital needs assignment.

QUALIFICATIONS

The Replacement Reserve Report was one of the first assessors in the country to specialize in multifamily housing. Since its inception in 1980, this firm has conducted over 9,000 capital needs assessments for numerous private, State and Federal housing programs in all climates and construction types. The firm and its principals are contributing editors for the RS Means Company, a worldwide construction data and consulting company. Specific criteria regarding individual members can be found on page 24. During the processes of the analysis members draw from decades of experiences; including formal education, training, and licensing when needed.

DECLARATIONS

The Replacement Reserve Report, its owners, employees, contractors, and suppliers certify that they do not have, nor have they ever had, any financial interests in the subject property, or any related properties of the owners.

The Replacement Reserve Report states that it is not, nor has ever been, debarred or suspended from participating in any State or Federally assisted program.

Charles J. Stuart June 1, 2020
By Charles Stuart, CPM for The Replacement Reserve Report

ACKNOWLEDGEMENTS

The Replacement Reserve Report has been prepared by Charles Stuart, CPM and assisted by members of the firm's staff. Mr. Stuart received timely information from the managing agent. All sources were very cooperative and helpful.



PROPERTY PROFILE & GENERAL CONDITIONS

The property is known as **The Preserve of Vero Beach Homeowners Association**, being represented by Elite Property Management Group, Inc. on behalf of the Board of Trustees. The site was originally built for use as a homeowner association. The association of homeowners assumed management in 2002.

Aesthetic value and curb appeal are constantly addressed by management. Physical replacements and enhancements have been reasonable and proficiently accomplished. There is a history of utilizing professional contractors when needed. Unusual attrition is not observed, with conditions very typical of comparable properties throughout the region.

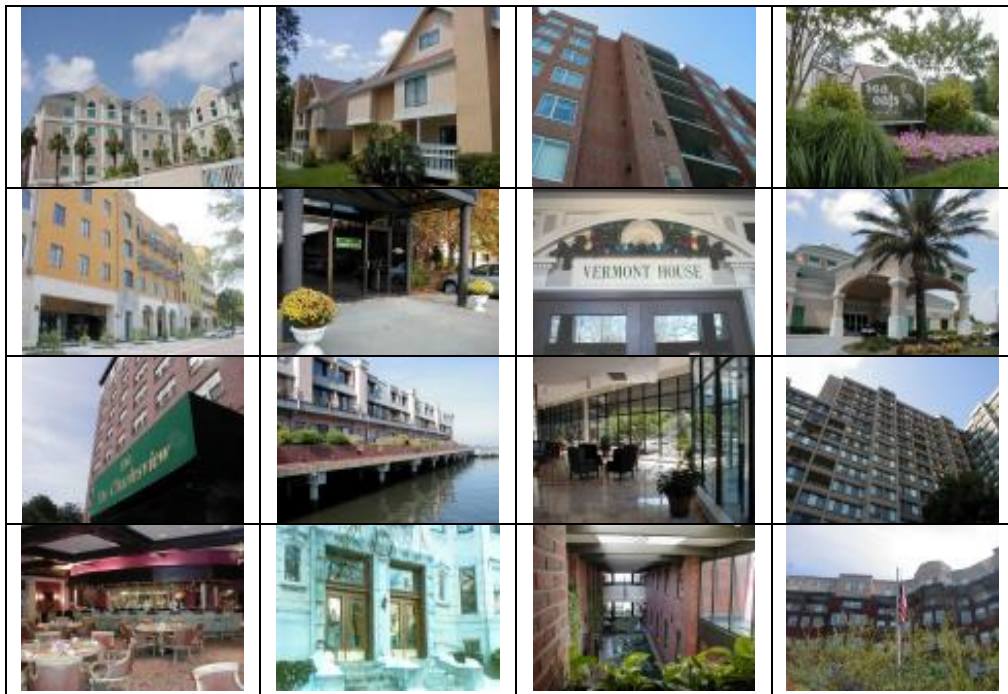
During the process of random selection, the assessor did not encounter or observe potential or existing hazards, including issues of 21E, soil contamination, fluid spills, mold spores, asbestos, sink holes, and other detrimental conditions. There are no indications that would suggest hazardous conditions either exist now or are likely to exist in the future. Prudent management periodically tests and proves for these conditions. There are no indications that invasive or detailed testing is required, although all properties should maintain regular assessments of some functions; including energy audits. The reader should be aware that our process of observation is based on random selection that will not reveal all conditions,

Replacement components generally include like-kind products; however, the report will prudently increase the level of service when technology, obsolescence, safety and security, or increasing esthetic values warrant enhancing or protecting the viability, longevity, and income stream of the property. It is expected that adjustments will be necessary over the term of the plan to address such issues.

Pricing replacements and enhancements is generally market driven with local knowledge. Inflation of expenses is included with current known trends. Pricing is also examined against published regional statistics and the association's experiences with retrofit costs.



The Physical Plant Report



HOW TO INTERPRET THIS DATA

THE OBJECTIVE: Each of the property components receives examination until prevailing conditions are revealed. The analysis creates an opinion of “*Effective Age*” and probable remaining use life. Effective Age is determined by original product quality, maintenance and preventative maintenance (or lack thereof) received during the use period. The rate of wear and tear also impacts projections of remaining use life. The capsule continues with a checklist of conditions that may be of particular interest to the reader.

Here is a sample:

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ASPHALT	25	15	10	15
ROOFING	20	15	17	6

SUMMARY

DEFERRED MAINTENANCE:

Conditions described planned or unintentional deferment of services. The accumulation of loss and rate of wear may be described

OBSOLESCENCE:

Economic obsolescence is used to describe worn out components. Functional obsolescence describes out-dated components or inutility.

USE LIFE EXTENSION:

Functions suggested extending component use life. Levels of service may be described.

COMMENTS OBSERVATIONS PREVENTATIVE MAINTENANCE

Describes conditions observed, component specifications and inventory, and eventual timing and cost associated with replacement. The rate of attrition is described and predicted in \$ dollars.

Each component receives a narrative of critical analysis, and a description of how funding and expenses are predicted and then recapped in the following format. This information is incorporated into the cash flow charts.

INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT VALUE	TOTAL VALUE	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR (S)
ASPHALT	2300	LS	\$5.50	\$12,650	19	\$666 per year	\$12,650 year 20
TILE	100	SF	\$40.00	\$4,000	10	\$400 years 1-10	\$4,000 year 11

TWO TYPES OF FUNDING, AND THE CASH FLOW CHARTS:

Segregated Funding is the long-term reserve rate for each component over its useful life. Funding is established to coincide with attrition. The collective sum of all components’ segregated reserve builds the “maximum” funding level.

Dedicated or Actual Expense describes the use of existing or future funds for a planned expense. The collective sum of cash in / cash out builds the “minimum” suggested level of funding.

The Funding Methods The "Pooling Method" is the preferred process to lower the impact of annual funding. While a "Straight-life" method may also be included for reports to common interest properties, it is not a suggested process.

In both scenarios, the cash flow charts include current reserve balances, the impact of the current reserve rate, and a suggested rate to meet both levels of funding.

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
GROUNDS SITE DRAINAGE	100	17	17	20+
	50	17	17	20+

SUMMARY

**DEFERRED MAINTENANCE:
OBSOLESCENCE:
LIFE EXTENSION:
ALTERNATIVES:**

Excellent care is observed throughout the common areas. Deferred maintenance continues within tree trimming. Bank soil erosion is observed; pumps and controls are cyclic replacement items. Clean storm basins as part of the operating budget, increase repairs to include concrete transitions. None suggested; the site is maturing nicely with a healthy appearance and almost no indication of attrition.

**COMMENTS
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS:**

The site has very good curb appeal and aesthetic value. The narrative needs to include again the need to control growth with trimming and pruning, especially in all hard wood species. The existing need exceeds \$10,000 in value, increasing the funding level to \$1,000 each year; expenses are shown in years 1, 6, 11, and 16 at \$5,000 each cycle. An aggressive program of size reduction will aid several components that experience building striking injury, excessive shade, etc. Increase the operating budget to assist with trimming expenses should the funding level require a greater amount.

Components of the surface water system have aged well over the use term. The operating budget should address basin cleaning, removing the build-up of silt before draining to the detention ponds. Silt-laden basins are capable of settlement. The ponds have received a substantial amount of silt from basins and from bank soil erosion. The swaled grades of all ponds have diminished over the term. The operating budget has addressed expenses as needed during the term. The annual reserve rate is reduced to \$500 for components replaced every 5 years at \$2,500 each cycle.

PROPERTY PHOTOS

2020



2015

INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
GROUNDS SITE DRAINAGE	1	L/S	\$20,000	\$20,000	1+	\$1,000 per year	\$1,000 yrs 1-20
	1	L/S	\$20,000	\$20,000	1+	\$1,000 per year	\$5,000 yrs 5, 10, 15, 20

LIFE SPAN

IRRIGATION
GATES & OPERATORS

ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
30	17	17	10
1-5/15	1-5/7	1-5/7	1-5/1

SUMMARY

DEFERRED MAINTENANCE:
OBSOLESCENCE:
LIFE EXTENSION:
ALTERNATIVES:

None; services have been provided as needed.
Expect cyclic obsolescence throughout the components; gates are currently approaching obsolescence.
Continue the current level of services.
Seek a design that may be less prone to striking injury when open.

COMMENTS
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS:

The association has renewed and maintained the irrigation system through the operating budget. The annual reserve rate is reduced to \$500 each year for partial replacement costs.

The gates and operators have received proficient services during the term. Gates have incurred striking injury; operators have received sporadic repairs and replacements.
Management has addressed the wear and tear of gates and operators with replacements performed.

The funding rate continues for inflation and modernization, to \$1,000 each year with expenses of \$5,000 in years 5, 10, 15, and 20.

PROPERTY PHOTOS

2020



2015



INVENTORY & COST ANALYSIS

IRRIGATION
GATES & OPERATORS

QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
1	L/S	\$10,000	\$10,000	5+	\$500 per year	\$2,500 yrs 5, 10, 15, 20
1	L/S	\$20,000	\$20,000	5+	\$1,000 per year	\$5,000 yrs 5, 10, 15, 20

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ASPHALT SURFACES	25	17	17	7
CONCRETE SURFACES	50	17	17	20+

SUMMARY

DEFERRED MAINTENANCE:
OBSOLESCENCE:
LIFE EXTENSION:
ALTERNATIVES:

Intentionally deferred conditions are not observed. Issues of cracks and breaks are sporadic and limited. All surfaces require protective coatings, overlay, patching. More aggressive applications of coatings and sealants are suggested.

COMMENTS
OBSERVATIONS
PREVENTATIVE MAINTENANCE & SUGGESTIONS:

The asphalt inventory beyond half-life with good conditions prevailing. The bitumen color, shrinkage at the seam and gutter transition, indicates a need to coat and fill the wear locations. While in good condition, the exposures are capable of deteriorating quickly. The association should attempt to add as much tar/sand product as possible to the roads when choosing a preventative method.

Reconditioning is an acceptable method as an operating expense, and one of the few choices available in the local market. Seal coating with a latex product is not suggested. It is very doubtful that the roads can remain as is until the wearing course enhancement in year 8 without incurring losses. The original use life of 25 years is based on reasonable life extending services. The inventory of 149,480 square feet remains unchanged. However, renewal costs have increased 50% to \$3.00 per square foot. The previous prediction included expense for an overlay wearing course. The value of total renewal is \$448,440; phased in 4 applications in years 5, 10, 15, & 20. Costs are shown at \$112,110 each cycle. The reserve rate is based on 25-year typical use life, at \$17,938 each year.

The loss within concrete components continues to be sporadic and minor in scope. The previous rate reserved \$1,500 each year for eventual replacement of gutter trays in later years. The reserve rate remains valid; operating services should increase epoxy repairs of broken concrete. The access driveway to the lift station was expertly installed and in excellent condition. Consider a concrete sealer-hardener for this and all concrete surfaces.

PROPERTY PHOTOS

2020



2015



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
ASPHALT SURFACES	149,480	SF	\$3.00	\$448,440	5+	\$17,938 per year	\$112,110 yrs 5, 10, 15, 20
CONCRETE SURFACES	1	L/S	\$30,000	\$30,000	20	\$1,500 per year	\$0.00

**PHYSICAL PLANT REPORT
SITE IMPROVEMENTS IV**

LIFE SPAN

SECURITY SYSTEMS
MONUMENT WALLS

ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
7	1-6	1-6	0-5
5/50	1-5/17	1-5/17	1-5/20+

SUMMARY

DEFERRED MAINTENANCE:
OBSOLESCENCE:
LIFE EXTENSION:
ALTERNATIVES:

None observed; services are performed as needed.
Expect obsolescence within the electronic components.
Management services the inventory with qualified contractors.
Continue to modernize as new technology becomes available.

COMMENTS
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS:

The inventory of cameras and telephone-based intercoms are functional although exhibiting wear and tear from the elements. Renewal and enhancements appear from improvements during the use term.

Replacement value is increased to \$7,500 with a 5-year cycle; starting in year 1, repeating in years 6, 11, and 16. The annual reserve rate is \$1,500 per year.

The monument walls are in excellent condition with no indication of accelerated wear or failure. Maintain the stucco film coat as an operating expense.

The line item is incorporated into the Contingency section of the report.

PROPERTY PHOTOS

2020



2015



INVENTORY & COST ANALYSIS

SECURITY SYSTEMS
MONUMENT WALLS

QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
1	L/S	\$30,000	\$30,000	1+	\$1,500 per year	\$7,500 yrs 5, 10, 15, 20
-	-	-	-	-	0.00	0.00

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
SITE MISCELLANEOUS	20	17	17	3+

SUMMARY

DEFERRED MAINTENANCE: None; services are performed as needed.
OBSOLESCENCE: Cyclic obsolescence is expected throughout the inventory.
LIFE EXTENSION: Continue the current level of services.
ALTERNATIVES: Consider modern replacements of high impact plastic for signs, instructions.

COMMENTS The previous report included replacement of the paver brick surfaces in the out years.
OBSERVATIONS Replacement value is \$25,000; reserved over 20 years at \$1,250 each year.
PREVENTATIVE MAINTENANCE & SUGGESTIONS: The expense is shown in year 20. The operating budget addresses all needs during the term.
 Previous items small in scope are left to the operating accounts.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
SITE MISCELLANEOUS	1	L/S	\$25,000	\$25,000	20	\$1,250 per year	\$25,000 year 20

This section of the report describes the basis for establishing a funding level for unknown conditions. Typically, these items would include components of the improvements that are unavailable for inspection and evaluation of condition. It is not based on a percentage or other factor that forms a simple cushion.

The WATER SUPPLY LINES, PLUMBING, and SANITARY FACILITIES, CHASES, DRAINS, ELECTRICAL SUPPLY, CONDUITS, ETC., have a history free of failure and can be expected to attain a normal life span well in excess of an additional 20 years. During the term of this plan these components may achieve the age typically associated with problematic conditions. The degree of failure and service can only be determined over time. The initial funding rate is suggested at **\$1,450.00 per year**.

Management should consider any possible needs associated with the perimeter buffer. While examining the buffer, special attention should be made to recognize easements and encroachments; at **\$50.00 per year** continues.

TOTAL RECOMMENDED FUNDING: \$1,500.00 PER YEAR.

Although this amount may be arbitrary in scope, it creates funding that can be adjusted in future updates after the performance history is reviewed.



**Cash Flow Analysis for The Preserve of Vero Beach - Update 2020
June 1, 2020**

SEGREGATED FUNDING PRIOR TO APPLICATION OF EXISTING RESERVE ACCOUNT BALANCES

COMPONENT	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Grounds	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Site Drainage	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Irrigation	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Gates & Operators	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Asphalt Surfaces	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938	17,938
Concrete Surfaces	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Security Systems	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Site Misc.	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Contingency	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Reserve	27,188	27,732	28,276	28,819	29,363	29,907	30,451	30,994	31,538	32,082	32,626	33,169	33,713	34,257	34,801	35,344	35,888	36,432	36,976	37,519
Cash Expense	1,000	1,020	1,040	1,060	143,759	1,100	1,120	1,140	1,160	157,070	1,200	1,220	1,240	1,260	170,381	1,300	1,320	1,340	1,360	218,192
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040



Cash Flow Analysis for The Preserve of Vero Beach - Update 2020

June 1, 2020

THE CURRENT LEVEL OF FUNDING IS SHOWN vs. A FULLY FUNDED RESERVE

Year	Cash Balance Forwarded	Current Annual Funding	Actual Cash Expense	Cash Shortfall	Cash Balance with 1% interest	Reserve Required	Coverage Shortfall
2021	\$203,655	\$0	\$1,000	\$0	\$204,682	\$27,188	\$0
2022	\$204,682	\$0	\$1,020	\$0	\$205,698	\$54,920	\$0
2023	\$205,698	\$0	\$1,040	\$0	\$206,705	\$83,195	\$0
2024	\$206,705	\$0	\$1,060	\$0	\$207,701	\$112,015	\$0
2025	\$207,701	\$0	\$143,759	\$0	\$64,582	\$141,378	(\$76,796)
2026	\$64,582	\$0	\$1,100	\$0	\$64,117	\$171,284	(\$107,168)
2027	\$64,117	\$0	\$1,120	\$0	\$63,627	\$201,735	(\$138,108)
2028	\$63,627	\$0	\$1,140	\$0	\$63,111	\$232,729	(\$169,618)
2029	\$63,111	\$0	\$1,160	\$0	\$62,571	\$264,267	(\$201,696)
2030	\$62,571	\$0	\$157,070	(\$94,499)	(\$94,499)	\$296,349	(\$390,848)
2031	(\$94,499)	\$0	\$1,200	(\$95,699)	(\$95,699)	\$328,975	(\$424,674)
2032	(\$95,699)	\$0	\$1,220	(\$96,919)	(\$96,919)	\$362,144	(\$459,063)
2033	(\$96,919)	\$0	\$1,240	(\$98,159)	(\$98,159)	\$395,857	(\$494,016)
2034	(\$98,159)	\$0	\$1,260	(\$99,419)	(\$99,419)	\$430,114	(\$529,533)
2035	(\$99,419)	\$0	\$170,381	(\$269,800)	(\$269,800)	\$464,915	(\$734,714)
2036	(\$269,800)	\$0	\$1,300	(\$271,100)	(\$271,100)	\$500,259	(\$771,359)
2037	(\$271,100)	\$0	\$1,320	(\$272,420)	(\$272,420)	\$536,147	(\$808,567)
2038	(\$272,420)	\$0	\$1,340	(\$273,760)	(\$273,760)	\$572,579	(\$846,339)
2039	(\$273,760)	\$0	\$1,360	(\$275,120)	(\$275,120)	\$609,555	(\$884,675)
2040	(\$275,120)	\$0	\$218,192	(\$493,311)	(\$493,311)	\$647,074	(\$1,140,386)
CYCLE END TOTALS:		\$0	\$708,281				

Net interest is compounded at 1% per year. Inflation is compounded at 2% each year for both expenses and the attrition rate. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.



Cash Flow Analysis for The Preserve of Vero Beach - Update 2020

June 1, 2020

THE SUGGESTED LEVEL OF FUNDING IS SHOWN vs. A FULLY FUNDED RESERVE

Year	Cash Balance Forwarded	Annual Funding		Cash Expense	Cash Shortfall	Cash Balance with 1% interest	Reserve Required	Coverage Shortfall
			%					
2021	\$203,655	\$40,000		\$1,000	\$0	\$245,082	\$27,188	\$0
2022	\$245,082	\$41,200	3%	\$1,020	\$0	\$288,114	\$54,920	\$0
2023	\$288,114	\$42,436	3%	\$1,040	\$0	\$332,805	\$83,195	\$0
2024	\$332,805	\$43,709	3%	\$1,060	\$0	\$379,209	\$112,015	\$0
2025	\$379,209	\$45,020	3%	\$143,759	\$0	\$283,275	\$141,378	\$0
2026	\$283,275	\$46,371	3%	\$1,100	\$0	\$331,832	\$171,284	\$0
2027	\$331,832	\$47,762	3%	\$1,120	\$0	\$382,258	\$201,735	\$0
2028	\$382,258	\$49,195	3%	\$1,140	\$0	\$434,616	\$232,729	\$0
2029	\$434,616	\$50,671	3%	\$1,160	\$0	\$488,969	\$264,267	\$0
2030	\$488,969	\$52,191	3%	\$157,070	\$0	\$387,931	\$296,349	\$0
2031	\$387,931	\$53,757	3%	\$1,200	\$0	\$444,892	\$328,975	\$0
2032	\$444,892	\$55,369	3%	\$1,220	\$0	\$504,032	\$362,144	\$0
2033	\$504,032	\$57,030	3%	\$1,240	\$0	\$565,421	\$395,857	\$0
2034	\$565,421	\$58,741	3%	\$1,260	\$0	\$629,131	\$430,114	\$0
2035	\$629,131	\$60,504	3%	\$170,381	\$0	\$524,446	\$464,915	\$0
2036	\$524,446	\$62,319	3%	\$1,300	\$0	\$591,320	\$500,259	\$0
2037	\$591,320	\$64,188	3%	\$1,320	\$0	\$660,730	\$536,147	\$0
2038	\$660,730	\$66,114	3%	\$1,340	\$0	\$732,759	\$572,579	\$0
2039	\$732,759	\$68,097	3%	\$1,360	\$0	\$807,491	\$609,555	\$0
2040	\$807,491	\$70,140	3%	\$218,192	\$0	\$666,034	\$647,074	\$0
CYCLE END TOTALS:		\$1,074,815		\$708,281				

Net interest is compounded at 1% per year. Inflation is compounded at 2% each year for both expenses and attrition. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular up-dates.



Cash Flow Analysis for The Preserve of Vero Beach - Update 2020
June 1, 2020

DEDICATED EXPENSES PRIOR TO APPLICATION OF EXISTING RESERVE ACCOUNT BALANCES

COMPONENT	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Grounds	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Site Drainage	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000
Irrigation	0	0	0	0	2,500	0	0	0	0	2,500	0	0	0	0	2,500	0	0	0	0	2,500
Gates & Operators	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000
Asphalt Surfaces	0	0	0	0	112,110	0	0	0	0	112,110	0	0	0	0	112,110	0	0	0	0	112,110
Concrete Surfaces	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Security Systems	0	0	0	0	7,500	0	0	0	0	7,500	0	0	0	0	7,500	0	0	0	0	7,500
Site Misc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25,000
Contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Expense	1,000	1,000	1,000	1,000	133,110	1,000	1,000	1,000	1,000	133,110	1,000	1,000	1,000	1,000	133,110	1,000	1,000	1,000	1,000	158,110
Inflated Cash Expense 2%	1,000	1,020	1,040	1,060	143,759	1,100	1,120	1,140	1,160	157,070	1,200	1,220	1,240	1,260	170,381	1,300	1,320	1,340	1,360	218,192
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040



Cash Flow Analysis for The Preserve of Vero Beach - Update 2020
June 1, 2020
THE CURRENT LEVEL OF FUNDING IS SHOWN vs. TIMING OF DEDICATED EXPENSES

Year	Cash Balance Forwarded	Annual Funding	Actual Cash Expense	Cash Shortfall	Cash Balance with 1% interest
2021	\$203,655	\$0	\$1,000	\$0	\$204,682
2022	\$204,682	\$0	\$1,020	\$0	\$205,698
2023	\$205,698	\$0	\$1,040	\$0	\$206,705
2024	\$206,705	\$0	\$1,060	\$0	\$207,701
2025	\$207,701	\$0	\$143,759	\$0	\$64,582
2026	\$64,582	\$0	\$1,100	\$0	\$64,117
2027	\$64,117	\$0	\$1,120	\$0	\$63,627
2028	\$63,627	\$0	\$1,140	\$0	\$63,111
2029	\$63,111	\$0	\$1,160	\$0	\$62,571
2030	\$62,571	\$0	\$157,070	(\$94,499)	(\$94,499)
2031	(\$94,499)	\$0	\$1,200	(\$95,699)	(\$95,699)
2032	(\$95,699)	\$0	\$1,220	(\$96,919)	(\$96,919)
2033	(\$96,919)	\$0	\$1,240	(\$98,159)	(\$98,159)
2034	(\$98,159)	\$0	\$1,260	(\$99,419)	(\$99,419)
2035	(\$99,419)	\$0	\$170,381	(\$269,800)	(\$269,800)
2036	(\$269,800)	\$0	\$1,300	(\$271,100)	(\$271,100)
2037	(\$271,100)	\$0	\$1,320	(\$272,420)	(\$272,420)
2038	(\$272,420)	\$0	\$1,340	(\$273,760)	(\$273,760)
2039	(\$273,760)	\$0	\$1,360	(\$275,120)	(\$275,120)
2040	(\$275,120)	\$0	\$218,192	(\$493,311)	(\$493,311)
CYCLE END TOTALS:		\$0	\$708,281		

Net interest is compounded at 1% per year. Inflation is compounded at 2% each year for both expenses and attrition. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.



Cash Flow Analysis for The Preserve of Vero Beach - Update 2020

June 1, 2020

SUGGESTED MINIMUM FUNDING LEVEL TO MEET DEDICATED EXPENSES

Year	Cash Balance Forwarded	Annual Funding (3% compound fund)	Actual Cash Expense	Cash Shortfall	Cash Balance with 1% interest		
2021	\$203,655	\$30,000	\$1,000	\$0	\$234,982		
2022	\$234,982	\$30,900	\$1,020	\$0	\$267,510		
2023	\$267,510	\$31,827	\$1,040	\$0	\$301,280		
2024	\$301,280	\$32,782	\$1,060	\$0	\$336,332		
2025	\$336,332	\$33,765	\$143,759	\$0	\$228,602		
2026	\$228,602	\$34,778	\$1,100	\$0	\$264,903		
2027	\$264,903	\$35,822	\$1,120	\$0	\$302,600		
2028	\$302,600	\$36,896	\$1,140	\$0	\$341,740		
2029	\$341,740	\$38,003	\$1,160	\$0	\$382,369		
2030	\$382,369	\$39,143	\$157,070	\$0	\$267,087		
2031	\$267,087	\$40,317	\$1,200	\$0	\$309,267		
2032	\$309,267	\$41,527	\$1,220	\$0	\$353,069		
2033	\$353,069	\$42,773	\$1,240	\$0	\$398,548		
2034	\$398,548	\$44,056	\$1,260	\$0	\$445,758		
2035	\$445,758	\$45,378	\$170,381	\$0	\$323,962		
2036	\$323,962	\$46,739	\$1,300	\$0	\$373,095		
2037	\$373,095	\$48,141	\$1,320	\$0	\$424,115		
2038	\$424,115	\$49,585	\$1,340	\$0	\$477,084		
2039	\$477,084	\$51,073	\$1,360	\$0	\$532,065		
2040	\$532,065	\$52,605	\$218,192	\$0	\$370,144		
CYCLE END TOTALS:		\$806,111	\$708,281	\$0			

Net interest is compounded at 1% per year. Inflation is compounded at 2% each year for both expenses and attrition. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.

OPERATING POLICIES AND PROCEDURES

The property has benefited from the services of management that is aware of proficient practices and policies. The site has good curb appeal and image. Overall attention to detail is good, especially at maintenance and service levels.

UNUSUAL CONDITIONS AND EVENTS

The association suspended funding according to the annual budget received. The projected year end balance is approximately \$70,000 lower than previously projected.

Management should consider a market analysis of comparable and competing area associations. Seek out the trends in the market; examine modernization methods and the results in aesthetics. Utilize a best of type built up method that weighs dollar value.

The products and methods of the planned enhancement should be high quality, allowing for long term use.

PREVENTATIVE MAINTENANCE AND LIFE EXTENSION

Management has a service request system that records maintenance to all common and limited common elements.

OPERATING BUDGET ANALYSIS

As a client of **THE REPLACEMENT RESERVE REPORT**, the agent or owner will receive annual information for a custom analysis by the Experience Exchange Division of the Institute of Real Estate Management. The service is free and confidential.

HISTORICAL OPERATIONS

The history of the property is fairly straightforward with no remarkable uses that would present a risk.

LOSS & RISK HISTORY

No history was available.

MAXIMUM INCOME POTENTIAL

We did not conduct an analysis; income is apparently sufficient to support debt and reserves. We strongly suggest that the association conduct a formal market analysis; via best of type, built up pricing method of area comparable projects.

SUGGESTIONS FOR IMMEDIATE ATTENTION

1. Immediately address all liability issues noted in this report. Obtain an opinion from your legal counsel. Provide your attorney with a copy of this report.
2. Forward a copy of this report to your accounting professionals.
3. We suggest the following procedure:
 - a. Utilize a tracking system for failure and service levels required by the components identified in this report.
 - b. Increase awareness of possible liabilities such as toeholds, railings, etc. that exist within the common areas.
 - c. Increase the scope of line items in your operating budget to coincide with the identified titles/inventory in this report. It is important to track all expenses, of a capital and operating allocation, between up-dates and reviews.
4. The trustees may elect to use all, some, or none of our suggestions and predicted scenarios.
5. Encourage formal subcommittees to the board of trustees such as buildings and grounds, social, etc. It is important to create spirit community spirit and interest in the property. Start a newsletter for business and community news.
6. If you have not already done so, consider membership in **COMMUNITY ASSOCIATIONS INSTITUTE (CAI)**. CAI is a non-profit foundation for the protection and advancement of condominium associations.
7. Devise a strategy with your **CPA** to protect reserve funds. Do not keep your funds in a single account; be aware of **FDIC** insurance for protection of the accounts. Require two signatures on all instruments for the reserve accounts.

LIMITATIONS OF THE REPORT

During our investigation and observations, we encountered the following conditions that limited our presentation or resulted in assumptions:

1. No invasive testing was performed on any component.
2. Property perimeters were not observed for accuracy.
3. An engineering of the property has not been conducted.

THE REPLACEMENT RESERVE REPORT is not intended to give advice of a legal nature, and, accordingly, should not be used as such advice. An engineering of the property has not been performed, and no assessment of code compliance, any form of 21E, asbestos, or lead paint conditions offered. This **REPORT** does not warrant expressing an opinion of utility or inutility.

Many of the observations made in the **REPORT** are a result of random sampling of property components. This process would not allow for discovery of all potential defects or hazards associated with the physical plant. The report should not be used for the purpose of loss prevention or risk assessment.

Much of the information made available to the author is a result of personnel interviews, such as with managing agents, maintenance personnel, contractors, etc. While these sources are deemed reliable, they cannot be guaranteed authoritative.

The financial projections are supported for only the time frame in which they were compiled. Use of this information cannot be supported beyond that period, which would require regular review and amendments to the **REPORT**.

This information is intended for the sole use of **THE PRESERVE OF VERO BEACH**, its owners, managers, trade professionals, and others with a bonafide interest in the property. Use by any other entity is prohibited. All rights reserved under copyright laws of the United States (**RRR2020**).

Any single error within the text of the report does not void the entire report finding. Possession of the report does not necessarily constitute ownership.

QUALIFICATIONS OF THE ANALYST

THE REPLACEMENT RESERVE REPORT has been prepared for numerous government-assisted housing complexes, condominium associations, developers, institutions, and other facilities throughout New England since 1984. In the spring of 1993, we opened our Cape Canaveral office to serve North and South Carolina, Georgia and Florida. In 1996, our Virginia Beach branch opened to serve the mid-Atlantic region.

CHARLES J. STUART, CPM is the **REPORT'S** author and founder. A Certified Property Manager of the Institute of Real Estate Management, Mr. Stuart has over thirty years of industry experience and is an author and speaker regarding the subject of capital planning and replacement reserves for the Community Associations Institute (CAI). Mr. Stuart is also a past course instructor of ten years for the Institute of Real Estate Management (IREM), and a contributing editor and author for the RS Means Company, a worldwide construction consulting and estimating company. Two books are currently available, "*Facilities Maintenance and Repair Cost Data*", now in its 7th printing, and "*Costs Planning & Estimating for Facilities Maintenance*".

VINCENT L. STELLA, AIA, NCARB is a Registered Architect in Connecticut and Rhode Island with National Accreditation. Principally involved with projects of varied scope and character with values ranging from \$50,000 to \$50,000,000 for private industry, commercial, residential, and recreational uses. Extensive experience conducting inspections and assessments for HUD, CHFA, and numerous State Housing Finance Agencies.

DUKE MOORE, AIA, LEED-AP is a licensed Architect in the states of Connecticut, Massachusetts, and New York. Mr. Moore has extensive experience in historic preservation and commercial property inspection. The LEED-AP designation from Green Building Certification Institute signifies advanced knowledge in green building practices with the ability to bring our clients through the LEED rating system.

STEPHEN SALA, CIVIL ENGINEER brings twenty years of diverse experience, in the design and construction areas of engineering, from projects that span both domestic and international markets. Mr. Sala has been involved with projects varying in value from five to two million dollars. An author on the subject of construction management, Mr. Sala is also regarded as a specialist in "expert testimony" on this subject.

RAYLENE HULS-STRICKLER COE - ATTORNEY. Ms. Coe worked for the Department of Business and Professional Regulation's Division of Land Sales Condominiums and Mobile Homes and has extensive experience with condominium and community association law. Ms. Coe graduated from Florida State University's College of Law in 2001 after graduating from the University of Central Florida in 1998. In the early 90's, Ms. Coe (as Mrs. Bill Strickler) was involved in the reform of property rights and community association law.

Our staff also includes experienced personnel that conduct measurements and inventory of the physical plants, and an administrative team that is experienced with AutoCad and architectural costs software systems.

It is assumed that the property known as **THE PRESERVE OF VERO BEACH** is in compliance with all federal, state, and local laws, codes, regulations, and statutes.

THE REPLACEMENT RESERVE REPORT or its authors are not responsible for defects known or unknown, and reject all liability for such defects, known, or unknown, which may effect or cause harm or damage to the association or its residents.

All subsequent reviews and amendments to this **REPORT** are an expense beyond the invoice associated with this **REPORT**. **THE REPLACEMENT RESERVE REPORT** is not responsible to perform future reviews and amendments.

Any adjustments, changes, alterations, additions or deletions to this **REPORT** by anyone other than the author voids the entire report. Possession of this report does not constitute authorized ownership.

Competent management of the entity is assumed.

All values and projections are open to influences from the economy, the environment, the level of service, and the degree of actual wear and tear through use. Accordingly, all opinions expressed are subject to change.

APPENDIX

ADDITIONAL PROPERTY PHOTOS

GLOSSARY OF TERMS

SAMPLE ANNUAL OPERATING CALENDAR

RELATIVE MATERIALS RECEIVED

APPENDIX MATERIAL
ADDITIONAL PHOTOGRAPHS



NOTES:

APPENDIX MATERIAL
ADDITIONAL PHOTOGRAPHS



NOTES:

Glossary of Terms

Cash Flow Method: A method of developing a reserve funding plan 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 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, a review of established association precedents, and discussion with appropriate association representative(s).

Component Method: A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for individual components. See “cash-flow method.”

Condition Assessment: The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost: See “replacement cost.”

Deficit: An actual or projected reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age: The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly used primarily in computations.

Financial Analysis: The portion of a reserve study where the current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expense over time is presented. The financial analysis is one of the two parts of a reserve study.

Component Full Funding: When the actual or projected cumulative reserve balance for all components is equal to the fully funded balance.

Accrued Fund Balance (AFB): The total accrued depreciation. It’s an indicator against which the actual or projected reserve balance can be compared to identify the direct proportion of the “used up” life of the current repair or replacement cost. This number is calculated for each component, and then summed together for an association total. The following formula can be utilized. $AFB = \text{Current Cost} \times \text{Effective Age/Useful Life}$

Fund Status: The status of the reserve fund as compared to an established benchmark such as percent funding.

Funding Goals: Independent of methodology utilized, the following represent the basic categories of funding plan goals:

- **Baseline Funding:** Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- **Component Full Funding:** Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum amount of reserves of component required by local statutes.
- **Threshold Funding:** Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold, this may be more or less conservative than component full funding.

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

Funding Principles:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates: The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

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 accrued fund balance, expressed as a percentage.

Physical Analysis: The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

Remaining Useful Life (RUL): Also referred to as remaining life (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” remaining useful life.

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.

Reserve Balance: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves. Based upon information provided and not audited.

Reserve Component: The 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 the association responsibility, have limited useful life expectancies, have predictable remaining useful life expectancies, are above a minimum threshold cost, and are as required by local codes.

Reserve Provider: An individual that prepares reserve studies.

Special Assessment: An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Surplus: An actual or projected reserve balance greater than the fully funded balance.

Useful Life (UL): Total useful life or depreciable life is the estimated number of years that a reserve component can be expected to serve its intended function if it is properly constructed in its present application and/or installation.