Capital Reserve Replacement Fund Analysis
for
Seagrape Condominium Association, Inc.
Delray Beach, FL

September 16, 2024

Falcon Project 24-0204

Benjamin Louden E.I.T. / David Riddle PE

5651 Corporate Way #4, West Palm Beach, FL 33407
(561) 290-0504 www.thefalcongroup.us

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Please observe that this document consists of three sections which are independently page numbered; the Narrative Report (whose page numbers have an “N” prefix), the Calculation Tables (whose page numbers have a “C” prefix), and the Appendix (whose page numbers have an “A” prefix).

Executive Summary

The function of a capital reserve study is to inform and advise the community association as to the likely capital expenditures for replacement and repair common elements over the time frame considered by the study and the annual contribution levels to avoid the risk of special assessments or take out a loan to support the predicted capital expenditures.

There are 5 component line items in the Reserve Schedule (pages C-3 and C4) with an estimated replacement cost of $116,000 (page C-1). The analysis has been prepared to assist the association with forming a budget for the next fiscal year, and so is meant to reflect the physical conditions and initial fund balance ($0). The **'Line Funding'** method results in an initial annual funding requirement of **$13,623.** The '**0% Threshold/ Baseline Funding**' method, a cash flow analysis-based calculation with no cushion for unexpected expenditures, requires an initial annual funding requirement of **$13,088**. Lastly, the '**5% Threshold Funding'** is also a cash flow analysis-based calculation but includes a 5% contingency for unforeseen expenditures. This method calculation results in an initial annual funding requirement of **$13,537.**

The Falcon Group recommends that the association fund their capital reserve fund to at least the 5% Threshold (Cash Flow) Method level which is $13,537 per year. The capital reserve study should be updated every 2 to 3 years to adjust for actual fund balances, aging, pricing, and to reflect any major capital projects that have been completed.

As mentioned above, the capital reserve study has been prepared for the association using two methodologies for funding. The first methodology is "Line Funding." This methodology (also known as the "straight line" method) takes the estimated budget for repair or replacement of each line item and subtracts available funds that are existing for that item. The result from subtraction is the "unfunded balance." The line funding methodology takes this "unfunded balance" and divides it by the number of remaining years of useful life. The resulting dollar figure is what is required for yearly funding for the line item. The funding balance required for each line item is added and this is the figure that is used for yearly contribution from the association.

The second methodology used for funding is threshold funding. Threshold funding, also known as "pooled funding" or "cash flow funding", aims to provide balances for the association to maintain that are not less than required to address items as their useful life ends over a 30-year period. Threshold funding pulls funds from a "pool" instead of funding each line item separately. This "pooled" method usually results in smaller annual contributions than the line funding methodology as it eliminates the possible scenario where potentially significant funds exist in the reserve account, but they may be unusable for the particular component requiring funding. 5% threshold funding allows for a 5% cushion for any unforeseen items or inspections that may arise. It is recommended that the association use the figure for 5% threshold funding in this report.

Community Description

The association consists of one (1) 3-story residential buildings with a total of seventy two (72) residential units. The association is responsible for exterior building components and common interior components. Parking is provided by an on site parking lot.

Capital Reserve Replacement Analysis Overview

The function of a Capital Reserve Replacement Analysis is to inform and advise the Community Association as to the likely capital expenditures for replacement of common elements over the time frame considered by the analysis and the annual contribution levels to the Capital Reserve Replacement Fund calculated as being sufficient to avoid having to levy special assessments or take out a loan in order to support the predicted capital expenditures.

All Capital Reserve Replacement Analyses therefore assume that the Association is funding capital expenditures through the use of regular (e.g. annual, quarterly, or monthly), budgeted contributions to an account set aside for the sole purpose of funding the replacement of a designated set of common elements (often called the "Capital Reserve Fund").

A Community Association can defer common element replacement projects. Such deferrals tend to result in the gradual decrease in property values as the infrastructure and appearance of the community facilities degrade over time. In addition, such deferrals often result in the final replacement costs increasing significantly due to more extensive deterioration and additional damage to other common elements resulting from the failure of the common element to be replaced.

Association Considerations for a Capital Reserve Replacement Analysis

Each Association has a number of choices and options to consider during the Capital Reserve Replacement Analysis process. Two of the most important decisions are the Methodology (q.v.) of the analysis and the Funding Goal (q.v.) of the Association, although there are a number of other considerations, including:

- Budget Thresholds – the budget threshold is simply the lowest total project cost that the Association wants to fund using the Capital Reserve Fund. This is normally a function of the Association's proclivities, operating budget size, and administrative/fiscal history – some communities will fund a $5,000 project through the maintenance or operating budget, while others prefer to schedule and fund a $500 project through the capital reserve budget. Many Associations never make a formal decision, leaving this to the professionals who prepare their Capital Reserve Replacement Analyses.

- Federal Housing Authority/Housing & Urban Development Limitations – the federal government is a significant mortgage insurance provider. The FHA/HUD mortgage insurance programs currently require that community Associations fund replacement reserves for capital expenditures and deferred maintenance with at least 10% of the Association budget in order to meet eligibility requirements for FHA mortgage insurance – failure to maintain this level of replacement reserve funding can trigger requests for a current (less than 36 month old) reserve study (level I or II scope – a site visit is required) by an independent third-party demonstrably competent in regards to such studies justifying a lower contribution level.

- Maintenance Budget – no project should be funded in two places. Any and all maintenance contracts for common elements should be reviewed, and any common element whose complete replacement is included in the maintenance contract should be removed from consideration in the Capital Reserve Replacement Analysis, since the Association is already allocating funds to replace the element.

- Operating Budget – no project should be funded in two places. Any common elements that the Association is planning to replace in a series of incremental projects on an annual or irregular (as-needed) basis using the operating budget funds should be removed from consideration in the Capital Reserve Replacement Analysis, since the Association is already allocating funds to replace the element.

- Preventive or Deferred Maintenance Budget – no project should be funded in two places. The Association should compare its capital reserve budget to its preventive/deferred maintenance budget. Line items existing in both schedules should be removed from one or the other, since the Association is already allocating funds to replace the element.

- Time Window – the time window is simply the time span that the Association desires to consider its capital reserve expenditures over. Typically, Associations do not consider common elements with a condition assessed remaining life cycle of longer than 30 years as part of the Capital Reserve Replacement Analysis. As a general rule, longer time windows are more conservative (resulting in higher annual contribution levels), with the longer time windows allows the Association a longer lead-time to accumulate funds for large projects.

- Interest and Inflation – interest (sometimes called the rate of return) and inflation can have significant influence on the capital reserve budget. Increasing interest rates tends to reduce the necessary annual contributions, as the Association is essentially collecting additional funding from investment of its capital reserve fund. Increasing inflation rates tends to increase the necessary annual contributions, as the Association needs to collect additional funds to account for the decreasing purchasing power of money. The Falcon Group generally recommends that most associations are better served by assuming interest and inflation rates of zero and updating their Capital Reserve Replacement Analysis every two to three years (thus correcting for the effects of interest and inflation every second or third year), rather than making assumptions about factors that vary significantly and unpredictably with market forces. That being said, if the Association desires, The Falcon Group can certainly assume whatever average annual interest and inflation rates the Association requests.

Besides the above considerations, there are two decisions that the Association will need to make:

Funding Goals

The funding goal helps to determine the methodology used in the Capital Reserve Replacement Analysis and also is the principal reflection of the Association's fiscal policy. Funding goals can be categorized by their fiscal aggressiveness (willingness to risk the need to levy a special assessment or take out a loan) – more aggressive funding goals tend to result in lower annual levels of contribution to the capital reserve fund, with associated higher risks of shortfalls requiring special assessments or loans.

Methodology

There are essentially two methods used in Capital Reserve Analyses performed for most communities. The decision of which methodology to use is made by the Community Association, often under the advisement of its accountant, lawyer, and/or engineer. These two methodologies are:

- Cash Flow methodologies are based upon a projection of the future expenditures that the Community Association is likely to experience. The cash flow is then determined, based upon these expenditures, so that the resulting Capital Reserve Fund balances over the time window meet the funding goal.

- Component methodologies are based upon calculating the yearly contribution necessary to fund the replacement of each common element that is being considered. Each element is considered separately, producing a series of distinct line item entries of necessary contributions, which are summed to produce the total annual contribution to meet the funding goal.

Please note that cash flow methodologies and component methodologies cannot be easily compared on a line item by line item basis, as cash flow methodologies do not generate a definite line item breakdown of how the annual funding is distributed between the various line items. Likewise, cash flow methodologies do not lend themselves to division of common element responsibilities between various entities. For instance, if an association is internally divided between several sub-groups that do not share all common elements (for instance, an association where owners of detached dwelling units do not own a share of the common elements of multifamily buildings in the association and vice versa, but all owners share responsibility for the recreational facilities and site improvements), then the proper application a cash flow methodology would require multiple analyses, with one analysis for each division of responsibility (in the aforesaid case, there would need to be an analysis for detached dwelling unit buildings, an analysis for multifamily buildings, and an analysis for the recreational facilities and site improvements), and each analysis requiring a distinct set of initial conditions (most notably initial capital reserve fund balances).

Analysis

A Capital Reserve Replacement Analysis consists of a series of calculations, which essentially attempt to create a mathematical model of the Association's capital reserve fund expenditures/cash flows over a designated time window, and then determine the annual contributions to the capital reserve fund necessary to support the modeled expenditures/cash flows.

Capital Reserve Replacement Analyses, as performed by The Falcon Group, performs several sets of separate, distinct, and independent calculations upon the same basic information. This permits the analysis to include a component methodology full funding calculation and several cash flow methodology threshold funding calculations (using different threshold balances) to permit the Association to more fully examine its possible capital reserve funding options. Please note that the cash flow and component methodologies cannot be directly compared on a line item by line item basis, due to the significant differences between the underlying mathematics of these methodologies.

The Capital Reserve Replacement Analysis calculations and results are shown in a series of tables and graphs that demonstrate the general viability and end results of the various scenarios. These tables and graphs allow the Association to verify that one or more of the scenarios considered meet Association requirements and do not engage in unacceptable levels of over- or under-funding, as well as allowing the Association to inspect the underlying assumptions and numerical bases of the various scenarios and compare the costs (annual contributions over the time window of the analysis) of achieving these scenarios.

Please note that this Capital Reserve Replacement Analysis is a guide, not a legally binding document. The Association should not allow itself to feel constrained from performing necessary or desirable projects simply because they are not included in this analysis, nor should it feel itself forced to perform any project simply because it has been scheduled in this analysis. If work needs to be done, then do it, and likewise, if the common element condition does not justify replacement or refurbishment, then refrain from performing the work until it needs to be done. The Falcon Group believes and recommends that every Association should have a reserve analysis performed no less than once every three years to allow the updating of estimated replacement costs to reflect inflation, technological advances, changes in the construction industry, and current market forces, as well to allow alterations in life cycle information to reflect any significant alterations in the Association's common element conditions or quantities, as well as any significant changes in industry standards or market forces.

Limits of Inspection & Disclosures

Please note that Capital Reserve Replacement Funding Analyses and Preventive Maintenance Funding Analyses are prepared as budgeting tools to assist a community association in its financial planning. The use of these analyses for any other purpose is not appropriate. The visual observations made for (level I & II) Capital Reserve Replacement Funding Analyses and Preventive Maintenance Funding Analyses do not constitute an "Engineering Inspection" and are not sufficiently detailed (nor intended to be sufficiently detailed) to be relied upon, nor should they be relied upon, to determine violations of jurisdictional requirements (building or maintenance ordinances, codes, etc.) relating to the safety, soundness, structural integrity, or habitability of the buildings, dwelling units, or any of the individual components within the property.

The Falcon Group will not accept responsibility for the detection or analysis of conditions not visible to the naked eye under normal lighting conditions, or conditions located in areas which cannot be accessed by field personnel.

On-site observations include walking the improved areas of the site and visual observation of representative samples of the observable common elements, including accessible common areas and buildings. Please note that The Falcon Group cannot accept responsibility for detection of non-representative conditions as part of the visual observations performed for level I & II Capital Reserve Replacement Analyses.

Note that a reserve analysis is not a structural evaluation. Reserve analyses are undertaken without complete design plans and do not include the development of as-built plans, and in any case the scope of work does not include comprehensive structural analysis of plans, invasive procedures to expose and field measure structural members and connections to verify compliance with plan specifications, and/or long-term observations to establish foundation settlement and building movement patterns. The majority of the structural components of the typical building are concealed, and cannot be directly evaluated without invasive or remote viewing techniques, and many structural failures are the result of condition/usage changes, concealed and/or gradually developing geotechnical issues, and/or maintenance issues – a building that appears to be structurally sound at present may develop structural issues with the passage of time, and concealed structural issues that currently produce no (or negligible) visible warning signs may produce significant symptoms in the future. The Falcon Group should be contacted regarding a structural evaluation proposal, should the Association desire (or is in need of for regulatory reasons) such an evaluation.

On-site observations are limited, most notably by the following:

- Unless otherwise stated in the Common Element Descriptions & General Comments, no non-visual examinations were conducted.

- No destructive or invasive testing of any kind was undertaken.
- No security measures (locks, alarms, etc.) were circumvented, and areas within security perimeters were examined from outside said perimeter.
- No area of the site inaccessible to pedestrian traffic was examined and no areas requiring special tools to access or necessitating specific equipment or training to work in safely were entered.

Conditions stated in the report are representative of the general observed conditions of each item. Isolated areas of above or below average conditions may exist for any item. This analysis is not meant to be, nor should it be used as, a detailed condition evaluation of the common elements or a construction defect investigation.

Information provided by official representatives of the Association is assumed to be reliable and accurate. This analysis is a reflection of the information supplied to The Falcon Group, and has been assembled for the Association's use; this analysis is not meant to be an audit, quality/forensic analysis, or background check of historical information. Similarly, on-site inspections performed as part of this analysis should not be considered a project audit or quality inspection of any reserve project.

The current analysis uses field-measurements to quantify the common elements considered in the analysis. Field measurements performed as part of this analysis are not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.

The current analysis uses common element quantities developed from publicly available data sources and/or images. The quality of such information varies widely, and the precision that can be achieved in such quantity measurements is therefore often limited.

The current analysis uses common element quantities developed from design and/or as-built plans/surveys. The measurements possible from such information sources are typically of high precision (definiteness or exactness), but can only be regarded as correct insofar as the existing construction is consistent with the plans/surveys from which the quantities have been derived.

Community Specific Conditions & Commentary

General Comments

Please note that, based upon professional judgment and information provided by the Association or the Association's management professionals, the following have not been considered as part of this Capital Reserve Replacement Analysis:

- Annual maintenance tasks (e.g. filling pot-holes & sealing pavement cracks).
- Building-mounted light fixtures (e.g. entrance lights & security lights).
- Doors and windows, both exterior and interior.
- Drainage repairs or enhancements.
- Fire suppression systems (e.g. fire sprinkler heads and valves) and fire hydrants.
- Painting, sealing, or staining of exterior or interior wooden components.
- Preventive maintenance tasks (e.g. power-washing siding, annual inspections).
- Protected or concealed structural components, such as foundations, wall framing, floor/ceiling framing, roof framing, and similar components.

- Radon mitigation systems.
- Routine (e.g. sweeping stoops) and emergency (e.g. repairing broken stair treads) maintenance tasks.
- Underground utilities.
- Vinyl, metal, or fiber-cement siding and/or masonry veneer.

Should the above list be incorrect, please notify the Falcon Group so that the analysis can be appropriately amended.

These items are excluded from this analysis because they are typically considered to be either maintenance or operating expenses, and are therefore expected to be accounted for in those budgets, or have predicted remaining life cycles that exceed the analysis time window, and are therefore not typically considered a capital expenditure (at this point in time), or are not common elements, and are therefore not the Association's responsibility. The Association should review all maintenance and operating budgets to confirm that sufficient funding is being allocated toward all maintenance and operating budget items, and the Association's legal professionals should verify the responsibilities of both Association and individual unit owners to confirm that the common element list used in the analysis is accurate.

Calculation Table Notes

The following are notes that provide specific comments for use with the Association's current Capital Reserve Replacement Analysis. These notes are numbered and correspond to the numbers given in the analysis Calculation Tables, which immediately follow these notes.

1. Many of the items vary slightly in age and/or condition; however, the items have been given an average remaining useful life based upon observed general conditions. Single or isolated replacements may be needed and should be funded through reserves as the need. For purposes of establishing a funding plan, single (total) replacement projects are assumed in most cases (with exceptions for projects of exceptional scope and/or expense, where phasing is often used to reflect financial or other practical limitations). Performing capital reserve replacement projects as unified scopes of work will likely decrease costs from economies of scale and mobilization costs. Similarly, unit costs are typical average costs for the item understanding that specific costs can be expected to vary both above and below the unit cost used in the analysis.

2. The current analysis uses Line Item Quantities derived from measurements scaled from plans or satellite imaging. Such quantities can be very precise, but agreement with actual construction cannot be guaranteed by The Falcon Group, as such agreement depends upon the accuracy of the plans from which the measurements are taken.

3. As another aspect of capital planning, the Association should have an energy audit performed on any common spaces or building areas including clubhouses, common buildings, and shared facilities/amenities within buildings. The energy audit's purpose is to identify any potential building envelope (roof, window, walls, etc.) or equipment (electrical, mechanical, and/or plumbing) improvements that could result in energy usage reduction and/or be partially funded by one or more incentives from governmental (federal or state) and/or private (utility company) programs. In some instances these programs can amount to recouping as much as 40 to 80 percent of the replacement costs of the building equipment (electrical, mechanical, and plumbing) or energy related work that may include façade or even windows that may be listed in the capital reserve analysis. In addition, the ongoing reduction in energy use and associated costs can significantly reduce operating costs (and thus reduce maintenance fees).

4. Site lighting fixture cost estimates anticipate replacement with fixtures of similar types, styles, and functionality. No testing or analysis of underground or otherwise concealed wiring has been performed; replacement cost estimates assume that the existing wiring and/or conduits are of acceptable capacity and condition and will be retained during fixture replacement.

5. Please note that, as a matter of best operating practice, all common area pedestrian walkways should be subjected to annual evaluation for safety concerns, including trip hazards. This evaluation does not purport to be an inclusive or definitive walkway safety evaluation.

6. Unit of Measure Abbreviations:

   LF = Linear Foot   LS = Lump Sum   SQ = Square   SF = Square Foot   SY = Square Yard

Client	Scope of Work
Seagrape Condominium Association, Inc.	Full Study with Measurement
File Number	
24-0013	
Version	
September, 2024	

Revisions

Description	Check By	Date

Community Information

Number of Units	72
Date of Original Construction	circa. 1981
Location	Delray Beach, Florida

Initial Conditions

Initial Fiscal Year	2025
Initial Fund Balance	$0
Prior Year Annual Contribution	$0
Current Fund Balance	$0
Date of Current Fund Balance	January 0, 1900
Last Day of Fiscal Year	December 31
Initial Percent Funded	0.00%
Initial Estimated Total Replacement Cost	$116,000
PV Expenditure in Time Window	$291,622

Analysis Calculation Constants

Time Window	30
Annual Rate of Cost Inflation	4.00%
Annual Rate of Investment Return	2.00%

Summary of Funding Schedules Over Time Window

Funding Schedule	Note	Initial Fiscal Year Annual Contribution	Maximum Fund Balance	Minimum Fund Balance
Line Funding	see Funding Projection for annual contributions in other than initial fiscal year	$13,623	$224,590	$13,623
0% Threshold/ Baseline Funding	see Funding Projection for annual contributions in other than initial fiscal year	$13,088	$203,177	$0
5% Threshold Funding	see Funding Projection for annual contributions in other than initial fiscal year	$13,537	$215,416	$13,537

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	Line Item footnotes in parentheses at the end of each line item	Reserve Schedule					
		Life Cycle		Estimated Cost			
		Typically Expected	Condition Assessed Remaining (note 1)	Quantity (note 2)	Unit of Measure	Unit Cost	Line Item Occurrence Cost
1	BUILDING-Elevator-cab refurbish-[1]	25	22	1	LS	$ 15,000.00	$ 15,000
2	BUILDING-Finishes-reserve for club room reno-[1]	20	5	1	LS	10,000.00	10,000
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	20	8	1	LS	22,500.00	22,500
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	24	23	1,650	SF	10.00	16,500
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	15	11	6,500	SF	8.00	52,000
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	Line Item footnotes in parentheses at the end of each line item	Line Funding Schedule			
		Total Line Item Cost	Initial Line Item Fund Allocation	Line Item Unfunded Balance	Initial Year Line Item Annual Contribution
		Column Total	Column Total	Column Total	Column Total
		$ 116,000	$ -	$ 116,000	$ 13,623
1	BUILDING-Elevator-cab refurbish-[1]	$ 15,000	$ -	$ 15,000	$ 1,232
2	BUILDING-Finishes-reserve for club room reno-[1]	10,000	-	10,000	1,929
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	22,500	-	22,500	3,157
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	16,500	-	16,500	1,337
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	52,000	-	52,000	5,969
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	Line Item	Fiscal Year ► / Nominal Expenditure (in Future Dollars) in Fiscal Year / Present Value of Line Item Expenditures In Time Window	2025	2026	2027
1	BUILDING-Elevator-cab refurbish-[1]	$ 22,994	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	$ 27,269	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	$ 65,035	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	$ 25,790	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	$ 150,535	-	-	-
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	Line Item	2028	2029	2030	2031
		$ -	$ -	$ 12,167	$ -
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	12,167	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	-
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	Line Item	2032	2033	2034	2035
		$ -	$ 30,793	$ -	$ -
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	30,793	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	-
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	Line Item	2036	2037	2038	2039
		$ 80,052	$ -	$ -	$ -
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	80,052	-	-	-
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	Line Item	2040	2041	2042	2043
		$ -	$ -	$ -	$ -
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	-
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	Line Item	2044	2045	2046	2047
		$ -	$ -	$ -	$ 35,549
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	35,549
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	-
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Line Item		2048	2049	2050	2051
		$ 40,668	$ -	$ 26,658	$ 144,168
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	26,658	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	-	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	40,668	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	144,168
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	Line Item	2052	2053	2054	2055
		$ -	$ 67,471	$ -	$ -
1	BUILDING-Elevator-cab refurbish-[1]	-	-	-	-
2	BUILDING-Finishes-reserve for club room reno-[1]	-	-	-	-
3	SITE WORK-Electrical-exterior lighting-[1, 3, 4]	-	67,471	-	-
4	SITE WORK-Parking-asphalt paving/coating-[1, 2]	-	-	-	-
5	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5]	-	-	-	-
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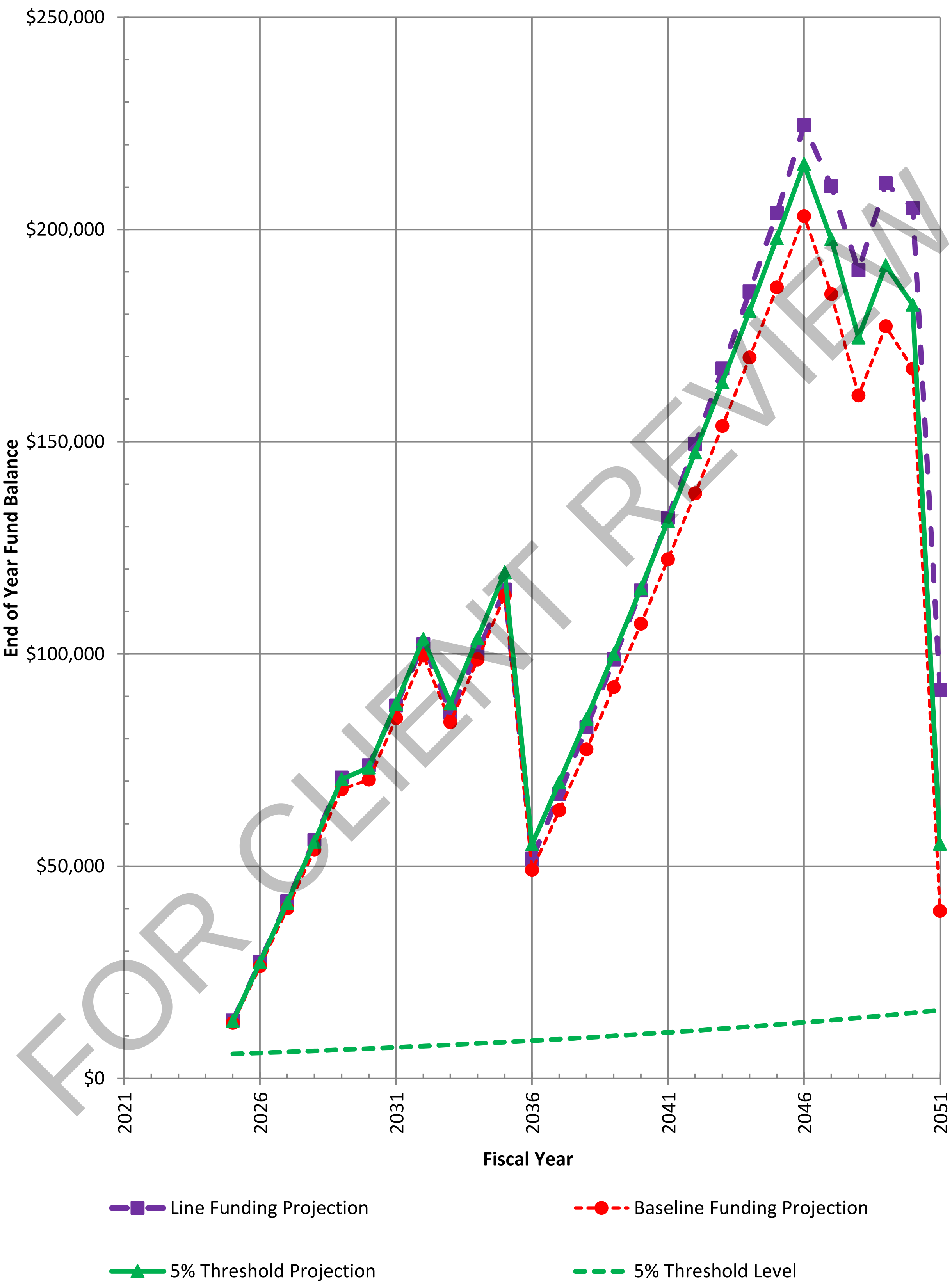
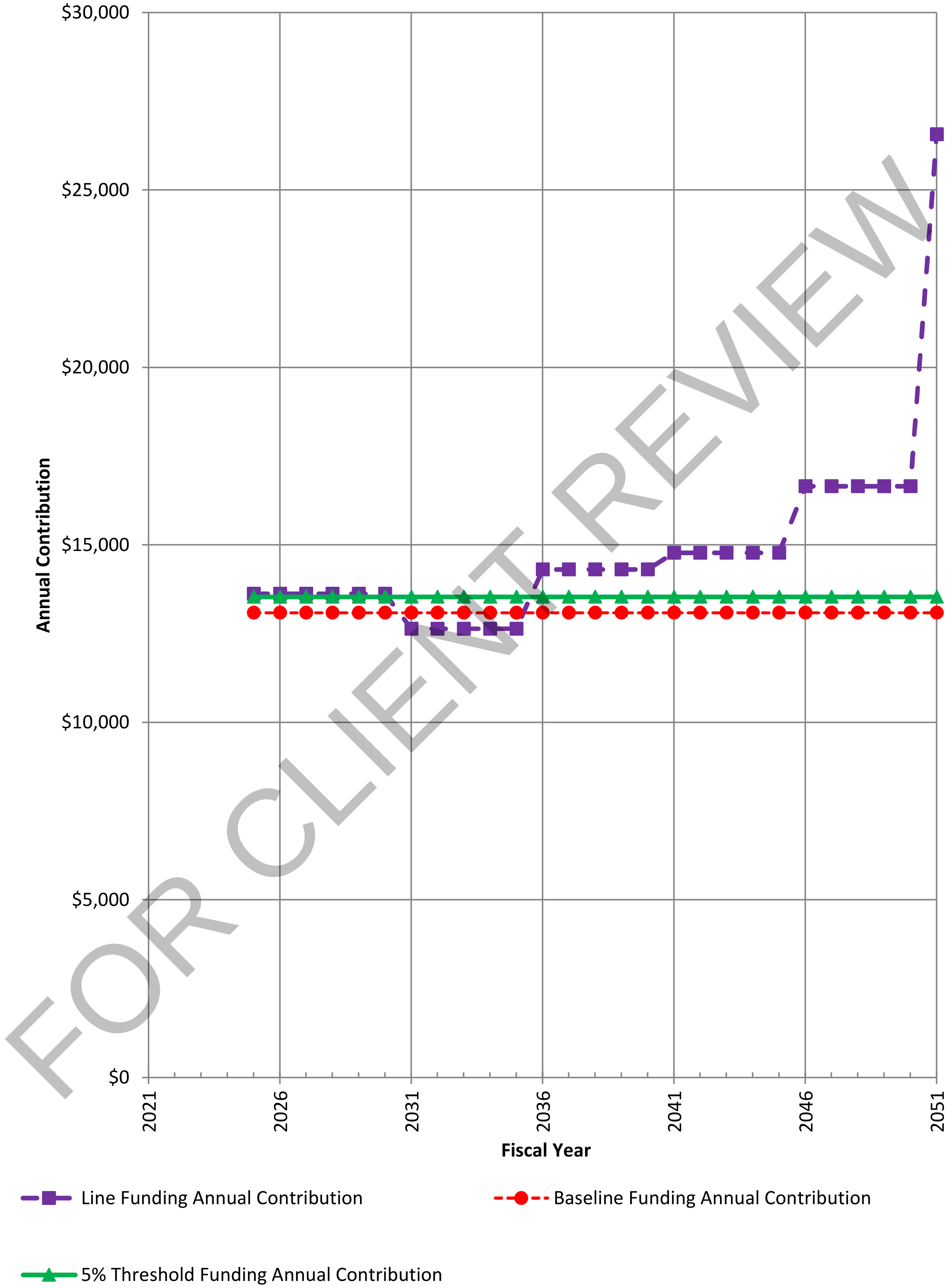
Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	Line Funding Scenario Projection			0% Threshold (Baseline) Funding Scenario Projection			
					Initial Year Threshold of $0			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	$ -	$ -	$ 13,623	$ 13,623	$ -	$ 13,088	$ 13,088	$ -
2026	-	13,896	13,623	27,519	13,350	13,088	26,438	-
2027	-	28,069	13,623	41,693	26,967	13,088	40,055	-
2028	-	42,526	13,623	56,150	40,856	13,088	53,945	-
2029	-	57,273	13,623	70,896	55,023	13,088	68,112	-
2030	12,167	72,314	13,623	73,771	69,474	13,088	70,396	-
2031	-	75,246	12,640	87,886	71,803	13,088	84,892	-
2032	-	89,644	12,640	102,283	86,590	13,088	99,678	-
2033	30,793	104,329	12,640	86,176	101,671	13,088	83,967	-
2034	-	87,900	12,640	100,539	85,646	13,088	98,734	-
2035	-	102,550	12,640	115,190	100,709	13,088	113,797	-
2036	80,052	117,494	14,306	51,748	116,073	13,088	49,110	-
2037	-	52,783	14,306	67,090	50,092	13,088	63,180	-
2038	-	68,431	14,306	82,738	64,444	13,088	77,532	-
2039	-	84,392	14,306	98,699	79,083	13,088	92,171	-
2040	-	100,673	14,306	114,979	94,014	13,088	107,103	-
2041	-	117,278	14,780	132,058	109,245	13,088	122,333	-
2042	-	134,699	14,780	149,479	124,779	13,088	137,868	-
2043	-	152,469	14,780	167,249	140,625	13,088	153,713	-
2044	-	170,594	14,780	185,374	156,788	13,088	169,876	-
2045	-	189,081	14,780	203,861	173,273	13,088	186,361	-
2046	-	207,938	16,652	224,590	190,089	13,088	203,177	-
2047	35,549	229,082	16,652	210,184	207,240	13,088	184,780	-
2048	40,668	214,388	16,652	190,372	188,475	13,088	160,896	-
2049	-	194,179	16,652	210,831	164,114	13,088	177,202	-
2050	26,658	215,047	16,652	205,040	180,746	13,088	167,176	-
2051	144,168	209,141	26,568	91,540	170,519	13,088	39,439	-
2052	-	93,371	26,568	119,939	40,228	13,088	53,316	-
2053	67,471	122,338	26,568	81,434	54,383	13,088	0	-
2054	-	83,063	26,568	109,631	0	13,088	13,088	-
2055	-	111,823	26,568	138,391	13,350	13,088	26,438	-

Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	5% Threshold Funding Scenario Projection			
		Initial Year Threshold of $5,800			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	$ -	$ -	$ 13,537	$ 13,537	$ 5,800
2026	-	13,807	13,537	27,344	6,032
2027	-	27,891	13,537	41,427	6,273
2028	-	42,256	13,537	55,792	6,524
2029	-	56,908	13,537	70,445	6,785
2030	12,167	71,854	13,537	73,224	7,057
2031	-	74,688	13,537	88,225	7,339
2032	-	89,989	13,537	103,526	7,632
2033	30,793	105,596	13,537	88,340	7,938
2034	-	90,107	13,537	103,644	8,255
2035	-	105,716	13,537	119,253	8,585
2036	80,052	121,638	13,537	55,123	8,929
2037	-	56,226	13,537	69,762	9,286
2038	-	71,157	13,537	84,694	9,657
2039	-	86,388	13,537	99,924	10,044
2040	-	101,923	13,537	115,459	10,445
2041	-	117,769	13,537	131,305	10,863
2042	-	133,931	13,537	147,468	11,298
2043	-	150,417	13,537	163,954	11,750
2044	-	167,233	13,537	180,769	12,220
2045	-	184,385	13,537	197,921	12,709
2046	-	201,880	13,537	215,416	13,217
2047	35,549	219,725	13,537	197,713	13,746
2048	40,668	201,667	13,537	174,536	14,295
2049	-	178,026	13,537	191,563	14,867
2050	26,658	195,394	13,537	182,272	15,462
2051	144,168	185,918	13,537	55,286	16,080
2052	-	56,392	13,537	69,928	16,724
2053	67,471	71,327	13,537	17,392	17,392
2054	-	17,740	13,537	31,277	18,088
2055	-	31,902	13,537	45,439	18,812

End of Fiscal Year Fund Projection Graph



Annual Contribution in Fiscal Year Graph



2025 total expenditure $0 consisting of these projects:	2026 total expenditure $0 consisting of these projects:	2027 total expenditure $0 consisting of these projects:	2028 total expenditure $0 consisting of these projects:

2029 total expenditure $0 consisting of these projects:	2030 total expenditure $12,167 consisting of these projects:	2031 total expenditure $0 consisting of these projects:	2032 total expenditure $0 consisting of these projects:
	BUILDING-Finishes-reserve for club room reno-[1] $12,167		

2033 total expenditure $30,793 consisting of these projects:	2034 total expenditure $0 consisting of these projects:	2035 total expenditure $0 consisting of these projects:	2036 total expenditure $80,052 consisting of these projects:
SITE WORK-Electrical-exterior lighting-[1, 3, 4] $30,793			SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5] $80,052

2037 total expenditure $0 consisting of these projects:	2038 total expenditure $0 consisting of these projects:	2039 total expenditure $0 consisting of these projects:	2040 total expenditure $0 consisting of these projects:

2041 total expenditure $0 consisting of these projects:	2042 total expenditure $0 consisting of these projects:	2043 total expenditure $0 consisting of these projects:	2044 total expenditure $0 consisting of these projects:

2045 total expenditure $0 consisting of these projects:	2046 total expenditure $0 consisting of these projects:	2047 total expenditure $35,549 consisting of these projects:	2048 total expenditure $40,668 consisting of these projects:
		BUILDING-Elevator-cab refurbish-[1] $35,549	SITE WORK-Parking-asphalt paving/coating-[1, 2] $40,668

2049 total expenditure $0 consisting of these projects:	2050 total expenditure $26,658 consisting of these projects:	2051 total expenditure $144,168 consisting of these projects:	2052 total expenditure $0 consisting of these projects:
	BUILDING-Finishes-reserve for club room reno-[1] $26,658	SITE WORK-Sidewalk-cast in-place concrete sidewalk-[1, 2, 5] $144,168	

2053 total expenditure $67,471 consisting of these projects:	2054 total expenditure $0 consisting of these projects:	2055 total expenditure $0 consisting of these projects:
SITE WORK-Electrical-exterior lighting-[1, 3, 4] $67,471		

Calculation Table Explanatory Descriptions

The following sections describe the individual sheets of the Calculation Tables, in the order they appear in the report.

Executive Summary

This page shows the basic fiscal and initial condition information upon which the remainder of the analysis has been based and includes basic information regarding the Association, the report (including its revision history), and a basic summary of the funding schedules considered in the analysis.

Client

This entry lists the full (official) name of the Association, to the best of The Falcon Group's knowledge.

File Number

This entry indicates the file/client number that The Falcon Group has assigned to the Association for our internal filing and archiving purposes. This number should remain constant through all of the communications that the Association has with The Falcon Group.

Version

This entry indicates the month and year in which this analysis was performed. This information is included to allow differentiation between precedent and antecedent analyses.

Community Information

These entries indicate the number of privately owned portions (be they detached single family dwellings, condominium units, attached single family dwellings [often called townhouses], business condominium units, or some combination thereof) within the Association, the approximate or median date of original construction, and the geographic location of the Association's physical components (which is often useful information in that construction costs tend to vary with geographic location and local market forces).

Initial Conditions

These entries list the conditions that The Falcon Group understands to exist as of the first day of the initial fiscal year of the analysis shown (while most Associations have fiscal years that run concurrent with calendar years, this is not universal, and the initial conditions therefore include an explicit listing of the last day of the Association's fiscal year), and include the initial fund balance, which is often pro-rated from the current fund balance, based upon the date of the current fund balance and the prior year's annual contribution. The initial conditions also include the initial percent funded, which gives an indication of how conservatively the Association has historically funded its capital reserve fund to the beginning of the initial fiscal year, and the initial estimated total replacement cost, which is the basis that The Falcon Group typically uses to determine the threshold levels for the cash-flow methodology fund projections.

The "Initial Percent Funded" entry is the "Initial Fund Balance" entry divided by the sum of the "Current Theoretical Full Funding Line Item Balance" entries, expressed as a percentage, and can therefore be thought of as a numerical comparison of how closely the initial fund balance reflects the theoretical fund balance that should exist if the Association was correctly executing a full funding approach up to the beginning of the initial year of the analysis.

Included in this area, for the Association's edification, is the "PV Expenditure in Time Window", which is the summation of the "Present Value of Line Item Expenditures in Time Window" column from the Expenditure Projection.

Scope of Work

This indicates the processes undertaken as part of the analysis evaluation. The Falcon Group, besides specifying scopes of work by CAI standards (updates with and without site visits and full studies) also indicates if the Association requested field measurement of the common elements, and indicates if other work scopes (e.g. roof or siding inspections, moisture testing, etc.) beyond typical visual inspection and quantity measurement, are included in the analysis evaluation.

Revisions

Many Capital Reserve Replacement Analyses are revised one or more times to reflect changes in assumptions, new information, or alternative funding goals. The revision entries indicate dates that The Falcon Group has revised the current analysis, and include short descriptions of the revisions made and initials of the editor in The Falcon Group who performed the revision(s).

Analysis Calculation Constants

These entries list the constants used in the analysis, including the time window (industry standard time window is thirty (30) years). Falcon used 2% inflation and 2% rate of return in analysis per the association's request.

Summary of Funding Schedules Over Time Window

These entries indicate the funding schedules (the various scenarios) considered in the analysis, along with relevant notes regarding these funding schedules, the contribution required in the initial fiscal year to comply with the funding schedule as calculated, and the maximum and minimum end of year fund balances projected to occur in each of the funding schedules.

Line Item Schedules

There are two distinct line item schedules, the reserve schedule, which displays life cycle and estimated cost information that is used to develop the expenditure projection, and the depreciation schedule, which displays the depreciation and fund allocation information that is used to develop the full funding scenario projection.

Line Item

These entries name the individual projects/expenditures that are expected to be funded through the Association's capital reserve fund and are therefore being considered in the analysis. Each line item name is compounded of a category (typical categories are ANCILLARY, BUILDING, and SITE), a type (such as Pavement, Roof, Swimming Pool, or Utility, among others), a description (such as asphalt, concrete, metal railing, seal coating, wood deck, or so forth), and, in some cases a miscellaneous component including secondary descriptions (such as street names, building numbers, or phase numbers) and notes (typically in the form of one or more numbers in parenthesis that reference the notes in the narrative section of the report), with all components being separated by hyphens. The line item names are constructed in this fashion so that they can be easily organized into related categories. The organization of the individual line items in a systematic fashion (arranging similar or related line items in close proximity to each other) tends to make the Line Item Schedules and Expenditure Projection of the analysis more easily read, cross-referenced, and checked.

Always be mindful of notes – due to the tabular nature of the Calculation Sheets, important qualifications, disclosures, and observations regarding individual line items typically cannot be expected to fit within the space limitations of the Calculation Sheets, so the line item notes often include vital explanatory material.

Life Cycle [Reserve Schedule]

The typically expected life cycle is the number of years that The Falcon Group would expect to see between occurrences of the line item expenditure. The condition assessed remaining life cycle is the number of years that The Falcon Group expects to elapse before the next occurrence of the line item expenditure.

Estimated Cost [Reserve Schedule]

The total line item cost per occurrence of the line item expenditure in the initial year is determined by multiplying the line item quantity by the line item unit cost. Please note that each line item has also been given a unit of measure – this is very important, in that a both quantity and unit cost entries cannot be appropriately interpreted without knowing the unit of measurement (for instance, there is a vast difference between a square foot of concrete and a cubic yard of concrete, and quantities and unit costs based upon cubic yards will be very different from those based upon square feet).

It must be understood that estimated costs are shown for the initial fiscal year of the analysis. If inflation is assumed to be zero, than the estimated line item cost per occurrence will be constant over the time window – otherwise estimated line item costs will change over the time window.

The individual line item unit costs (the estimated cost for which the components represented by the line item can be realistically replaced, reconstructed, or refurbished as the case may be, per unit of measurement) are based upon the cost information available to us as of the time the analysis is performed, as well as various assumptions in regards to non-visible construction details and material characteristics. The Falcon Group bases unit costs upon current R.S. Means on-line data (R.S. Means is a commercially available cost estimating reference published by Gordian), contractor bids for similar scopes of work with which The Falcon Group has been involved, industry/manufacturer specific information, and whatever historical expenditure information that the Association has supplied to The Falcon Group for review.

The Association should remain aware that these are estimated costs. Market forces can alter individual costs significantly in comparatively short periods of time due to material price increases, labor shortages, regulatory environment changes, and etcetera. Actual costs can also be significantly altered by design requirements (e.g. use of unusual materials or design details), project or community specific requirements (e.g. unusually restricted hours of work), or other factors that are not determined until the actual project designs and specifications are created. The actual cost that the Association will see can be expected to vary to a greater or lesser degree from what has been estimated for the purposes of this Capital Reserve Replacement Analysis.

Please note that the Line Item Occurrence Cost is not necessarily identical to the Total Line Item Cost (q.v.), in that line items, for various reasons, may not be showing the entire quantity of the common element considered in the analysis (this is typically done to allow more accurate modeling of items such as concrete pedestrian walks, where replacement is often performed on an as-needed basis for comparatively small portions of the total, and is generally combined with a very short life cycle to reflect many small expenditures rather than a single large expenditure).

Total Line Item Cost

This line item entry is simply the total quantity of the common element multiplied by the unit cost. Please note that, for various reasons, the analysis tables may not be showing the total quantity of the common element in question (q.v., Estimated Cost), in which case this entry will not agree with the Line Item Occurrence Cost entry under the Reserve Schedule heading. These entries have been included for the use of accounting professionals and community managers, and do not necessarily appear elsewhere in the analysis, as expenditure projections are based upon the Line Item Occurrence Cost entries.

Expenditure Projection

The expenditure projection sheets essentially cycle the line item life cycles, including various non-cyclical or meta-cyclical factors, over the analysis time window and generate the predicted cash-outflow from the Association's capital reserve fund over the course of the analysis time window.

The majority of the expenditure projection takes the form of an array or grid that cross-references each line item (the rows) with each fiscal year (the columns) in the analysis time window, with line item expenditure occurrences in each fiscal year being summed to produce the nominal expenditure (in future dollars) for each fiscal year.

Line Item

These entries are identical to the entries in the line item schedules.

Fiscal Year

These entries indicate the fiscal year in which the entries below are occurring. Please note that, depending upon the start/end date of the Association's fiscal year, these years may or may not match calendar periods. The Falcon Group will generally use the calendar year numeral in which the fiscal year starts as the fiscal year numeral – for instance, if an association's fiscal year runs from April 1 to March 1, then the Falcon Group would indicate the fiscal year from April 1, 2020 to March 1, 2021 as the 2020 fiscal year.

Nominal Expenditure (in Future Dollars) in Fiscal Year

These entries are the sums of the expenditures projected to occur in each individual fiscal year. These entries reflect the effects of any assumed rate of cost inflation, and are therefore in terms of future dollars for the fiscal year in which they appear.

Present Value of Line Item Expenditures in Time Window

These entries are the summation of the projected expenditures for each individual line item. These entries reflect the effects of any assumed rate of cost inflation and rate of return on investment, and are therefore an estimate of the current dollar sum (present value) that is theoretically equivalent to the cash-flow represented for the line item. In other words, if the Association has an initial reserve fund balance equal to the sum of all of the present value of line item expenditures in time window entries, then it would theoretically be able to fund all of the expenditures projected to occur within the current time window out of the reserve fund and its investment earnings without any contributions from the Association, with the last expenditures in the time window reducing the fund balance to zero. The Falcon Group has never observed such a situation, and would never advise an Association to attempt such a strategy; these entries have been included to give the Association an index by which it can determine which line items are likely to have the most influence on threshold funding scenario projections (and thus where changes are most likely to materially alter recommended annual contributions).

Annual Funding Projection

The annual funding projection sheets display the projected expenditures from the capital reserve fund, contributions to the capital reserve fund, and the resulting start of year and end of year fund balances for the various funding scenarios considered in the analysis. Each sheet takes the form of an array or grid that cross-references each fiscal year (the rows) with the projected expenditures in that fiscal year, and the starting and ending fund balances, projected contribution, and (in the case of threshold funding scenarios) the nominal threshold (initial year threshold corrected for cost inflation) for each scenario considered in the analysis. Please note that each scenario is represented by the columns underneath the title of the scenario (located along the top of the sheet), and that these scenarios are each independently calculated.

Fiscal Year and Nominal Expenditure (in Future Dollars) in Fiscal Year

These entries have identical values to the entries in the expenditure projection, although they have been transposed, which is to say that these entries are displayed horizontally from left to right in the expenditure projection but are displayed vertically from top to bottom in the annual funding projection.

Start of Year Fund Balance

These entries are the projected capital reserve fund balance on the first day of the given fiscal year for the given scenario projection. Please observe that the start of year fund balance for all considered funding scenarios is the same in the initial fiscal year, and equals the initial fund balance.

The start of year fund balance for fiscal years after the initial year is equal to preceding fiscal years end of year fund balance for the given scenario plus any return on investment.

Projected Contribution

These entries are the per annum contributions to the capital reserve fund for the given fiscal year and given scenario projection.

End of Year Fund Balance

These entries are the projected capital reserve fund balances on the last day of the given fiscal year for the given scenario projection; it is essentially the sum of that fiscal year's start of year fund balance and projected contribution, less the expenditure in that fiscal year.

Nominal Threshold in Year

These entries are initial year threshold (which is shown directly below the threshold scenario title), corrected for the estimated cumulative cost inflation since the initial fiscal year. Where the assumed rate of cost inflation is zero, all of these entries should be identical within a given funding scenario.

Projection Graphs

These sheets contain graphic representations of subsets of the information within the annual funding projection.

The end of fiscal year fund project graph is a graphical comparison of the various scenario projections tabulated in the annual funding projection. This graph contains information given in the annual funding projection in a more accessible format that often proves helpful for qualitative judgments of the merits of the various funding scenarios offered in the Capital Reserve Replacement Analysis. This graph displays the end of year fund balances for the various funding scenarios, as well as the various non-zero threshold balances so as to allow for relatively simple comparison between the various scenarios over the analysis time window.

Expenditure Calendar

These sheets display the total (nominal) expenditure within each fiscal year of the analysis time window, along with the list of line items and their associated expenditures (in order from greatest to least expenditure) occurring in the given fiscal year.

The expenditure calendar essentially displays the same basic information set as the expenditure projection, but organizes the information in a different format that many users find more accessible. While the expenditure projection predominantly organizes information by line item and only secondarily by year, the expenditure calendar organizes information predominantly by year.

Florida Administrative Code Reserve Requirements

Note- Part of Chapter 61 B-22, Florida Administrative Code, addresses the reserve budget requirements for condominiums. Below are excerpts from this Chapter which address this requirement.

(Taken from Chapter 618-22, Florida Administrative Code)

61 B-22.001 Definitions. For the purposes of this chapter, the following definitions shall apply:

(1) "Accounting records" include all of the books and records identified in Section 718.111(12)(a)11., Florida Statutes, and any other records that identify, measure, record, or communicate financial information whether the records are maintained electronically or otherwise, including, all payroll and personnel records of the association, all invoices for purchases made by the association, and all invoices for services provided to the association.

(2) "Capital expenditure" means an expenditure of funds for:

(a) The purchase of an asset whose useful life is greater than one year in length;

(b) The replacement of an asset whose useful life is greater than one year in length;

(c) The addition to an asset which extends the useful life of the previously existing asset for a period greater than one year in length.

(3) "Deferred maintenance" means any maintenance or repair that:

(a) Will be performed less frequently than yearly; and (b) Will result in maintaining the useful life of an asset.

(4) "Funds" means money and negotiable instruments including, for example, cash, checks, notes, and securities.

(5) "Reserves" means any funds, other than operating funds, that are restricted for deferred maintenance and capital expenditures, including the items required by section 718.112(2)(f)2., Florida Statutes, and any other funds restricted as to use by the condominium documents or the condominium association. Funds that are not restricted as to use by Section 718.112(2)(f), Florida Statutes, the condominium documents or by the association shall not be considered reserves within the meaning of this rule.

(6) "Turnover" means transfer of association control from developers to non-developer unit owners pursuant to Section 718.301, Florida Statues.

61 B-22.003 Budgets.

(1) Required elements for estimated operating budgets. The budget for each association shall:

(d) Include all estimated common expenses or expenditures of the association including the categories set forth in section 718.504(20)(c), Florida Statutes. Reserves for capital expenditures and deferred maintenance required by section 718.112(2(f), Florida Statutes, must be included in the proposed annual budget and shall not be waived or reduced prior to the mailing to unit owners of a proposed annual budget If the estimated common expense for any category set forth in the statute is not applicable, the category shall be listed followed by an indication that the expense is not applicable;

(e) Unless the association maintains a pooled account for reserves required by Section 718.112(2)(f)2., Florida Statutes, the association shall include a schedule stating each reserve account for capital expenditures and deferred maintenance as a separate line item with the following minimum disclosures:

1. The total estimated useful life of the asset;
2. The estimated remaining useful life of the asset;
3. The estimated replacement cost or deferred maintenance expense of the asset;
4. The estimated fund balance as of the beginning of the period for which the budget will be in effect; and;
5. The developer's total funding obligation, when all units are sold, for each converter reserve account established pursuant to section 718.618, Florida Statutes, if applicable.

(f) If the association maintains a pooled account for reserves required by Section 718.112(2)(f)2., Florida Statutes, the association shall include a separate schedule of any pooled reserves with the following minimum disclosures:

1. The total estimated useful life of each asset within the pooled analysis;
2. The estimated remaining useful life of each asset within the pooled analysis;

3. The estimated replacement cost or deferred maintenance expense of each asset within the pooled analysis; and

4. The estimated fund balance of the pooled reserve account as of the beginning of the period for which the budget will be in effect.

(g) Include a separate schedule of any other reserve funds to be restricted by the association as a separate line item with the following minimum disclosures:

1. The intended use of the restricted funds; and,

2. The estimated fund balance of the item as of the beginning of the period for which the budget will be in effect.

(2) Unrestricted expense categories. Expense categories that are not restricted as to use shall be stated in the operating portion of the budget rather than the reserve portion of the budget.

(3) N/A

(4) Multi-condominium association. Multi-condominium associations shall comply with the following requirements:

(a) Provide a separate budget for each condominium operated by the association as well as for the association. Each such budget shall disclose:

1. Estimated expenses specific to a condominium such as the maintenance, deferred maintenance or replacement of the common elements of the condominium which shall be provided for in the budget of the specific condominium.

2. Estimated expenses of the association that are not specific to a condominium such as the maintenance, deferred maintenance or replacement of the property serving more than one condominium which shall be provided for in the association budget; and,

3. Multi-condominium associations created after June 30, 2000, or that have created separate ownership interests of the common surplus of the association for each unit as provided in Sections 718.104(4)(h) and 718.110(12), Florida Statutes, shall include each unit's share of the estimated expenses of the association, referred to in subsection (2) of this rule, which shall be shown on the individual condominium budgets. Multi-condominium associations created prior to July 1, 2000, that have not created separate ownership interests of the common surplus of the association for each unit as provided in Sections 718.104(4)(h) and 718.110(12), Florida Statutes, shall include each condominiums share of the estimated expenses of the association, referred to in subsection (2.) of this rule, which shall be shown on the individual condominium budgets.

4. The budgets of multi-condominium associations created after June 30, 2000 or of multi-condominium associations that have created separate ownership interests of the common surplus of the association for each unit as provided in Sections 718.104(4)(h) and 718.110(12), Florida Statutes, shall show the estimated revenues of each condominium and of the association.

(b) Associations that operate separate condominiums in a consolidated fashion pursuant to section 718.111(6), Florida Statutes, may utilize a single consolidated budget.

(5) Limited common elements. If an association maintains limited common elements at the expense of only those unit owners entitled to use the limited common elements pursuant to section 718.113(1), Florida Statutes, the budget shall include a separate schedule, or schedules, conforming to the requirements for budgets as stated in this rule, of all estimated expenses specific to each of the limited common elements, including any applicable reserves for deferred maintenance and capital expenditures. The schedule or schedules may group the maintenance expense of any limited common elements for which the declaration provides that the maintenance expense is to be shared by a group of unit owners.

(6) Phase condominium budgets. By operation of law, the annual budget of a phase condominium created pursuant to Section 718.403, Florida Statutes, shall automatically be adjusted to incorporate the change in proportionate ownership of the common elements by the purchasers and to incorporate any other changes related to the addition of phases in accordance with the declaration of condominium. The adjusted annual budget shall be effective on the date that the amendment to the declaration adding a phase to a phase condominium is recorded in the official records of the county in which the condominium is located.

Notwithstanding the requirements of subsection (7) of this rule, the association shall not be required to follow the provisions of Section 718.112(2)(c), Florida Statutes, unless, as a result of the budget adjustment, the assessment per unit has changed. (7) Budget assessment amendments. The association may amend a previously approved annual budget. In order to do so the board of administration shall follow the provisions of Section 718.112(2)(e), Florida Statutes. For example, the board shall mail a meeting notice and copies of the proposed amended annual budget to the unit owners not less than 14 days prior to the meeting at which the budget amendment will be considered.

61 B-22.005 Reserves. Reserves required by statute.

(1) Reserves required by statute. Reserves required by section 718.112(2(f), Florida Statutes, for capital expenditures and deferred maintenance including roofing, painting, paving, and any other item *for* which the deferred maintenance expense or replacement cost exceeds $10,000 shall be included in the budget. For the purpose of determining whether the deferred maintenance expense or replacement cost of an item exceeds $10,000, the association may consider each asset of the association separately. Alternatively, the association may group similar or related assets together. For example, an association responsible for the maintenance of two swimming pools, each of which will separately require $6,000 of total deferred maintenance, may establish a pool reserve, but is not required to do so.

(2) Commingling operating and reserve funds. Associations that collect operating and reserve assessments as a single payment shall not be considered to have commingled the funds provided the reserve portion of the payment is transferred to a separate reserve account, or accounts, within 30 calendar days from the date such funds were deposited.

(3) Calculating reserves required by statute. Reserves for deferred maintenance and capital expenditures required by section 718.112(2)(f), Florida Statutes, shall be calculated using a formula that will provide funds equal to the total estimated deferred maintenance expense or total estimated replacement cost for an asset or group of assets over the remaining useful life of the asset or group of assets. Funding formulas for reserves required by Section 718.112(2)(f), Florida Statutes, shall be based on either a separate analysis of each of the required assets or a pooled analysis of two or more of the required assets.

(a) If the association maintains separate reserve accounts for each of the required assets, the amount of the current year contribution to each reserve account shall be the sum of the following two calculations:

1. The total amount necessary, if any, to bring a negative account balance to zero; and,

2. The total estimated deferred maintenance expense or estimated replacement cost of the reserve asset less the estimated balance of the reserve account as of the beginning of the period for which the budget will be in effect. The remainder, if greater than zero, shall be divided by the estimated remaining useful life of the asset. The formula may be adjusted each year for changes in estimates and deterred maintenance performed during the year and may consider factors such as inflation and earnings on invested funds.

(b) If the association maintains a pooled account of two or more of the required reserve assets, the amount of the contribution to the pooled reserve account as disclosed on the proposed budget shall be not less than that required to ensure that the balance on hand at the beginning of the period for which the budget will go into effect plus the projected annual cash inflows over the remaining estimated useful lives of all of the assets that make up the reserve pool are equal to or greater than the projected annual cash outflows over the remaining estimated useful lives of all of the assets that make up the reserve pool, based on the current reserve analysis. The projected annual cash inflows may include estimated earnings from investment of principal. The reserve funding formula shall not include any type of balloon payments.

(4) Estimating reserves which are not required by statute. Reserves which are not required by section 718.112(2)(f), Florida Statutes, are not required to be based on any specific formula.

(5) Estimating non-converter reserves when the developer is funding converter reserves. For the purpose of estimating non-converter reserves, the estimated fund balance of the non-converter reserve account established pursuant to section 718.618, Florida Statutes, shall be the sum of:

(a) The developer's total funding obligation, when all units are sold, for the converter reserve account pursuant to section 718.618, Florida Statutes; and,

(b) The estimated fund balance of the non-converter reserve account, excluding the developer's converter obligation, as of the beginning of the period for which the budget will be in effect.

(6) Timely funding. Reserves included in the adopted budget are common expenses and must be fully funded unless properly waived or reduced. Reserves shall be funded in at least the same frequency that assessments are due from the unit owners (e.g., monthly or quarterly).

(7) Restrictions on use. In a multi-condominium association, no vote to allow an association to use reserve funds for purposes other than that for which the funds were originally reserved shall be effective as to a particular condominium unless conducted at a meeting at which the same percentage of voting interest in that condominium that would otherwise be required for a quorum of the association is present in person or by proxy, and a majority those present in person or by limited proxy, vote to use reserve funds for another purpose. Expenditure of unallocated interest income earned on reserve funds is restricted to any of the capital expenditures, deferred maintenance or other items for which reserve accounts have been established.

(8) Annual vote required to waive reserves. Any vote to waive or reduce reserves for capital expenditures and deferred maintenance required by section 718.112(2)(f)2, Florida Statutes, shall be effective for only one annual budget. Additionally, in a multi-condominium association, no waiver or reduction is effective as to a particular condominium unless conducted at a meeting at which the same percentage of voting interests in that condominium that would otherwise be required for a quorum of the association is present, in person or by proxy, and a majority of those present in person or by limited proxy vote to waive or reduce reserves. For multi-condominium associations in which the developer is precluded from casting its votes to waive or reduce the funding of reserves, no waiver or reduction is effective as to a particular condominium unless conducted at a meeting at which the same percentage of non-developer voting interest in that condominium that would otherwise be required for a quorum of the association is present, in person or by proxy, and a majority of those present in person or by limited proxy vote to waive or reduce reserves.

61 B-22.006 Financial Reporting Requirements.

…(3) Disclosure requirements. The financial statements required by sections 718.111(13) and 718.301(4), Florida Statutes, shall contain the following disclosures within the financial statements, notes, or supplementary information:

(a) The following reserve disclosures shall be made regardless of whether reserves have been waived for the fiscal period covered by the financial statements:

1. The beginning balance in each reserve account as of the beginning of the fiscal period covered by the financial statements;
2. The amount of assessments and other additions to each reserve account including authorized transfers from other reserve accounts;
3. The amount expended or removed from each reserve account, including authorized transfers to other reserve accounts;
4. The ending balance in each reserve account as of the end of the fiscal period covered by the financial statements;
5. The manner by which reserve items were estimated, the date the estimates were last made, the association's policies for allocating reserve fund interest, and whether reserves have been waived during the period covered by the financial statements; and,
6. If the developer has established converter reserves pursuant to section 718.618(1), Florida Statutes, each converter reserve account shall be identified and include the disclosures required by this rule.