

# **FULL RESERVE STUDY**

## **The Towns at Lakeside Association, Inc.**



**North Port, Florida**

**March 2, 2018**



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The Towns at Lakeside Association, Inc.  
North Port, Florida

Dear Board of Directors of The Towns at Lakeside Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of The Towns at Lakeside Association, Inc. in North Port, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, March 2, 2018.

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

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

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

Respectfully submitted on March 7, 2018 by

*Reserve Advisors, Inc.*

Visual Inspection and Report by: Lauren Gibbs

Review by: Alan M. Ebert, PRA<sup>1</sup>, RS<sup>2</sup>, Director of Quality Assurance



<sup>1</sup> PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.

<sup>2</sup> RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.



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## 1. RESERVE STUDY EXECUTIVE SUMMARY

**Client:** The Towns at Lakeside Association, Inc. (The Towns at Lakeside)

**Location:** North Port, Florida

**Reference:** 080638

**Property Basics:** The Towns at Lakeside Association, Inc. is a townhome style development of 210 units in 31 buildings. The buildings were built from 2005 to 2007.

**Reserve Components Identified:** 10 Reserve Components.

**Inspection Date:** March 2, 2018. We conducted previous inspections in 2014, 2011 and 2008.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2042 due to subsequent replacement of the asphalt shingle roofs.

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

- Current and future local costs of replacement
- 1.2% annual rate of return on invested reserves
- 2.0% future Inflation Rate for estimating Future Replacement Costs

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

**Cash Status of Reserve Fund:**

- \$1,100,774 as of January 31, 2018
- 2018 budgeted Reserve Contributions of \$94,600

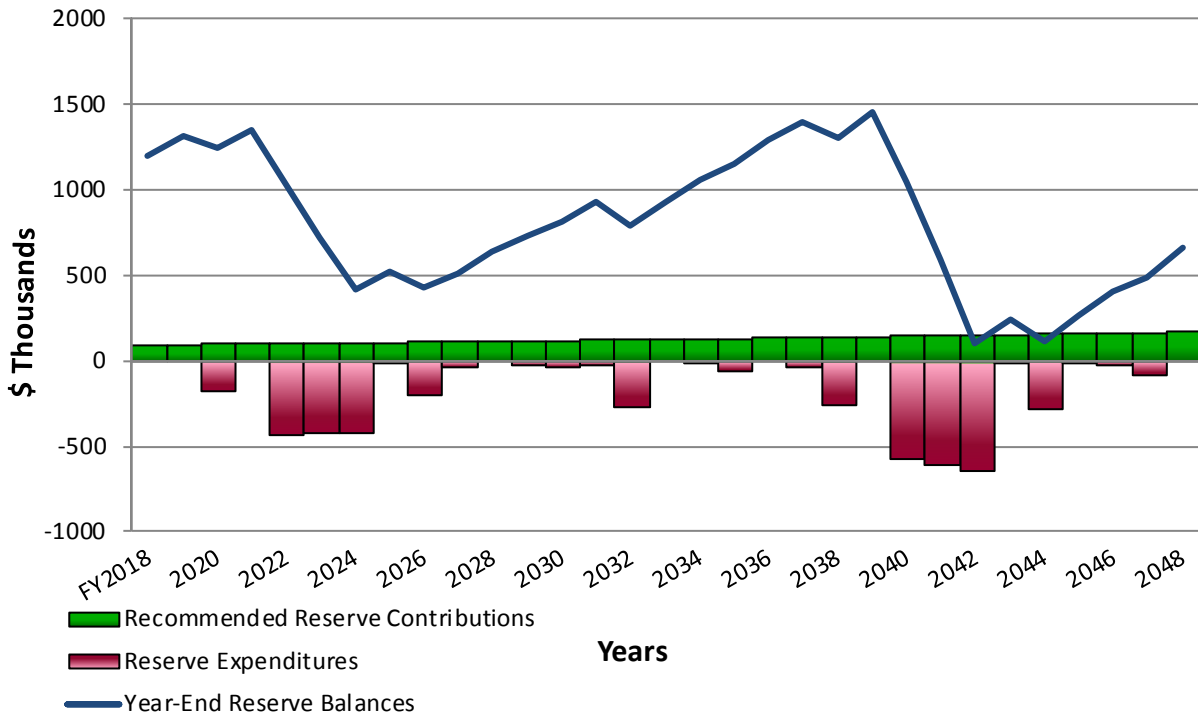
**Recommended Reserve Funding:** We recommend the following in order to achieve a stable and equitable Funding Plan:

- Stable contributions of \$94,600 in 2019
- Inflationary increases thereafter through 2048, the limit of this study's Cash Flow Analysis
- 2019 Reserve Contribution of \$94,600 is equivalent to an average monthly contribution of \$37.54 per homeowner.

### The Towns at Lakeside

#### Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	94,600	1,309,645	2029	115,300	732,095	2039	140,500	1,455,503
2020	96,500	1,239,248	2030	117,600	817,528	2040	143,300	1,042,073
2021	98,400	1,353,109	2031	120,000	927,236	2041	146,200	586,941
2022	100,400	1,037,500	2032	122,400	793,363	2042	149,100	100,789
2023	102,400	722,565	2033	124,800	928,432	2043	152,100	241,807
2024	104,400	410,851	2034	127,300	1,062,803	2044	155,100	111,184
2025	106,500	520,320	2035	129,800	1,146,056	2045	158,200	267,804
2026	108,600	433,081	2036	132,400	1,293,003	2046	161,400	405,363
2027	110,800	513,675	2037	135,000	1,400,363	2047	164,600	486,490
2028	113,000	633,517	2038	137,700	1,298,577	2048	167,900	661,235



## 2.RESERVE STUDY REPORT

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

**The Towns at Lakeside Association, Inc.**

**North Port, Florida**

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, March 2, 2018. We conducted previous inspections in 2014, 2011 and 2008.

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

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



## IDENTIFICATION OF PROPERTY



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

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

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

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

- The Towns at Lakeside responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating



budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Irrigation System, Well Castings

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

- General Maintenance to the Common Elements
- Expenditures less than \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Bulletin Board
- Curb Stops, Parking Areas
- Landscape
- Mailbox cleaning
- Paint Finishes, Touch Up
- Parking Lot, Gravel
- Replacement of Landscape at Driveway Dividers with Pavers
- Shutters, Vinyl
- Signage, Paint Finishes and Capital Repairs
- Other Repairs normally funded through the Operating Budget

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

- Concrete Driveways
- Concrete Sidewalks, Driveway to Front Entrance
- Doors, Garage
- Electrical Systems (Including Circuit Protection Panels)
- Foundations
- Gutters and Downspouts
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Light Fixtures, Recessed
- Patios
- Patios, Light Fixtures
- Patios, Screens and Frames
- Pavers, Driveway Dividers
- Pipes (Within Units)

- Soffits, Vinyl
- Structural Frames
- Walls, Stone, Veneer
- Walls, Stucco, Repairs
- Walls, Vinyl Siding
- Windows and Doors

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

- Concrete Sidewalks, Street
- Pipes, Subsurface Utilities, Street
- Ponds
- Streets and Curbs

### 3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

#### Reserve Expenditures

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

#### Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

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

RESERVE EXPENDITURES

The Towns at Lakeside  
Association, Inc.  
North Port, Florida

Explanatory Notes:

- 1) 2.0% is the estimated future Inflation Rate for estimating Future Replacement Costs.  
2) FY2018 is Fiscal Year beginning January 1, 2018 and ending December 31, 2018.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																
1.260	240	240	Each	Light Fixtures	2035	to 20	17	85.00	20,400	20,400	28,565																
1.280	3,150	1,050	Squares	Roofs, Asphalt Shingles, Phased	2022	12 to 18	4 to 6	350.00	367,500	1,102,500	2,956,168				397,794	405,750	413,865										
1.860	190,000	190,000	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2020	5 to 7	2	0.80	152,000	152,000	1,017,018			158,141				178,092							200,561		
Property Site Elements																											
4.121	4,500	225	Square Feet	Concrete Parking Areas, Partial	2025	to 65	7 to 30+	10.00	2,250	45,000	15,908							2,585						2,854			
4.400	1	1	Allowance	Irrigation System, Decoders and Controllers	2034	15 to 20	16	3,500.00	3,500	3,500	4,805																
4.410	4	4	Each	Irrigation System, Pumps (5-hp)	2031	10 to 15	13	4,000.00	16,000	16,000	48,554													20,698			
4.420	1	1	Allowance	Irrigation System, Repairs and Partial Replacements	2022	to 5	4	30,000.00	30,000	30,000	253,142				32,473				35,853						39,584		
4.600	16	16	Each	Mailbox Stations	2030	to 25	12	1,900.00	30,400	30,400	38,555												38,555				
4.650	1	1	Allowance	Pipes, Subsurface Utilities, Laterals	2020	to 3	2	20,000.00	20,000	20,000	275,827			20,808		22,082		23,433			24,867				26,390		
4.810	8	8	Each	Signage, Street, Replacement	2024	15 to 20	6	1,000.00	8,000	8,000	22,134							9,009									
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	3,150.00	3,150	3,150	3,150			3,150													
Anticipated Expenditures, By Year											\$4,663,826	0	0	182,099	0	430,267	427,832	422,874	2,585	201,525	35,853	0	24,867	41,409	20,698	266,535	0

RESERVE EXPENDITURES

The Towns at Lakeside Association, Inc. North Port, Florida				Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048	
Line Item	Total Quantity	Per Phase Quantity	Units			Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																
1.260	240	240	Each	Light Fixtures	2035	to 20	17	85.00	20,400	20,400	28,565		28,565														
1.280	3,150	1,050	Squares	Roofs, Asphalt Shingles, Phased	2022	12 to 18	4 to 6	350.00	367,500	1,102,500	2,956,168						568,148	579,510	591,101								
1.860	190,000	190,000	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2020	5 to 7	2	0.80	152,000	152,000	1,017,018					225,864						254,360					
Property Site Elements																											
4.121	4,500	225	Square Feet	Concrete Parking Areas, Partial	2025	to 65	7 to 30+	10.00	2,250	45,000	15,908		3,151				3,478						3,840				
4.400	1	1	Allowance	Irrigation System, Decoders and Controllers	2034	15 to 20	16	3,500.00	3,500	3,500	4,805	4,805															
4.410	4	4	Each	Irrigation System, Pumps (5-hp)	2031	10 to 15	13	4,000.00	16,000	16,000	48,554												27,856				
4.420	1	1	Allowance	Irrigation System, Repairs and Partial Replacements	2022	to 5	4	30,000.00	30,000	30,000	253,142				43,704				48,253					53,275			
4.600	16	16	Each	Mailbox Stations	2030	to 25	12	1,900.00	30,400	30,400	38,555																
4.650	1	1	Allowance	Pipes, Subsurface Utilities, Laterals	2020	to 3	2	20,000.00	20,000	20,000	275,827		28,005			29,719		31,538			33,468			35,517			
4.810	8	8	Each	Signage, Street, Replacement	2024	15 to 20	6	1,000.00	8,000	8,000	22,134									13,125							
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	3,150.00	3,150	3,150	3,150																
Anticipated Expenditures, By Year												\$4,663,826	4,805	59,721	0	43,704	255,583	0	571,626	611,048	639,354	13,125	287,828	3,840	27,856	88,792	0

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS  
The Towns at Lakeside  
Association, Inc.  
North Port, Florida

		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
		FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Reserves at Beginning of Year (Note 1)	1,100,774	1,200,076	1,309,645	1,239,248	1,353,109	1,037,500	722,565	410,851	520,320	433,081	513,675	633,517	732,095	817,528	927,236	793,363
	Total Recommended Reserve Contributions (Note 2)	86,717	94,600	96,500	98,400	100,400	102,400	104,400	106,500	108,600	110,800	113,000	115,300	117,600	120,000	122,400	124,800
Plus	Estimated Interest Earned, During Year (Note 3)	12,585	14,969	15,202	15,461	14,258	10,497	6,760	5,554	5,686	5,647	6,842	8,145	9,242	10,406	10,262	10,269
Less	Anticipated Expenditures, By Year	0	0	(182,099)	0	(430,267)	(427,832)	(422,874)	(2,585)	(201,525)	(35,853)	0	(24,867)	(41,409)	(20,698)	(266,535)	0
	Anticipated Reserves at Year End	<u>\$1,200,076</u>	<u>\$1,309,645</u>	<u>\$1,239,248</u>	<u>\$1,353,109</u>	<u>\$1,037,500</u>	<u>\$722,565</u>	<u>\$410,851</u>	<u>\$520,320</u>	<u>\$433,081</u>	<u>\$513,675</u>	<u>\$633,517</u>	<u>\$732,095</u>	<u>\$817,528</u>	<u>\$927,236</u>	<u>\$793,363</u>	<u>\$928,432</u>

(continued)

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
	Reserves at Beginning of Year	928,432	1,062,803	1,146,056	1,293,003	1,400,363	1,298,577	1,455,503	1,042,073	586,941	100,789	241,807	111,184	267,804	405,363	486,490
	Total Recommended Reserve Contributions	127,300	129,800	132,400	135,000	137,700	140,500	143,300	146,200	149,100	152,100	155,100	158,200	161,400	164,600	167,900
Plus	Estimated Interest Earned, During Year	11,876	13,174	14,547	16,064	16,097	16,426	14,896	9,716	4,102	2,043	2,105	2,260	4,015	5,319	6,845
Less	Anticipated Expenditures, By Year	(4,805)	(59,721)	0	(43,704)	(255,583)	0	(571,626)	(611,048)	(639,354)	(13,125)	(287,828)	(3,840)	(27,856)	(88,792)	0
	Anticipated Reserves at Year End	<u>\$1,062,803</u>	<u>\$1,146,056</u>	<u>\$1,293,003</u>	<u>\$1,400,363</u>	<u>\$1,298,577</u>	<u>\$1,455,503</u>	<u>\$1,042,073</u>	<u>\$586,941</u>	<u>\$100,789</u>	<u>\$241,807</u>	<u>\$111,184</u>	<u>\$267,804</u>	<u>\$405,363</u>	<u>\$486,490</u>	<u>\$661,235</u>
										(NOTE 5)						(NOTE 4)

Explanatory Notes:

- 1) Year 2018 starting reserves are as of January 31, 2018; FY2018 starts January 1, 2018 and ends December 31, 2018.
- 2) Reserve Contributions for 2018 are the remaining budgeted 11 months; 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).



## 4. RESERVE COMPONENT DETAIL

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

### Exterior Building Elements



Front elevation



Rear elevation



Side elevation

### Light Fixtures

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**Line Item:** 1.260

**Quantity:** Approximately 240 exterior wall mounted light fixtures accent the garages.

**History:** Replaced in 2015.

**Condition:** Good overall



Exterior light fixture

**Useful Life:** Up to 20 years

**Priority/Criticality:** Per Board discretion

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

## Roofs, Asphalt Shingles

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**Line Item:** 1.280

**Quantity:** 3,150 squares<sup>1</sup>

**History:** Original

**Condition:** Good to fair overall with shingle lift, deterioration and deflection evident from our visual inspection from the ground. Management and the Board informs us of active leaks.

<sup>1</sup> We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



**Shingle lift evident**



**Roof leak under repair**



**Deterioration and deflection evident**



**Asphalt shingle roof**

***Useful Life:*** 12- to 18-years

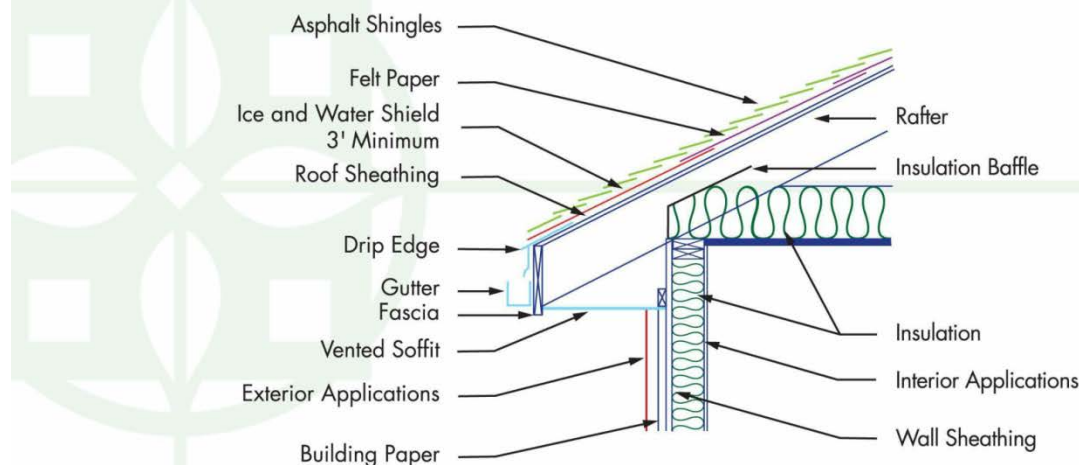
***Component Detail Notes:*** The existing roof assembly comprises the following:

- Laminate shingles
- Boston style ridge caps
- Rubber seal with metal base boot flashing at waste pipes
- Soffit and square hood box vents
- Metal drip edge
- Enclosed half weaved valleys

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at The Towns at Lakeside:



## ROOF SCHEMATIC



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Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roofs. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We base our cost on replacement with standard laminate Class A 240-260-pounds per square shingles.

## Walls, Stucco

**Line Item:** 1.860

**Quantity:** Approximately 190,000 square feet of the building exteriors

**History:** Painted in 2013

**Condition:** Good overall with isolated damage, cracks, and discoloration evident



**Stucco finishes**



**Damaged stucco evident**



**Discoloration evident**

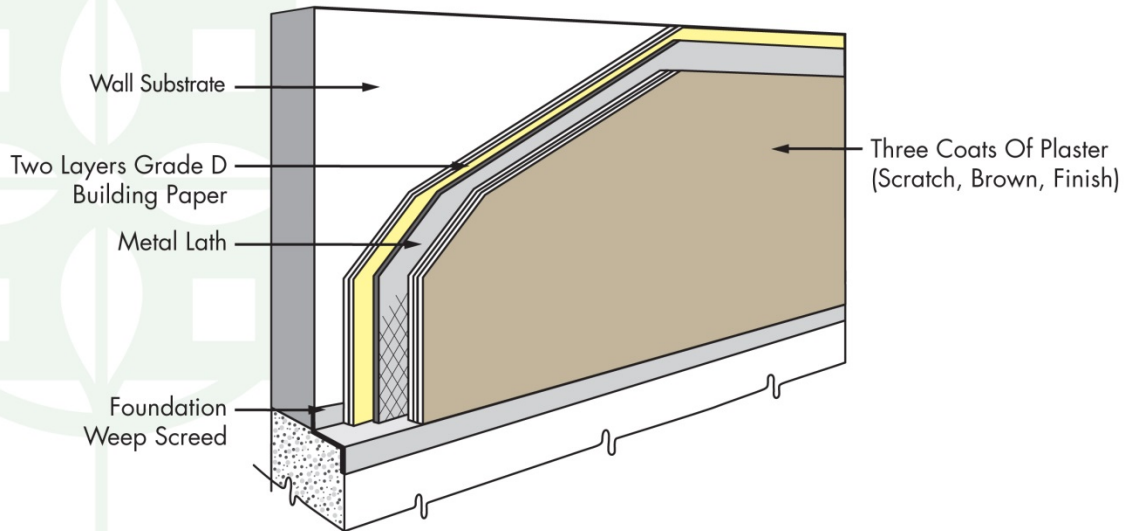


**Cracks evident**

**Useful Life:** We recommend inspections, repairs and paint finish applications every five- to seven-years.

**Component Detail Notes:** The following graphic details the typical components of a stucco wall system on frame construction although it may not reflect the actual configuration at The Towns at Lakeside:

## STUCCO DETAIL



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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost anticipates the following in coordination with each paint finish application:

- Crack repairs of up to two percent (2%) of the stucco walls (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of up to less than one percent (1%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to thirty-three percent (33%) of the sealants in coordination with each paint finish application.



## Property Site Elements

### Concrete Parking Areas

---

**Line Item:** 4.121

**Quantity:** 4,500 square feet

**Condition:** Good overall



Concrete parking area



Concrete parking area



Concrete parking area

**Useful Life:** Up to 65 years although interim deterioration of areas is common

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 1,125 square feet of concrete streets, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

## Irrigation System, Decoders and Controllers

---

**Line Item:** 4.400

**Quantity:** Three each

**History:** Replaced in 2016

**Condition:** Reported satisfactory



Irrigation controller

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

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

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

## Irrigation System, Pumps

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**Line Item:** 4.410

**Quantity:** Four each

**History:** Replaced in 2016

**Condition:** Reported satisfactory



**Irrigation system pump**

**Useful Life:** 10- to 15-years

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

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

## **Irrigation System**

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**Line Item:** 4.420

**Quantity:** Two controllers with 123 zones and four pumps.

**History:** Original. Repairs in 2016

**Condition:** Good overall

**Useful Life:** Up to 40 years with partial replacements and repairs every five years

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

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

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



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

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

## Mailbox Stations

**Line Item:** 4.600

**Quantity:** 16 stations

**History:** Original

**Condition:** Good to fair overall with finish deterioration and stains evident



Mailbox station



Finish deterioration evident



Stains and dirt build up evident

**Useful Life:** Up to 25 years

**Priority/Criticality:** Per Board discretion

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

## **Pipes, Subsurface Utilities, Laterals**

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**Line Item:** 4.650

**Condition:** Reported satisfactory

**Useful Life:** Up to and likely beyond 85 years

**Component Detail Notes:** The Association maintains the lateral subsurface utility pipes throughout the property. The exact amounts and locations of the subsurface utility pipes were not ascertained due to the nature of the underground construction and the non-invasive nature of the inspection.

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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. At this time we do not anticipate replacement of continuous lengths of subsurface utility pipes. Rather we recommend the Association budget for repairs to isolated occurrences of breached utilities. Although it is likely that the times of replacement and extent of repair costs may vary from the budgetary allowance, The Towns at Lakeside could budget sufficient reserves for these utility repairs and have the opportunity to adjust its future reserves up or down to meet any changes to these budgetary estimates. Updates of this Reserve Study would incorporate changes to budgetary costs through a continued historical analysis of the rate of deterioration and actual repairs to budget sufficient reserves. Management and the Board request an allowance of \$20,000 every three years for isolated occurrences and repairs to the lateral subsurface utility pipes.

## **Signage, Street**

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**Line Item:** 4.810

**Quantity:** Eight metal street signs

**History:** Original with repairs in 2017

**Condition:** Good overall with finish deterioration evident



### Street sign



### Finish deterioration



## Traffic sign

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

***Component Detail Notes:*** The community signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

**Priority/Criticality:** Per Board discretion

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



## **Reserve Study Update**

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

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

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

## 5.METHODOLOGY

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

The Towns at Lakeside can fund capital repairs and replacements in any combination of the following:

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

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

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

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

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

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

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

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

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

## 6. CREDENTIALS

### HISTORY AND DEPTH OF SERVICE

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

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

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

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

### TOTAL STAFF INVOLVEMENT

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

### OUR GOAL

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

### VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

### OLD TO NEW

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

## **QUALIFICATIONS**

### **THEODORE J. SALGADO**

#### **Principal Owner**

#### **CURRENT CLIENT SERVICES**

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



#### **PRIOR RELEVANT EXPERIENCE**

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

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

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

#### **EXPERT WITNESS**

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

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

#### **PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

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

Community Associations Institute - Member and Volunteer Leader of multiple chapters

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

Milwaukee School of Engineering - Member, Corporation Board

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

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

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

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



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

**PRIOR RELEVANT EXPERIENCE**

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

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

**INDUSTRY SERVICE AWARDS**

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

**EDUCATION**

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

**PROFESSIONAL AFFILIATIONS**

**Community Associations Institute (CAI)** - Founding member of Reserve Committee;  
former member of National Board of Trustees; Reserve Specialist (RS) designation;  
Member of multiple chapters

**Association of Condominium, Townhouse, & Homeowners Associations (ACTHA)** –  
member





**LAUREN GIBBS**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

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

The following is a partial list of clients served by Lauren Gibbs demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

**Lakeview Pointe Homeowners Association** This newly constructed community is located in Orlando, Florida and comprises single family homes and townhomes. The Association maintains a pool house, pool, splash pad, playground, irrigation system, perimeter walls, fitness center, gazebo, fences, entrance monuments, and pond.

**Bent Pine Homeowners Association** Located in Vero Beach, Florida, this single family home development consists of 150 homes built in 1979. This community includes tennis courts, streets and curbs, a guard house, ponds and aerators, gates, sidewalks and a gazebo.

**Captivas Condominium Association** This condominium style development, located in St. Petersburg, Florida consists of 48 units in 6 buildings. These buildings were constructed with stucco façade, concrete tile roofs, and include balconies with aluminum railings, concrete breezeways and staircases, two hydraulic elevators with enclosed lobbies per building, first floor parking garages, fire suppression systems, security systems, vinyl windows and doors and plumbing and mechanical systems.

**Keystone Shores Estates Homeowners Association** A single family home development comprised of 35 homes built in 1992. Located in Odessa, Florida, this community maintains a tennis court and basketball court, playground, gate house, perimeter walls and fences, asphalt pavement, gates, ponds and a large dock with gazebo.

**The Registry at Michigan Park Condominium Association** This condominium style community located in Orlando, Florida comprises 264 units. The buildings in this community include a business center, offices, great room area, fitness center, concrete tile roofs, gutters and downspouts, stucco façade, lobbies, hallways and stairwells, balconies and patios, aluminum railings, life safety system, windows and doors, light fixtures and mailboxes.

**Island Club of Vero Beach Homeowners Association** Located in Vero Beach, Florida, this community consists of 252 single family homes. Built from 1996-2003, this development includes two clubhouses, two gate houses, two pools, fitness room, kitchen, dock, dune crossover, asphalt pavement, curbs and sidewalks, catch basins, tennis court, mailboxes, balustrades, masonry pavers, fences, irrigation, gates, and entrance monuments.

**PRIOR RELEVANT EXPERIENCE**

Before joining **Reserve Advisors, Inc.**, Ms. Gibbs successfully completed the bachelors program in Chemical Engineering from University of South Alabama. She has experience as a Process Design Engineer for a chemical manufacturing company where she gained knowledge in the design and manufacturing of specialized chemicals with an expertise in pressure safety devices.

**EDUCATION**

University of South Alabama - B.S. Chemical Engineering

**PROFESSIONAL AFFILIATIONS / DESIGNATIONS**

*Engineer In Training (E.I.T.) – Alabama, 2014*



**ALAN M. EBERT, P.E., PRA, RS**  
**Director of Quality Assurance**

**CURRENT CLIENT SERVICES**

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

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

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

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

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

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

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

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

**PRIOR RELEVANT EXPERIENCE**

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

**EDUCATION**

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

**PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

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

*Reserve Specialist (RS) - Community Associations Institute*

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

## RESOURCES

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

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

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

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

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

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

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

## 7. DEFINITIONS

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

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

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

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

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

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

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

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

**Percent Funded** - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

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

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

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

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

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

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

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

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

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

## 8. PROFESSIONAL SERVICE CONDITIONS

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

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

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

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

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

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

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

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

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