



**Structural Integrity Reserve Study
for
Two Tequesta Condominium
Miami, Florida**

~~July 3, 2024 – Client Review~~

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Falcon Project 19-0289

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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).

Community Description

Two Tequesta Point Condominium, located at 808 Brickell Key Drive, Miami, FL 33131, consists of a forty (40) levels high residential tower. Typical floors have eight (8) units each, and the number of units vary in non-typical floors, adding a total of 268 units. The condominium was built in 1999.

The structural system of the building is a combination of concrete columns, shear walls, beams and post tensioned concrete slabs. Exterior walls consist of concrete masonry units (CMU) and concrete columns with stucco finish. On the exterior of the building, there are cantilevered balconies. The building fenestrations are composed of aluminum framed glass windows and sliding balcony doors. Balconies railings consist of aluminum pickets anchored into the balcony knee walls.

Structural Integrity Reserve Study Overview

Senate Bill 4-D, passed by the Florida Legislature in May 2022, requires condominium associations for buildings three or more stories tall to procure Milestone Inspections and perform Structural Integrity Reserve Studies to ensure that condominium buildings are structurally safe and adequate for continued use.

Milestone Inspection

Pursuant to the 2022 Florida Statutes, a Milestone Inspection is a mandatory structural inspection of a building, including an inspection of load-bearing walls and the primary structural members and primary structural systems, by a Florida licensed architect or engineer, for the purposes of attesting to the life safety and adequacy of the structural components of the building and, to the extent reasonably possible, determining the general structural condition of the building as it affects the safety of such building, including a determination of any necessary maintenance, repair, or replacement of any structural component of the building. The purpose of a Milestone Inspection is not to determine if the condition of an existing building is in compliance with the Florida Building Code or the Fire Safety Code. See Florida Statutes, Section 553.899(2)(a) and Section 627.706(2)(d) and (e).

Condominium associations must have a Milestone Inspection performed for each building that is three stories or more in height by December 31 of the year in which the building reaches 30 years of age, based on the date the Certificate of Occupancy for the building was issued, and every 10 years thereafter. If the building is located within 3 miles of a coastline, the condominium association must have a Milestone Inspection performed by December 31 of the year in which the building reaches 25 years of age, based on the date the Certificate of Occupancy for the building was issued, and every 10 years thereafter. If a Milestone Inspection is required and the building's Certificate of Occupancy was issued on or before July 1, 1992, the building's initial Milestone Inspection must be performed before December 31, 2024. The condominium association is responsible for all costs associated with the Milestone Inspection. See Florida Statutes, Section 553.899(3) and (4) and Section 376.031(4).

A Milestone Inspection consists of two phases. For phase one, a Florida licensed architect or engineer performs a visual examination of habitable and non-habitable areas of the building, including the major structural components of the building, and provides an inspection report with a qualitative assessment of the structural conditions of the building. If the architect or engineer finds no signs of substantial structural deterioration to any building components under visual examination, phase two of the inspection is not required. A phase two Milestone Inspection must be performed if any substantial structural deterioration is identified during phase one. A phase two inspection may involve destructive or nondestructive testing, and the inspection may be as extensive or as limited as necessary to fully assess areas of structural distress in order to confirm that the building is structurally sound and safe for its intended use and to recommend a program for fully assessing and repairing distressed and damaged portions of the building. An inspection report is also provided for a phase two Milestone Inspection, and repairs of substantial structural deterioration must be commenced within 365 days after receiving such report. See Florida Statutes, Section 553.899(7) and (11).

Structural Integrity Reserve Study

A Milestone Inspection may be performed in conjunction with, and serve to inform, a Structural Integrity Reserve Study. Pursuant to the 2022 Florida Statutes, a Structural Integrity Reserve Study is a mandatory study of the reserve funds (referred to in this document as the Structural Integrity Capital Reserve) required for future major repairs and replacement of the common areas of the condominium based on a visual inspection of the common areas. At a minimum, a Structural Integrity Reserve Study must: (1) identify the common areas being visually inspected, (2) state the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of the common areas being visually inspected, and (3) provide a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each common area being visually inspected by the end of the estimated remaining useful life of each common area. See Florida Statutes, Section 718.103(25).

An Association must have a Structural Integrity Reserve Study completed at least every 10 years after the condominium's creation for each building on the condominium property that is three stories or higher in height which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building:

- a. Roof.
- b. Structure, including load-bearing walls and or other primary structural members and primary structural systems as those terms are defined in s. 627.706.
- c. Fireproofing and fire protection systems.
- d. Plumbing.
- e. Electrical systems.
- f. Waterproofing and exterior painting.
- g. Windows and exterior doors (common areas only)
- h. And any other item that has a deferred maintenance expense or replacement cost that exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items listed above as determined by the visual inspection portion of the structural integrity reserve study.

See Florida Statutes, Section 718.112(2)(g).

The Structural Integrity Reserve Study will therefore inform the Association as to the likely capital expenditures for future major repairs and replacement of the common areas of the condominium over the time frame considered by the analysis and the annual contribution levels to the Structural Integrity Capital Reserve calculated as being sufficient to avoid having to levy special assessments or take out a loan in order to support the predicted capital expenditures.

This Structural Integrity Reserve Study therefore assumes 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 future major repairs and replacement of the common areas of the condominium.

Association Considerations for a Structural Integrity Reserve Study

An Association has a number of choices and options to consider during the Structural Integrity Reserve Study 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 Structural Integrity Capital Reserve. 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 the Structural Integrity Reserve Study.

- 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 months old) reserve study or a Fannie Mae form 1073a from lenders (see HUD Mortgage Letter 2009-46 B).
- 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 budgetary consideration in the Structural Integrity Reserve Study, 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 budgetary consideration in the Structural Integrity Reserve Study, 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.
- Statutory Requirements – some jurisdictions may require that certain elements are included in a reserve fund analysis, and other municipalities agree to accept responsibility for some elements (most commonly roadways). Such factors cannot be determined by site inspection – the Association should have documentation indicating any such factors and should certainly inform the professionals performing the Structural Integrity Reserve Study of these factors. The State of Florida has statutory requirements in regard to reserve funds and reserve studies (as noted above and see also below).
- Time Window – the time window is simply the time span over which the Association desires to consider its capital reserve expenditures. Typically, Associations do not consider common elements with a condition assessed remaining life cycle of longer than 30 years as part of a capital reserve analysis. As a general rule, shorter time windows are more conservative (resulting in higher annual contribution levels), whereas longer time windows allow 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 a Structural Integrity Reserve Study be conducted every three years (thus correcting for the effects of interest and inflation every third year).

Florida Statutory Reserve Requirements

Florida Statutes, Section 718.112(2)(f)2.a. requires that condominium associations fund a reserve account for certain capital and deferred maintenance expenditures. This statute requires all condominium associations to maintain funds for roof replacement, building painting, and pavement resurfacing, regardless of the amount of deferred maintenance expense or replacement cost, and any other item that has a deferred maintenance expense or replacement cost that is expected to exceed \$10,000.

The amount to be reserved for an item is determined by the Association’s most recent Structural Integrity Reserve Study (which must be completed by December 31, 2024). If the amount to be reserved for an item is not in the Association’s initial or most recent Structural Integrity Reserve Study, or if the Association has not completed a Structural Integrity Reserve

Study, the amount must be computed using a formula based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of the reserve item. See Florida Statutes, Section 718.112(2)(f)2.a.

Florida Statutes, Section 718.112(2)(f)3. regulates the use of money collected for reserves, limiting the use of such funds to authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a duly called meeting of the Association. A vote is required if reserve funds are used for operating expenses.

Please see the attached Appendix for the parts of the Florida Administrative Code, Chapter 61B-22, that further addresses reserve budgetary requirements for condominiums.

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

Funding Goal

The Funding Goal helps to determine the methodology used in the Structural Integrity Reserve Study 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.

There are three basic funding goals used by communities when determining capital reserve fund (including Structural Integrity Capital Reserve) requirements:

- Baseline Funding is the most aggressive funding goal commonly used by associations. Baseline funding is essentially a special case of threshold funding, where the goal is to never have a negative capital reserve fund balance (in other words the threshold is zero). As this funding goal provides no margin for errors, unexpected or unforeseeable expenses, or market forces that are not in the Association's favor, The Falcon Group does not recommend this as a funding goal for the Association's capital reserve budget.
- Statutory Funding is a funding goal (and/or methodology) that the community is legally obligated to meet or exceed. Such funding goals are typically the result of state or local statutes or the result of one or more provisions in the governing documents of the Condominium Association. The relative aggressiveness of such funding goals will vary depending upon the statute or provision involved. See 61 B-22.005, included in an Appendix on page A-9.
- Threshold Funding is normally a moderate funding goal. The essential goal of threshold funding is to avoid having a capital reserve fund balance below some predetermined level (the "threshold" or "threshold balance"), which can be determined as a percentage of the total cost to replace the considered common elements, by decree as some absolute value (e.g. the community decides that \$100,000 is the threshold balance because that is a number it is comfortable with), or as some multiple of the annual contribution (e.g. the community wants to have a capital reserve fund balance of no less than 9 months of capital reserve fund contributions). Note that Baseline Funding is essentially a threshold funding goal where the threshold balance equals zero.

Methodology

There are essentially three methods used in capital reserve analyses performed for most communities. The decision of which methodology to use is made by the Condominium Association, often under the advisement of its accountant, lawyer, and/or engineer. These three methodologies are:

- Cash Flow methodologies are based upon a projection of the future expenditures the 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.

- Statutory methodologies, like Statutory Funding Goals, are determined entirely by the statutes and/or governing document provisions that create the methodology. Statutory methodologies will most commonly resemble cash flow or component methodologies, but can theoretically be based upon any fiscal or legal conceptualization of the capital reserve funding. Florida statutory methodology (including “Line Funding”) is defined/described by 61 B-22.005 (see page A-9).

Methodology and Funding Goal are normally related closely to each other. As a rule, baseline and threshold funding goals are most easily calculated using a cash flow methodology, full funding goals are normally calculated using a component methodology, and statutory funding goals and methodologies are often found together (e.g. the local government legislates both what the funding goal is and how the community calculates its reserve fund contribution to ensure that the funding goal is met).

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 of 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 Structural Integrity Reserve Study includes 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.

Structural Integrity Reserve Studies, as performed by The Falcon Group, include 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 Structural Integrity Reserve Study 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.

Limits of Inspection & Disclosures

Please note that Structural Integrity Reserve Studies, 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 Structural Integrity Reserve Studies, (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 may be retained to perform a separate Milestone Inspection in conjunction with this Structural Integrity Reserve Study and, if such is the case, please refer to the Milestone Inspection Report for an assessment of the life safety and adequacy of the structural components of the building(s) and, to the extent reasonably possible, a determination of the general structural condition of the building(s) as it affects the safety of such building(s), including a determination of any necessary maintenance, repair, or replacement of any structural component of the building(s).

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, without limitation, 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 Structural Integrity Reserve Studies, Level I & II Capital Reserve Replacement Analyses, and Preventive Maintenance Funding Analyses.

Note that reserve analyses may be undertaken without complete design plans and do not include the development of as-built plans, and in any case the scope of work may 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, unless otherwise deemed required in conjunction with a phase two Milestone Inspection. 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. As noted above, The Falcon Group should be contacted regarding a Milestone Inspection 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 deemed required in conjunction with a phase two Milestone Inspection):

- 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.
- At no time was any private residence entered, nor were the interior conditions of any private residence examined.
- 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 of visual observations 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 may use or approximate field measurements to generally 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 may use or approximate 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.

Community Specific Conditions & Commentary

General Comments

Please note that, based upon The Falcon Group's professional judgment and information provided by the Association or the Association's management professionals, the following have not been considered as part of this Structural Integrity Reserve Study:

- Annual maintenance tasks (e.g. filling potholes & sealing pavement cracks).
- Building-mounted light fixtures (e.g. entrance lights & security lights).
- Individual unit's doors, both exterior and interior. However, during its inspection, The Falcon Group will note and report any observed unit door or window condition that endangers the life safety of residents. Per Florida Statutes, Section 718.1265(1)(k), Association emergency powers, in such event, the unit owner on whose behalf the board has contracted is responsible for reimbursing the Association the actual costs of the items or services. Common element doors and windows will be part of the Structural Integrity Reserve Study.
- Drainage repairs or enhancements.
- Landscaping and irrigation systems, including maintenance, replacement, or enhancement.
- Painting, sealing, or staining of interior wooden components.
- Painting of interior metal components.
- Preventive maintenance tasks (e.g. power-washing siding, annual inspections).
- Routine (e.g. sweeping stoops) and emergency (e.g. repairing broken stair treads) maintenance tasks.
- Underground utilities.

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 the Association and individual unit owners to confirm that the common element list used in the analysis is accurate.

General Calculation Table Notes

The following are notes that provide general comments for use with the Association's current Structural Integrity Reserve Study. 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 arises (such as-needed replacement may be especially prevalent for exhaust fans, exterior doors, and common area light fixtures). 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. 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. This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.
4. The remaining useful life of this item is outside the time frame of the analysis (25 years) and therefore at this time funding for their replacement is not included. The Association should consider including funding for these items when they reach a 25-year remaining useful life.
 - a. Line Item #16: Electrical – Meter Banks
 - b. Line Item #17: Electrical - Switchboard & Distribution Panel
5. This line item has completed its restoration/renovation within the last year and its useful life has been reset.
6. Per Florida legislature, reserve funds and any interest accruing thereon shall remain in the reserve account or accounts and shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a meeting at which a quorum is present. Therefore, the initial fund balance of this Structural Integrity Reserve Study will amount to \$0.
7. Unit of Measure Abbreviations:

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

Calculation Line Item Notes

The following are notes that provide specific comments for use with the Association's current Structural Integrity Reserve Study. These notes are numbered and correspond to each line item.

1. **Roof Concrete Slab Repairs (LS)** - We have budgeted for repairs to the roof concrete slabs at an estimated rate of 10% of the gross element quantity every 20 years in conjunction with the scheduled roof replacement for the foreseeable future. Note: This line item is based off the anticipation that the Association will conduct the roofing replacement project this year (2024). Therefore, Falcon is resetting the remaining useful life cycle. The Association will need to take out a special assessment and/or loan for this current roof replacement project.

2. **Flat Roof Membrane Replacement (LS)** - The cost used assumes complete replacement of the existing SBS-modified bitumen roof systems with allowances for flashing, underlayment, and ventilation enhancements. (flat roofs - disconnection and reconnection of the various mechanical components located on the roof).
3. **Balcony Concrete Repairs (SF)** - We have budgeted for repairs to the concrete balconies at an estimated rate of 5% of the gross element quantity every 10 years in conjunction with the scheduled façade repairs and recoating for the foreseeable future.
4. **Façade Stucco/Concrete Repairs (SF)** - This line item is for the restoration of stucco and concrete repairs. The cost is an estimated cost that may vary depending on the actual condition of the masonry walls at the time of restoration. Note: Based on the payment application that was provided by the property manager, the property completed waterproofing, concrete restoration, and paint at building approximately April 2024.
5. **Fire Alarm System Upgrades (LS)** - This line item represents the Fire Alarm System Allowance which is related to the repair, maintenance, and upgrade of the fire emergency signs, pull stations, strobe lights, smoke detectors, and fire alarm control panel. The total estimated cost of this line item is \$552,500.00, the Association is responsible for 75% of this amount.
6. **Fire Backflow System (LS)** - The price estimated for a fire back flow piping system was based on the actual conditions of the 8-inch check valves gate valve, pressure release valve, accessories and connections associated.

This line item includes the replacement cost of the backflow preventer of the fire protection system and is inclusive of labor, testing, and commissioning. New underground piping and/or electrical wiring (if applicable) are not included in this replacement cost. The estimated replacement cost is \$7,000 and the estimated equipment cost is \$10,500. The total estimated cost of this line item is \$17,500.00, the Association is responsible for 75% of this amount.

7. **Fire Protection System (LS)** - This line item represents the Fire Protection Allowance which is related to the repair, maintenance, and upgrade of the fire sprinkler system, fire extinguishers, fire riser pipes, gauges, control valve and accessories. The total estimated cost of this line item is \$750,000.00, the Association is responsible for 75% of this amount.
8. **Fire Pump and Jockey Pump High Zone (LS)** - This line item is for the replacement of the existing fire and jockey pump for high zone. This cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning of the new equipment. Structural support, electrical wiring and sensors, piping and additional plumbing accessories are not included in this item. The estimated replacement cost is \$58,000 and the estimated equipment cost is \$70,000.00. This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.

This item describes the information taken from the field and the as-built plans of the building to estimate the price for a fire and jockey pump with the information below.

- a. Fire Pump, Centrifugal, Manufacturer: Aurora. Electrical Driven, Type 481 BFH, 750 GPM, 3560. Motor model 6209A, 50HP, 3Ph, 60Hz, 230/460V, 3550 RPM, 118.0/59.5A. Insulation Class B.
 - b. Jockey Pump, Manufacturer: Grundfos, Type CR2-150, 11 GPM, 428 ft, 300 PSI Max, 3450 RPM, 5 Hp.
 - c. Fire pump control panel, Manufacturer: Master, model: ECRTZ80-50-46-XG4, 480V, 3Ph, 60Hz, motor 50HP, 65 FLA, SF 1.15.
9. **Fire Pump and Jockey Pump Low Zone, 50% (LS)** - This line item is for the replacement of the existing fire and jockey pump for low zone. This cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning of the new equipment. Structural support, electrical wiring and sensors, piping and additional plumbing accessories are not included in this item. The estimated replacement cost

is \$55,000 and the estimated equipment cost is \$62,000.00. This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation. The total estimated cost of this line item is \$117,000.00, the Association is responsible for 50% of this amount.

This item describes the information taken from the field and the as-built plans of the building to estimate the price for a fire and jockey pump with the information below.

- a. Centrifugal Fire Pump: Manufacturer: Aurora, Cat No. 97-66029, Type: 481 BF, 750 GPM, 3560 RPM, 312 Head Feet.
- b. Motor: Manufacturer: Marathon, Model: 2VM 365TSTD57625AN W, 100 HP, 3550 RPM, 230/460V, 238/119 Amps, 60 Hz, 3 Ph.
- c. Jockey Pump: Manufacturer: Grundfos, Type CR2-120, Model: C 40006072 P1 9840, 11 GPM, 429 Feet, 3 HP, 3450 RPM, 300 PSI max.
- d. Fire Pump Controller. Manufacturer: Joslyn Clare, Cat No. C3B204-4LT, Max Water Pressure: 300 PSI, 100 HP, 460V, 60 Hz, 3 Ph.
- e. Fire pump control panel, Manufacturer: Gulfstream, Model: Cat. No. C3B204-4TL, 100HP, 460V, 60Hz, 3Ph.

10. **Domestic Water Booster, 75% (LS)** - This line item is for the replacement of the existing domestic water pump system. This cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning of the new equipment. Structural support, electrical wiring and sensors, piping and additional plumbing accessories are not included in this item. The estimated replacement cost is \$45,000. This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.

This line item is for the domestic water booster system located at the pump room. The estimated cost of equipment is \$65,000. The total estimated cost of this line item is \$110,000.00, the Association is responsible for 75% of this amount.

- a. Booster System: Manufacturer: Goulds Water Technology.
- b. Pumps 1: Manufacturer: Goulds, Cat No. 15SV8GC30, 80 Nominal GPM, 125 GPM Max, 15 HP, 1060 Max Feet Head, 3500 RPM.
- c. Motor: Manufacturer: Baldor, Spec: 37G814R228G1, 15 HP, 230/460V, 34/17 Amps, 3500 RPM, 60 Hz, 3Ph.
- d. Pumps 2: Manufacturer: Goulds, Cat No. 6SVB1R2G0, 30 Nominal GPM, 45 GPM Max, 40 HP, 975 Max Feet Head, 3500 RPM.
- e. Motor: Manufacturer: Baldor, Spec: 40G094W255G1, 40 HP, 230/460V, 100/50 Amps, 3525 RPM, 60 Hz, 3Ph.
- f. Pumps 3: Manufacturer: Goulds, Cat No. 6SVB1R2G0, 30 Nominal GPM, 45 GPM Max, 40 HP, 975 Max Feet Head, 3500 RPM.
- g. Motor: Manufacturer: Baldor, Spec: 40G094W255G1, 40 HP, 230/460V, 100/50 Amps, 3525 RPM, 60 Hz, 3Ph.

11. **Domestic Water Backflow System, 75% (LS)** - The price estimated for a domestic water back flow piping system was based on the actual conditions of the 6-inch check valves gate valve, pressure release valve, accessories and connections associated.

This line item includes the replacement cost of the backflow preventer of the domestic water system and is inclusive of labor, testing, and commissioning. New underground piping and/or electrical wiring (If applicable) are not included in this replacement cost. The estimated replacement cost is \$4,500 and the estimated equipment cost of \$8,500. The total estimated cost of this line item is \$13,000.00, the Association is responsible for 75% of this amount.

12. **Sanitary Drainage System, 75% (LS)** - This line is to perform localized repairs sanitary drainage cast iron piping sections located in the riser and garage (approximately 30% in total), on a cycle of approximately 20 years. The total estimated cost of this line item is \$160,000.00, the Association is responsible for 75% of this amount.
13. **Storm Drainage System, 75% (LS)** - This line is to perform localized repairs storm drainage cast iron piping sections located in the riser and garage (approximately 30% in total), on a cycle of approximately 20 years. The total estimated cost of this line item is \$160,000.00, the Association is responsible for 75% of this amount.
14. **Emergency Generator (LS)** - This line item is for the replacement cost of the emergency generator and transfer switch. The replacement cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning. Structural support, electrical wiring and sensors, piping and additional plumbing accessories, mobilization and rigging are not included in this item. The estimated replacement cost is \$50,000 and the estimated equipment cost is \$140,000. This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.

The cost estimate used in the analysis for the emergency generator is based on visual inspection collected field information, and replacement with a new one with similar characteristics. The total estimated cost of this line item is \$190,000.00, the Association is responsible for 75% of this amount.

- a. Diesel Generator: Manufacturer: KOHLER POWER SYSTEM, Model: 800R0ZD, 1800 RPM, 60Hz, 750 KW, 938 KVA, 277/480V, 902A, 3 Phase, 4W, insulation H. Standby Service.
 - b. Automatic Transfer Switch: Manufacturer: KOHLER, Part Number: K-566341-0800, 800 A, 60Hz, 3Ph, 4W, 408Y/277V – with MPAC1500.
 - c. Automatic Transfer Switch: Manufacturer: KOHLER, Part Number: K-566341-0400, 400 A, 60Hz, 3Ph, 4W, 408Y/277V – with MPAC1500.
15. **Interior & Exterior Light Fixtures (LS)** -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.
16. **Meter Banks (LS)** - This item describes the information taken from the field to estimate the specifications of the modular metering system.
 - a. Meter Stack Module - Manufacturer: SIEMENS, 26 sockets:
Main circuit breaker: Siemens 1600A, 120/240 VAC Max, 1 Ph, 3 Wire. Cat. MC16ST - Indoor
Meter Module – Siemens 1600A, 120/240 VAC. Mod WMM Single Phase – Indoor.
 - b. Meter Stack Module - Manufacturer: SIEMENS, 16 sockets:
Main circuit breaker: Siemens 1200A, 120/240 VAC Max, 1 Ph, 3 Wire. Cat. MC12ST - Indoor
Meter Module – Siemens 1200A, 120/240 VAC. Mod WMM Single Phase – Indoor.

17. **Electrical Switchboard & Distribution Panels (LS)** - The cost estimate used in the analysis for the electrical distribution panels is based on visual inspection collected field information, and replacement with a new one with similar characteristics.

- a. Distribution Panelboard EHF - 277V/480V, 3Φ-4W, Main Bus: 1200A, A.I.C. 35K Series Rated. Indoor.
- b. Distribution Panelboard EHDP - 277V/480V, 3Φ-4W, Main Bus: 800A, A.I.C. 35K Series Rated. Indoor
- c. Distribution Panelboard EHEL - 120V/208V, 3Φ-4W, Main Bus: 400A, A.I.C. 35K Series Rated. Indoor.
- d. Panelboard EHR - 277V/480V, 3Φ-4W, Main Bus: 400A, A.I.C. 35K Series Rated. Indoor.
- e. Panelboard EH - 277V/480V, 3Φ-4W, Main Bus: 225A, A.I.C. 35K Series Rated. Indoor.
- f. Panelboard EHG - 277V/480V, 3Φ-4W, Main Bus: 125A, A.I.C. 35K Series Rated. Indoor.
- g. Panelboard EHP - 277V/480V, 3Φ-4W, Main Bus: 125A, A.I.C. 14K Series Rated. Indoor.
- h. Panelboard 24EH - 277V/480V, 3Φ-4W, Main Bus: 125A, A.I.C. 35K Series Rated. Indoor.
- i. Panelboard ELR - 120V/208V, 3Φ-4W, Main Bus: 100A, A.I.C. 22K Series Rated. Indoor.
- j. Panelboard 24EL - 120V/208V, 3Φ-4W, Main Bus: 100A, A.I.C. 22K Series Rated. Indoor.
- k. Panelboard ELP - 120V/208V, 3Φ-4W, Main Bus: 30A, A.I.C. 22K Series Rated. Indoor.
- l. Panelboard ELG - 120V/208V, 3Φ-4W, Main Bus: 50A, A.I.C. 22K Series Rated. Indoor.
- m. Panelboard EL - 120V/208V, 3Φ-4W, Main Bus: 100A, A.I.C. 22K Series Rated. Indoor.

18. **Façade Paint (SF)** - This line item is for the painting of the façade. The cost of this item was derived from the payment application of the façade restoration and paint project completed in April 2024.

Please note that the existing perimeter sealant around the window and door requires ongoing maintenance. The Association should routinely monitor the maintenance activities and conditions of this system and may find it prudent to have detailed inspections of this system performed to verify proper installation and the condition of concealed materials/details if maintenance costs involving the system become excessive or leaks are developing. A re-pointing and repair item has been included in the funding schedule.

19. **Railing Paint (LF)** - The existing railing system is in good condition and may be repainted in the near future. Falcon recommends using the electrostatic paint system. The electrostatic paint system's main benefit will hugely reduce paint wastage, and it provides an even paint coverage at aluminum railing surface.
20. **Sliding Glass Door and Window Replacement (Common) (LS)** - This line item is for the replacement of impact-rated windows, and storefronts found in the building common areas. Common areas included the lobby, playroom, and conference room. The cost was derived from similar projects.
21. **Exterior Metal Door Replacement Fund (LS)** - This line item is for the exterior metal doors throughout the building. Single or isolated replacements may be needed and should be funded through reserves as the need arises.
22. **Exhaust Fans (LS)** - This line item is for the replacement cost of the exhaust fans located throughout the building. The replacement cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning. Structural support, roofing work, main electrical wiring distribution, and mechanical main ductwork are not included in this item. The estimated replacement cost is \$47,000 total.

This cost is an estimate based on similar previous projects and is not meant or intended to be used for contractor bidding, design work/calculations, or any function other than budget calculation.

This item is for the exhaust fans of the building that according to the as-built plans, are dedicated to remove air from the residential bathrooms, dryers, electrical room, domestic pump room, switchgear room, and loading space.

- a. EF-1: Manufacturer: Greenheck, Model: SE1-12-426D, Direct Drive, 675 CFM, 120V/1Ph, 1216 RPM
- b. EF-2: Manufacturer: Greenheck, Model: CSP-258, Direct Drive, 695 CFM, 120V/1Ph, 1600 RPM
- c. EF-3: Manufacturer: Greenheck, Model: BSQ-240HP-30, Belt Drive, 6335 CFM, 480V/3Ph, 1180 RPM
- d. EF-4: Manufacturer: Greenheck, Model: BSQ-24HP-50, Belt Drive, 7200 CFM, 480V/3Ph, 1230 RPM.
- e. EF-5: Manufacturer: Greenheck, Model: SQ-140-A, Direct Drive, 2450 CFM, 480V/1Ph, 1385 RPM
- f. EF-6: Manufacturer: Greenheck, Model: SP-255, Direct Drive, 600 CFM, 120V/1Ph, 925 RPM
- g. EF-7,8: Manufacturer: Greenheck, Model: SP-6-A, Direct Drive, 50 CFM, 120V/1Ph, 1160 RPM
- h. EF-9,10 Manufacturer: Greenheck, Model: TAD-24-624-A20, Direct Drive, 8000 CFM, 480V/3Ph, 1725 RPM
- i. EF-11: Manufacturer: Greenheck, Model: SP-7, Direct Drive, 110 CFM, 120V/1Ph, 950 RPM
- j. EF-12: Manufacturer: Greenheck, Model: GW-90-G, Direct Drive, 300 CFM, 120V/1Ph, 975 RPM
- k. EF-13: Manufacturer: Greenheck, Model: CSP-228, Direct Drive, 360 CFM, 120V/1Ph, 1350 RPM
- l. EF-14: Manufacturer Greenheck, Model: SE1—12-426D, Direct Drive, 675 CFM, 120V/1Ph, 1216 RPM
- m. EF-15,16: Manufacturer: Greenheck, Model: SQ-140-A, Direct Drive, 2450 CFM, 480V/3Ph, 1385 RPM.
- n. EF-17: Manufacturer: Greenheck, Model: SB-1H30-3, Belt Drive, 5160 CFM, 675 RPM, 120V/1Ph
- o. EF-18,19,20: Manufacturer: Greenheck, Model: SE1-12-426D, Direct Drive, 675 CFM, 1216 RPM, 120V/1Ph.
- p. EF-21: Manufacturer: Greenheck, Model: SQ-130-A, Direct Drive, 2000 CFM, 1725 RPM, 480V/3Ph.
- q. EF-22: Manufacturer: Greenheck, Model: BSQ-120-15, Belt Drive, 2290 CFM, 2220 RPM, 480V/3Ph.

23. Elevator Pressurization Fans (EA) - This line item is for the replacement cost of the elevator pressurization fans. The replacement cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning. Structural support, fire alarm, smoke control, main electrical wiring distribution, and mechanical main ductwork are not included in this item. The estimated replacement cost is \$28,000 per unit and estimated equipment cost is \$25,000 per unit.

- a. SF-3,4: Manufacturer: Greenheck, Model: TAD-48-616-B75, Direct Drive, 30000 CFM, 1140 RPM, 480V/3Ph.
- b. SF-5: Manufacturer: Greenheck, Model: TAD-48-616-B75, Direct Drive, 30000 CFM, 1440 RPM, 480V/3Ph.

24. Stair Pressurization Fans (EA) - This line item is for the replacement cost of the stair pressurization fans. The replacement cost is inclusive of labor, removal, hauling and disposal of the existing equipment, as well as the installation, testing and commissioning. Structural support, fire alarm, smoke control, main electrical wiring

distribution, and mechanical main ductwork are not included in this item. The estimated replacement cost is \$10,000 per unit and estimated equipment cost is \$17,650 per unit.

- a. SF-1,2: Manufacturer: Greenheck, Model: TAD-48-621-B100, Direct Drive, 30000 CFM, 1140 RPM, 480V/4Ph.

Client		Scope of Work		
Two Tequesta Condominium		Update with Site Visit		
File Number				
19-0289-011				
Version				
July, 2024		Revisions		
Community Information		Description	Check By	Date
		Update initial fund balance and prior year annual contibution	RK	7/26/2024
Number of Units	268	Contribution split between HOA and Two Tequesta	MG/RK	11/11/2024
Date of Original Construction	circa. 1999	Final Version	MG/RK	11/18/2024
Location	Miami, Florida			
Initial Conditions				
Initial Fiscal Year	2025			
Initial Fund Balance	\$0			
Prior Year Annual Contribution	\$0			
		Analysis Calculation Constants		
Last Day of Fiscal Year	December 31	Time Window	25	
Initial Percent Funded	0.00%	Annual Rate of Cost Inflation	0.00%	
Initial Estimated Total Replacement Cost	\$4,574,594	Annual Rate of Investment Return	0.00%	
PV Expenditure in Time Window	\$6,365,941			
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	\$366,043	\$2,905,184	\$366,043
0% Threshold/ Baseline Funding	see Funding Projection for annual contributions in other than initial fiscal year	\$291,961	\$2,345,615	\$0
5% Threshold Funding	see Funding Projection for annual contributions in other than initial fiscal year	\$302,853	\$2,454,534	\$228,730

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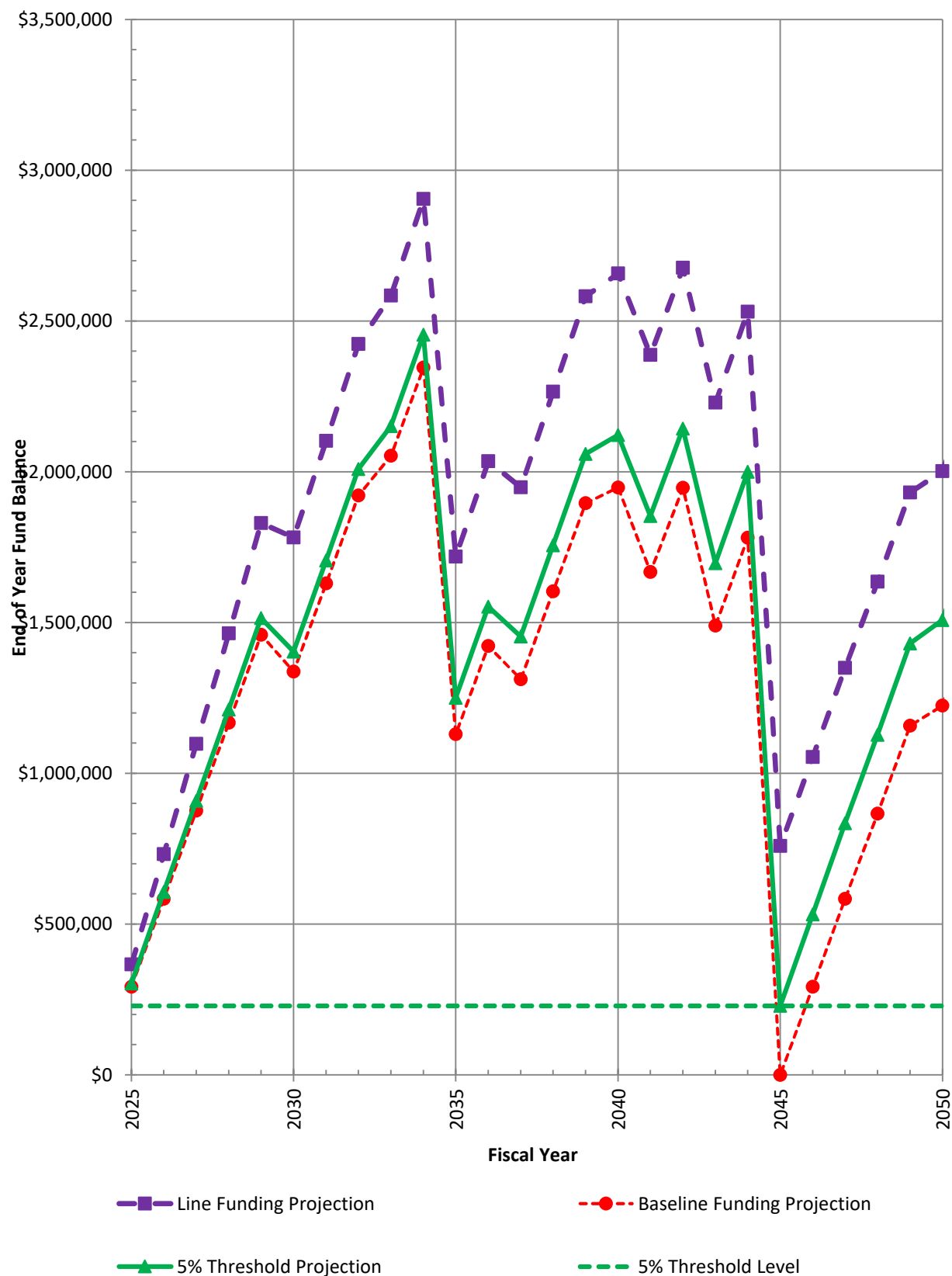
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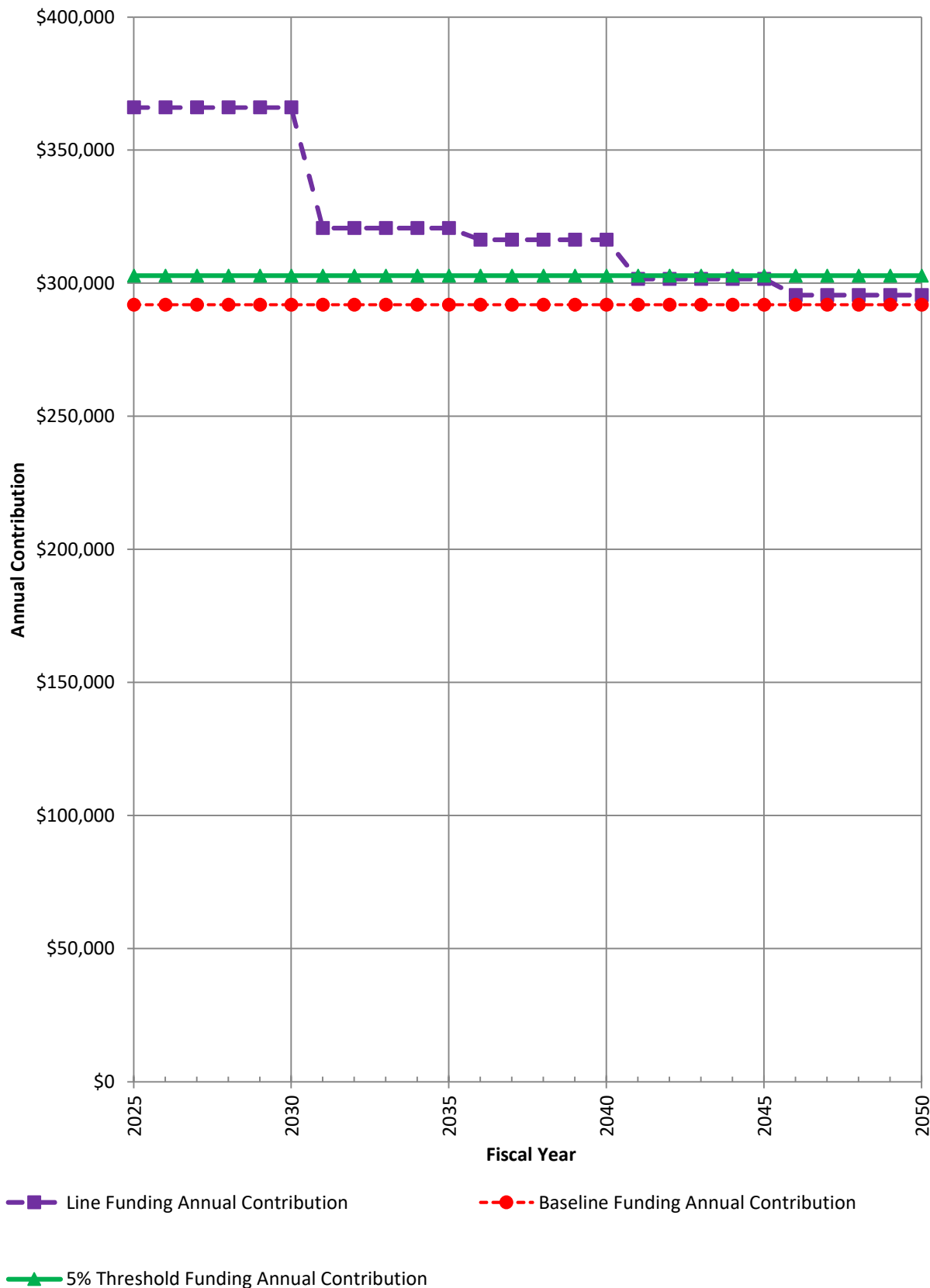
Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	Line Funding Scenario Projection			0% Threshold (Baseline) Funding Scenario Projection			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Initial Year Threshold of \$0			
					Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	\$ -	\$ -	\$ 366,043	\$ 366,043	\$ -	\$ 291,961	\$ 291,961	\$ -
2026	-	366,043	366,043	732,086	291,961	291,961	583,923	-
2027	-	732,086	366,043	1,098,128	583,923	291,961	875,884	-
2028	-	1,098,128	366,043	1,464,171	875,884	291,961	1,167,846	-
2029	-	1,464,171	366,043	1,830,214	1,167,846	291,961	1,459,807	-
2030	414,000	1,830,214	366,043	1,782,257	1,459,807	291,961	1,337,769	-
2031	-	1,782,257	320,732	2,102,989	1,337,769	291,961	1,629,730	-
2032	-	2,102,989	320,732	2,423,720	1,629,730	291,961	1,921,692	-
2033	160,000	2,423,720	320,732	2,584,452	1,921,692	291,961	2,053,653	-
2034	-	2,584,452	320,732	2,905,184	2,053,653	291,961	2,345,615	-
2035	1,507,347	2,905,184	320,732	1,718,568	2,345,615	291,961	1,130,229	-
2036	-	1,718,568	316,389	2,034,958	1,130,229	291,961	1,422,191	-
2037	402,300	2,034,958	316,389	1,949,047	1,422,191	291,961	1,311,852	-
2038	-	1,949,047	316,389	2,265,437	1,311,852	291,961	1,603,814	-
2039	-	2,265,437	316,389	2,581,826	1,603,814	291,961	1,895,775	-
2040	240,000	2,581,826	316,389	2,658,216	1,895,775	291,961	1,947,737	-
2041	571,816	2,658,216	301,660	2,388,060	1,947,737	291,961	1,667,882	-
2042	13,125	2,388,060	301,660	2,676,595	1,667,882	291,961	1,946,719	-
2043	749,000	2,676,595	301,660	2,229,256	1,946,719	291,961	1,489,680	-
2044	-	2,229,256	301,660	2,530,916	1,489,680	291,961	1,781,642	-
2045	2,073,603	2,530,916	301,660	758,974	1,781,642	291,961	-	-
2046	-	758,974	295,533	1,054,506	-	291,961	291,961	-
2047	-	1,054,506	295,533	1,350,039	291,961	291,961	583,923	-
2048	9,750	1,350,039	295,533	1,635,821	583,923	291,961	866,134	-
2049	-	1,635,821	295,533	1,931,354	866,134	291,961	1,158,096	-
2050	225,000	1,931,354	295,533	2,001,886	1,158,096	291,961	1,225,057	-

Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	5% Threshold Funding Scenario Projection			
		Initial Year Threshold of \$228,730			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	\$ -	\$ -	\$ 302,853	\$ 302,853	\$ 228,730
2026	-	302,853	302,853	605,707	228,730
2027	-	605,707	302,853	908,560	228,730
2028	-	908,560	302,853	1,211,414	228,730
2029	-	1,211,414	302,853	1,514,267	228,730
2030	414,000	1,514,267	302,853	1,403,120	228,730
2031	-	1,403,120	302,853	1,705,974	228,730
2032	-	1,705,974	302,853	2,008,827	228,730
2033	160,000	2,008,827	302,853	2,151,680	228,730
2034	-	2,151,680	302,853	2,454,534	228,730
2035	1,507,347	2,454,534	302,853	1,250,040	228,730
2036	-	1,250,040	302,853	1,552,893	228,730
2037	402,300	1,552,893	302,853	1,453,447	228,730
2038	-	1,453,447	302,853	1,756,300	228,730
2039	-	1,756,300	302,853	2,059,154	228,730
2040	240,000	2,059,154	302,853	2,122,007	228,730
2041	571,816	2,122,007	302,853	1,853,044	228,730
2042	13,125	1,853,044	302,853	2,142,773	228,730
2043	749,000	2,142,773	302,853	1,696,626	228,730
2044	-	1,696,626	302,853	1,999,480	228,730
2045	2,073,603	1,999,480	302,853	228,730	228,730
2046	-	228,730	302,853	531,583	228,730
2047	-	531,583	302,853	834,436	228,730
2048	9,750	834,436	302,853	1,127,540	228,730
2049	-	1,127,540	302,853	1,430,393	228,730
2050	225,000	1,430,393	302,853	1,508,247	228,730

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 \$414,000 consisting of these projects:	2031 total expenditure \$0 consisting of these projects:	2032 total expenditure \$0 consisting of these projects:
	C-Fire Protection-alarm system upgrades, 75%-[3,5] \$414,000		

2033 total expenditure \$160,000 consisting of these projects:	2034 total expenditure \$0 consisting of these projects:	2035 total expenditure \$1,507,347 consisting of these projects:	2036 total expenditure \$0 consisting of these projects:
E-Electrical-inter. and exter. light fixtures - corr. and stairs-[1] \$160,000		B-Balcony-concrete repairs-[3,5] \$600,400 F-Façade-paint-[3,5] \$472,600 B-Façade-stucco/concrete repairs-[3,5] \$304,347 G-Doors & Windows-sgd and win. replace. (comm.)-[1] \$85,000 H-Doors & Windows-exterior metal door replacement-[1] \$45,000	

2037 total expenditure \$402,300 consisting of these projects:	2038 total expenditure \$0 consisting of these projects:	2039 total expenditure \$0 consisting of these projects:	2040 total expenditure \$240,000 consisting of these projects:
H-Mechanical-elevator pressurization fans \$265,000 H-Mechanical-exhaust fans-[1] \$82,000 H-Mechanical-stairs pressurization fans \$55,300			D-Plumbing-storm drainage system, 75% \$120,000 D-Plumbing-sanitary drainage system, 75% \$120,000

2041 total expenditure \$571,816 consisting of these projects:	2042 total expenditure \$13,125 consisting of these projects:	2043 total expenditure \$749,000 consisting of these projects:	2044 total expenditure \$0 consisting of these projects:
A-Roof-roof membrane replacement-[2] \$386,116 A-Roof-roof concrete slab repairs-[2] \$185,700	C-Fire Protection-fire backflow system, 75%-[3] \$13,125	C-Fire Protection-fire protection system, 75% \$562,500 C-Fire Protection-fire pump & jockey pump, high zone-[3] \$128,000 C-Fire Protection-fire pump &jockey pump, low zone 50%-[3] \$58,500	

2045 total expenditure \$2,073,603 consisting of these projects:	2046 total expenditure \$0 consisting of these projects:	2047 total expenditure \$0 consisting of these projects:	2048 total expenditure \$9,750 consisting of these projects:
B-Balcony-concrete repairs-[3,5] \$600,400 F-Façade-paint-[3,5] \$472,600 C-Fire Protection-alarm system upgrades, 75%-[3,5] \$414,000 B-Façade-stucco/concrete repairs-[3,5] \$304,347 F-Railing-paint-[3,5] \$282,256			D-Plumbing-domestic water backflow, 75% \$9,750

2049 total expenditure \$0 consisting of these projects:	2050 total expenditure \$225,000 consisting of these projects:
	E-Electrical-emergency generator, 75% \$142,500 D-Plumbing-domestic booster pump, 75% \$82,500

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 general 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. 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. cores, moisture testing, etc.) beyond typical visual inspection and quantity measurement, are included in the analysis.

Revisions

The Structural Integrity Reserve Study may be 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), the assumed annual rate of cost inflation (The Falcon Group, unless otherwise directed by the Association, will assume this to be zero), and the assumed annual rate of investment return (The Falcon Group, unless otherwise directed by the Association, will assume this to be zero).

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: (1) the reserve schedule, which displays life cycle and estimated cost information that is used to develop the expenditure projection; and (2) 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 Roof, Foundation, or Waterproofing, 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 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, then 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 The Falcon Group 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 reference books (R.S. Means is a commercially available series of cost estimating guides published by Reed Construction Data), contractor bids for similar scopes of work with which The Falcon Group has been involved, industry/manufacturer specific information, and whatever historical expenditure information 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, unavailability of specified materials, labor shortages, supply chain issues, regulatory environment changes, etc. 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 Structural Integrity Reserve Study.

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.

Current Theoretical Full Funding Line Item Balance [Full Funding Schedule]

This line item entry is essentially the difference between the estimated line item occurrence cost and the depreciated value at the beginning of the initial fiscal year of the analysis (based upon simple straight-line depreciation of the occurrence cost over the typically expected life cycle with an assumed residual value of zero), and thus represents both the value of the common element(s) represented by the line item that has been lost to senescence (aging), wear, weathering, and other forms of deterioration since the installation of said element(s) and the theoretical “ideal” level of funding expected if the Association was attempting to maintain full funding.

Initial Fund Allocation [Full Funding Schedule]

This line item entry is the portion of the initial fund balance that has been allocated to the line item for calculation purposes. The process of determining this allocation is called “pooling,” and tends to become a complex issue, especially in regards to fund distribution in severely under-funded situations. The Falcon Group uses an algorithm that preferentially directs funding allocation to cover expenditures occurring in the initial fiscal year and allocates the remainder based upon the

individual line item current cumulative depreciations. Note that the sum of all line item initial fund allocations, by definition, is equal to the initial fund balance.

The Association should remember that pooling is essentially an accounting convenience that is used to allow the component methodology calculations, not an intrinsic characteristic of the typical capital reserve fund. It is rare for an association to explicitly divide their capital reserve fund into separate savings or investment accounts for each individual line item of a Structural Integrity Reserve Study, and the line item initial fund allocation is therefore not normally reflected in any administrative or fiscal structure within an association.

Current Overage (+) or Shortage (-) [Full Funding Schedule]

This line item entry is simply the difference between the initial fund allocation and the current theoretical full funding line item balance. Positive numbers indicate overages (the initial fund allocation is greater than the current theoretical full funding line item balance) while negative numbers indicates shortages (the initial fund allocation is less than the current theoretical full funding line item balance). An association that is fully funded will have neither overages nor shortages.

Effective Age of Component [Full Funding Schedule]

This line item entry is essentially the numerical representation of the estimated number of full years of “typical” deterioration experienced by the components of the line item up to the initial year of the analysis. Thus, if a line item has an expected life cycle of 15 years and a condition assessed remaining life of 10 years, it has an effective age of 4, because the line item is in the midst of its 5th year.

Current Theoretical Full Funding Line Item Annual Contribution [Full Funding Schedule]

This line item entry is the estimated value of the common element(s) represented by the line item that is lost each year to senescence (aging), wear, weathering, and other forms of deterioration, and is therefore a form of depreciation. This analysis assumes all depreciation to be a linear function of the line item life cycle and occurrence cost for budgeting purposes. Depreciation is an accounting convention and mathematical construction, not necessarily a true reflection of the actual physical deterioration of many common elements. Many objects tend to experience a gradually increasing rate of deterioration as they age, and their actual value often more closely resembles a logarithmic or exponential function than a linear function. The difficulties in attempting to more accurately model actual material degradation mathematically make depreciation via linear functions the favored basis of calculation for full funding analyses.

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 year's 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 Structural Integrity Reserve Study. 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 61B-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 Statutes.

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 deferred 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 of 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.