



**Structural Integrity Reserve Study
for
Island Terrace Condominium
Miami Beach, FL
~~August 20, 2024 – Client Review~~
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Falcon Project 16-647

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Client Review

Table of Contents

Narrative Report

Table of Contents	N-1
Community Description	N-2
Structural Integrity Reserve Study Overview	N-2
Milestone Inspection.....	N-2
Structural Integrity Reserve Study.....	N-3
Association Considerations for a Structural Integrity Reserve Study	N-4
Florida Statutory Reserve Requirements	N-4
Funding Goal	N-5
Methodology	N-5
Analysis	N-6
Limits of Inspection & Disclosures	N-7
Community Specific Conditions & Commentary	N-8
General Comments	N-8
Calculation Table Notes	N-9

Calculation Tables

Executive Summary	C-1
Reserve Schedules	C-3
Expenditure Projection	C-5
Annual Funding Projection	C-12
Projection Graphs	C-14
Expenditure Calendar	C-16

Appendix

Calculation Table Explanatory Descriptions	A-1
Executive Summary.....	A-1
Line Item Schedules	A-2
Expenditure Projection	A-4
Annual Funding Projection	A-5
Projection Graphs	A-5
Expenditure Calendar	A-6
Florida Administrative Code Reserve Requirements	A-7

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

Island Terrace Condominium consists of one (1) 16-story residential buildings with a total of 139 residential units.

The Association is responsible for exterior building components, common interior components including the pool, pool deck recreation area, and miscellaneous other site an building improvements for the use of the community residents. The building was constructed in 1967.

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. 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.
- 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 Mortgagee 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 regarding 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 tend to reduce the necessary annual contributions, as the Association is essentially collecting additional funding from investment of its capital reserve fund. Increasing inflation rates tend 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 needs 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 our 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).
- 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.
- 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 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. Below is a list of structural integrity reserve items that the Association is anticipated to commence next year or so. Therefore, Falcon is resetting the remaining useful life cycle and including the remedial years of these items. If the Association does not commence these items, this structural integrity reserve study will need to be revised / updated for these existing line items:
 - a. Line item #6: B-Parking Garage-concrete repairs
 - b. Line item #7: C-Fire Protection-alarm system upgrades
 - c. Line item #9: C-Fire Protection-fire protection system
 - d. Line item #10: C-Fire Protection-fire pump and jockey pump
 - e. Line item #22: F-Parking Garage-paint
 - f. Line item #31: H-Seawall-repair fund
5. Below is a list of structural integrity reserve items that have a useful remaining life greater than 25 years. The cost of these items have been set to \$0.
 - a. Line item #9: C-Fire Protection-fire protection system
 - b. Line item #10: C-Fire Protection-fire pump and jockey pump
 - c. Line item #14: D-Plumbing-sanitary drainage system
 - d. Line item #18: E-Electrical-emergency generator
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 the numbers given in the analysis Calculation Tables, which immediately follow these notes.

1. **Flat Roof System Replacement (LS)** - This cost estimate assumes a complete replacement using a new 3-ply Soprema roof system and includes allowances for repairing scuppers and flashing, as well as the installation of walk pads. It covers the replacement of 10,890 square feet at \$30.38 per square foot. Additionally, an allowance of \$24,500 is included in this total. The cost also incorporates an extra 37.5% to account for permitting, mobilization, demobilization, general conditions, payment and performance bonds, and engineering expenses
2. **Roof Concrete Slab Repairs (LS)** - This line item is for the concrete repairs of the roof slab to be done in conjunction with the flat roofing system replacement. Repairs are assumed to be typical (concrete repair from top, partial depth, and full depth) at an estimated 100 SF at \$110/SF and 40 CF at \$300/CF. This cost does not include the removal of the roof system.
3. **Pool Deck Concrete Repairs (LS)** - This line item is for the parking garage concrete repairs of the building to be conducted every 20 years in conjunction with the pool deck project. The cost of this item was derived from the engineering estimate provided by Falcon. The repairs include structural concrete cracks, concrete, rebar tip repairs, concrete overhead repairs, concrete through slab repairs, concrete repairs from top, and vertical concrete repairs at an estimated cost of 200 SF at \$110/SF and 80 CF at \$300/CF. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
4. **Building Exterior Concrete Repairs (LS)** - This line item is for the exterior concrete repairs of the building to be conducted every 10 years in conjunction with the façade restoration and paint project. The total cost of the concrete repairs assumes 500 SF at \$110/SF and 80 CF at \$300/CF, and includes structural concrete cracks, concrete column/beam repairs, rebar tip repairs, window header/sill repairs, concrete overhead repairs, concrete through slab repairs, concrete repairs from top, and vertical concrete repairs. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
5. **Building Exterior Stucco Repairs (LS)** - This line item is for the stucco repairs throughout the facade to be conducted every 10 years in conjunction with the façade restoration and paint project. The total cost of the stucco repairs is assumed to be 6400 SF at \$25/SF and includes stucco crack repairs, stucco delamination repairs, and excessive stucco delamination repairs. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
6. **Parking Garage Concrete Repairs (LS)** - This line item is for the parking garage concrete repairs of the building to be conducted every 15 years in conjunction with the parking garage restoration and paint project. The total cost of the concrete repairs assumes 240 SF at \$110/SF and 40 CF at \$300/CF, and includes structural concrete cracks, concrete column/beam repairs, rebar tip repairs, concrete overhead repairs, concrete through slab repairs, and vertical concrete repairs. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
7. **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.
8. **Fire Backflow Preventer System (LS)** - The price estimated for a fire backflow 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 \$12,500.

9. **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.
10. **Fire Pump and Jockey Pump (LS)** - This line item is for the replacement of the existing fire and jockey pump. 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 \$40,000. 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 information taken from the field inspection of the building were used to estimate the price for a fire and jockey pump with the information below. The estimated cost of the equipment is \$70,000.

- a. Centrifugal Fire Pump, Manufacture: Aurora, Type: 481 BF H, 750 GPM, Head feet 335, 3560 RPM.
 - b. Fire Pump Motor: Manufacturer: Marathon, Model: JH 365TSTD7904BV, 100HP, 3550 RPM, 200/400V, 60Hz, 3Ph.
 - c. Jockey Pump, Manufacturer: Grundfos, Model A96082102-P11109624, 3466 RPM, 1.5 HP, 9.69 GM, 208-230/460V, 60Hz, 3Ph.
 - d. Fire Pump Controller: Manufacturer: Joslyn Clark, Cat. No. E8C202-5TU, 208 V, 3 Ph, 60 Hz, Max Water Pressure: 275 PSI, 100 HP.
11. **Boiler (EA)** – This line item is for the cooling tower boiler located at the mechanical room at the roof level. 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. The estimated replacement cost is \$2,500 and the estimated cost of the equipment is \$11,000.
- a. CT Boiler: Manufacturer: Lochivar Copper-Fin II, Model: CHN1442, 120V, 1Ph, 60Hz, 160 Max PSI, 1,440,000 Input Rating, 1,224,000 Min Output Rating
12. **Domestic Water Backflow System (LS)** - The price estimated for a domestic water back flow piping system was based on the actual conditions of the 4-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 \$11,000.

13. **Domestic Water Booster (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 \$40,000 for both equipment and labor. 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 information taken from the field inspection of the building were used to estimate the price for a domestic water booster system with the information below.

- a. Pump P-1: Manufacturer: Goulds, e-SV Multistage Pump. Model: 33SV30GK4C50, 15 HP, 3500 RPM.
- b. Pump P-2: Manufacturer: Goulds, e-SV Multistage Pump. Model: 33SV30GC30, 15 HP, 3500 RPM.

- c. Pump Motor 1: Manufacturer: Baldor, Model: Cat No. VEM3314T, 230/460V, 3475 RPM, 15 HP, 60 Hz, 3 Ph.
 - d. Pump Motor 2: Manufacturer: Baldor, Model: Cat No. V13A32E4BE2S, 208-230/460V, 3525 RPM, 15 HP, 60Hz, 3 Ph.
14. **Sanitary Drainage System (LS)** - This line is to perform localized repairs sanitary drainage cast iron piping sections located in the riser and the garage area, on a cycle of approximately 50 years.
15. **Storm Drainage System (LS)** - This line is to perform localized repairs storm drainage cast iron piping sections located in the riser and the garage area, on a cycle of approximately 50 years.
16. **Light Fixtures Common Areas (LS)** - Common area lighting fixture cost estimates anticipate replacement, repair, maintenance, and upgrade 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.
17. **Electrical Panels (LS)** - The cost estimate used in the analysis for the electrical distribution panel is based on visual inspection collected field information and/or from the original drawings. These specifications are for the replacement with a new one with similar characteristics.
- a. Switchboard, Manufacturer: Linsco, 2500A max. 120/208V, 60Hz 3Φ-4W, indoor
 - b. Distribution Panelboard: EMPD, Manufacturer: General Electric, 10.000 RMS SYM. AMPS, 120/208V, 3Φ-4W, Indoor.
 - c. Panel Board, Manufacturer: Linsco, 125A max. 120/240V, 60Hz, 1Φ-3W, indoor.
 - d. Panelboard: Manufacturer: Sylvania, 400A max. 208/120V, 3Φ-4W, Indoor.
 - e. Panelboard H, Manufacturer: Cutler-Hammer, 120/240V, Indoor.
 - f. Panelboard: T, Manufacturer: Cutler-Hammer, 200A max. 208/120V, 3Φ-4W, Indoor.
 - g. Panelboard: HSB, Manufacturer: Cutler-Hammer, 200A max. 208/120V, 3Φ-4W, Indoor.
 - h. Panelboard: Manufacturer: Cutler-Hammer, 150A max. 208/120V, 3Φ-4W, Indoor.
 - i. Panelboard: R, Manufacturer: Gould, 200A max. 240/120V, 1Φ-3W, Indoor.
18. **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 \$65,000. 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 estimated cost of a new generator is \$85,000.
- a. Diesel Generator: Manufacturer: KOHLER, Model: 200REZXB, 1800 RPM, 60Hz, 200 KW, 250 KVA, 120/208V, 3 Phase.

19. **Meter Banks and Busway (LS)** - This item describes the information taken from the field to estimate the specifications of the modular metering system.
- Meter Stack: Model: CAT. No. BMT-4U, Socket: 4 positions, Main Breaker: 225 A Max, 120/240VAC, 1 Ph, 3 Wire.
 - Meter Stack: Model: CAT. No. BMT-4D, Socket: 4 positions, Main Breaker: 100 A Max, 120/240VAC, 1 Ph, 3 Wire.
20. **Balcony Waterproofing (LS)** – This line item is for the waterproofing of the residential balconies throughout the building. The cost of the balcony waterproofing assumes 10% of total gross quantity (1450SF) at \$35/SF. An allowance of \$14,500 has been included for removal and disposal of existing tiles. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
21. **Façade Paint (LS)** - This line item is for the exterior paint of the façade. This cost assumes 59500 SF at \$3.50/SF. This cost also includes an additional 32.5% of cost that covers permitting, mobilization, demobilization, general conditions, and payment/performance bonds.
- 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.
22. **Parking Garage Paint (LS)** - This line item is for the parking garage paint to be conducted in conjunction with the parking garage restoration project every 15 years. This cost assumes 23000SF at \$2/SF and includes painting the parking garage ceiling slab, concrete beams, and concrete columns
23. **Pool Deck Planter Waterproofing – (LS)** - This line item is for the replacement of the waterproofing at the pool deck planters to be conducted in conjunction with the pool deck restoration every 20 years. The waterproofing replacement includes removal/disposal of existing finishes at planters' wall, removal of topping slab, removal of waterproofing, surface preparation, replacement of topping slab, replacement of planter drains, replacement of waterproofing, installation of gravel bed, and installation of new finishes. The unit cost of this item assumes 3150 SF at \$45/SF. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
24. **Pool Deck Waterproofing (LS)** - This line item is for the replacement of the waterproofing at the pool deck. This line item is assumes 7800 SF at \$30/SF removal of existing waterproofing and installation of new waterproofing. This cost also includes an additional 37.5% of cost that covers permitting, mobilization, demobilization, general conditions, payment/performance bonds, and engineering.
25. **Swimming Pool Waterproofing & Resurfacing (LS)** - This line item is for the pool shell waterproofing and resurfacing to be conducted in conjunction with the pool deck restoration every 20 years. The cost of this line item assumes 1420 SF at \$30 This line item includes cost for removal/disposal of all finishes, replacement of pool drains, surface preparation, installation of new waterproofing, installation of new tiles, and installation of pool finishes.
26. **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. The cost of this item assumes 11 doors are \$1250/EA
27. **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. The cost of this item assumes an allowance of \$18,000 for the replacement of the common area fixed windows and \$12,000 for the sliding glass door at the entrance and storefronts at the pool deck.

28. **Exhaust Fans (EA)** - 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 \$2,000 per unit and estimated equipment cost of \$2,500 per unit. 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.

Based on our visual inspection, the exhaust fans of the building appear to be dedicated to remove air from the apartment's restrooms and dryers.

- a. Exhaust Fan: Centrifugal Inline, Direct Drive. Manufacturer: Fantech, Model: 5DDD16DB, 2788 CFM Max, 120/230V, 1143 RPM, 1/2 HP, 60 Hz, 1Ph.
 - b. Exhaust Fan: Centrifugal Inline, Direct Drive. Manufacturer: Centri Master, Model: PRN163F, 2000 CFM Max, 115V, 1/3 HP, 60 Hz, 1Ph.
 - c. Exhaust Fan: Centrifugal Inline, Direct Drive. Manufacturer: Centri Master, Model: PRN128E, 1200 CFM Max, 115V, 1/4 HP, 60 Hz, 1Ph.
 - d. Exhaust Fan: Wall Mount, Belt Drive. Manufacturer: Marathon, Model: TAK 58T17DRR70023A1A, 1725 RPM, 208-230/460V, 3/4 HP, 60 Hz, 3Ph.
29. **Sump Pump (EA)** - This line item is for the sump pumps located at the parking garage. The characteristics of these pumps were taken from field inspection.
- a. Sump Pump: Manufacture: Goulds, Model: M4P2A22FCA0E, 10HP.
30. **Water Heater (EA)** - This line item is the water heater located at the mechanical room at the roof level. 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. The estimated replacement cost is \$2,500 and the estimated cost of the equipment is \$9000.
- a. Water Heater: Manufacturer: HTP, Phoenix, Model: PH199-119, Input Range 40000-199000 BTU/Hr., 119 Nominal Gallons, Natural Gas. 3 (units).
31. **Seawall Concrete Repairs Fund (LS)** - This line item is for the concrete repairs at the seawall to be conducted every 20 years. The repairs for the seawall include concrete crack repairs, concrete spalling repairs, and an allowance for expansion joint replacement. Concrete cracks are assumed at 300 LF at \$30/LF, concrete spalling is assumed at \$180 SF at \$110/SF, and 40 CF at \$400/CF.

Client		Scope of Work		
Island Terrace Condominium		Full Study with Measurement		
File Number				
16-647				
Version				
45506		Revisions		
Community Information		Description	Check By	Date
		Update roofing system replacement items	RK	9/5/2024
Number of Units	139			
Date of Original Construction	1967			
Location	Miami Beach, FL			
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	\$4,312,006	Annual Rate of Investment Return	0.00%	
PV Expenditure in Time Window	\$5,696,906			
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	\$460,875	\$2,414,070	\$460,875
0% Threshold/ Baseline Funding	see Funding Projection for annual contributions in other than initial fiscal year	\$327,855	\$2,827,326	\$0
5% Threshold Funding	see Funding Projection for annual contributions in other than initial fiscal year	\$347,455	\$3,336,927	\$215,600

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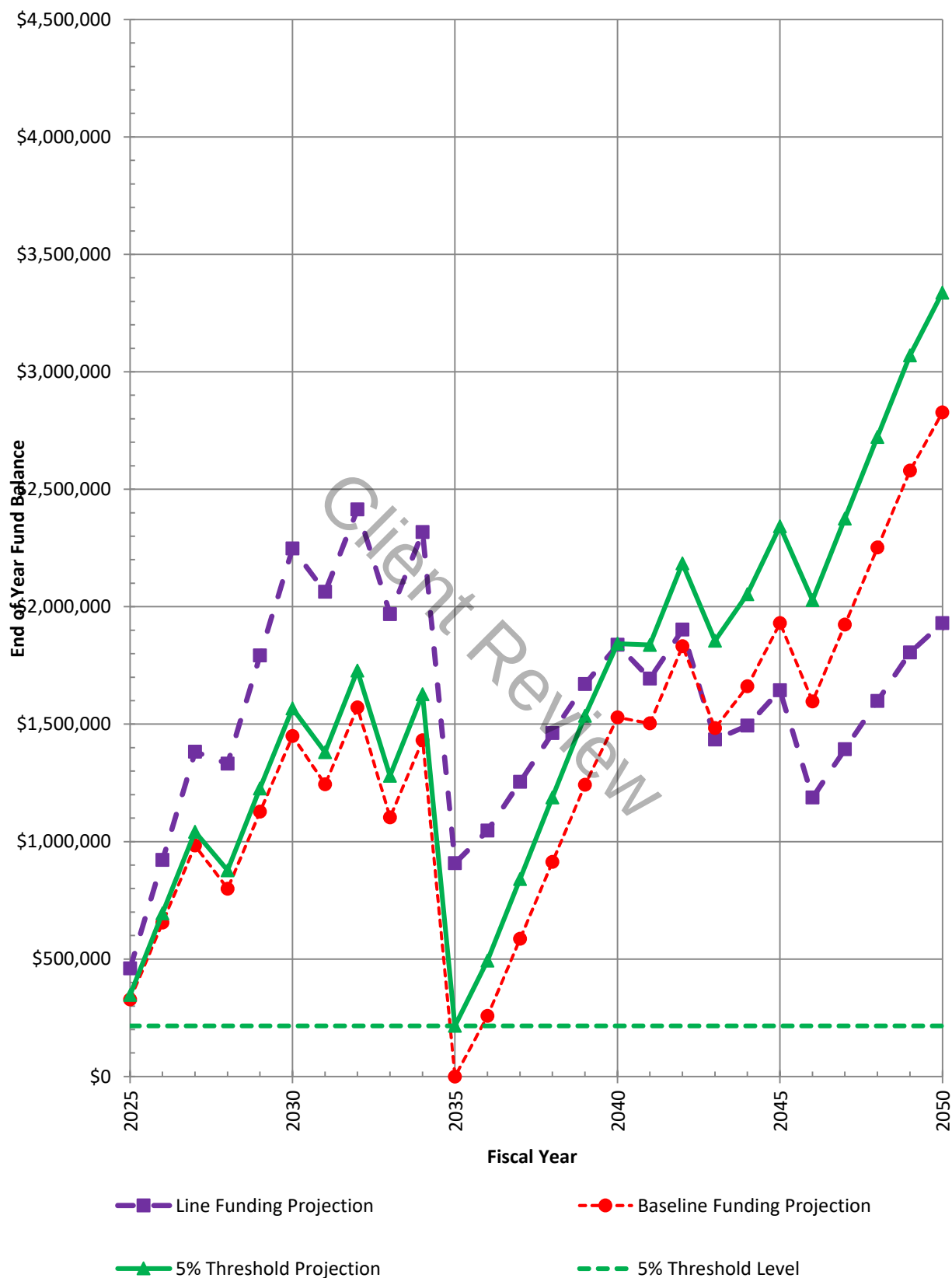
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Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	Line Funding Scenario Projection			0% Threshold (Baseline) Funding Scenario Projection			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Initial Year Threshold of \$0			
					Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	\$ -	\$ -	\$ 460,875	\$ 460,875	\$ -	\$ 327,855	\$ 327,855	\$ -
2026	-	460,875	460,875	921,751	327,855	327,855	655,710	-
2027	-	921,751	460,875	1,382,626	655,710	327,855	983,565	-
2028	511,589	1,382,626	460,875	1,331,913	983,565	327,855	799,831	-
2029	-	1,331,913	460,875	1,792,788	799,831	327,855	1,127,686	-
2030	6,000	1,792,788	460,875	2,247,664	1,127,686	327,855	1,449,542	-
2031	533,406	2,247,664	349,906	2,064,164	1,449,542	327,855	1,243,991	-
2032	-	2,064,164	349,906	2,414,070	1,243,991	327,855	1,571,846	-
2033	795,911	2,414,070	349,906	1,968,065	1,571,846	327,855	1,103,790	-
2034	-	1,968,065	349,906	2,317,971	1,103,790	327,855	1,431,645	-
2035	1,759,500	2,317,971	349,906	908,377	1,431,645	327,855	-	-
2036	69,500	908,377	207,986	1,046,863	-	327,855	258,355	-
2037	-	1,046,863	207,986	1,254,849	258,355	327,855	586,210	-
2038	-	1,254,849	207,986	1,462,834	586,210	327,855	914,065	-
2039	-	1,462,834	207,986	1,670,820	914,065	327,855	1,241,920	-
2040	41,000	1,670,820	207,986	1,837,805	1,241,920	327,855	1,528,775	-
2041	352,800	1,837,805	208,780	1,693,785	1,528,775	327,855	1,503,831	-
2042	-	1,693,785	208,780	1,902,566	1,503,831	327,855	1,831,686	-
2043	676,311	1,902,566	208,780	1,435,035	1,831,686	327,855	1,483,230	-
2044	150,000	1,435,035	208,780	1,493,815	1,483,230	327,855	1,661,085	-
2045	58,300	1,493,815	208,780	1,644,295	1,661,085	327,855	1,930,640	-
2046	662,089	1,644,295	205,737	1,187,943	1,930,640	327,855	1,596,406	-
2047	-	1,187,943	205,737	1,393,680	1,596,406	327,855	1,924,261	-
2048	-	1,393,680	205,737	1,599,418	1,924,261	327,855	2,252,116	-
2049	-	1,599,418	205,737	1,805,155	2,252,116	327,855	2,579,971	-
2050	80,500	1,805,155	205,737	1,930,392	2,579,971	327,855	2,827,326	-

Fiscal Year	Nominal Expenditure (in Future Dollars) in Fiscal Year	5% Threshold Funding Scenario Projection			
		Initial Year Threshold of \$215,600			
		Start of Year Fund Balance	Projected Contribution	End of Year Fund Balance	Nominal Threshold in Year
2025	\$ -	\$ -	\$ 347,455	\$ 347,455	\$ 215,600
2026	-	347,455	347,455	694,910	215,600
2027	-	694,910	347,455	1,042,365	215,600
2028	511,589	1,042,365	347,455	878,231	215,600
2029	-	878,231	347,455	1,225,687	215,600
2030	6,000	1,225,687	347,455	1,567,142	215,600
2031	533,406	1,567,142	347,455	1,381,191	215,600
2032	-	1,381,191	347,455	1,728,646	215,600
2033	795,911	1,728,646	347,455	1,280,190	215,600
2034	-	1,280,190	347,455	1,627,645	215,600
2035	1,759,500	1,627,645	347,455	215,600	215,600
2036	69,500	215,600	347,455	493,555	215,600
2037	-	493,555	347,455	841,011	215,600
2038	-	841,011	347,455	1,188,466	215,600
2039	-	1,188,466	347,455	1,535,921	215,600
2040	41,000	1,535,921	347,455	1,842,376	215,600
2041	352,800	1,842,376	347,455	1,837,031	215,600
2042	-	1,837,031	347,455	2,184,486	215,600
2043	676,311	2,184,486	347,455	1,855,630	215,600
2044	150,000	1,855,630	347,455	2,053,085	215,600
2045	58,300	2,053,085	347,455	2,342,240	215,600
2046	662,089	2,342,240	347,455	2,027,607	215,600
2047	-	2,027,607	347,455	2,375,062	215,600
2048	-	2,375,062	347,455	2,722,517	215,600
2049	-	2,722,517	347,455	3,069,972	215,600
2050	80,500	3,069,972	347,455	3,336,927	215,600

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 \$511,589 consisting of these projects:
			A-Roof-flat roof system replacement-[2,3] \$488,589 A-Roof-roof concrete slab repairs-[2] \$23,000

Client Review

2029 total expenditure \$0 consisting of these projects:	2030 total expenditure \$6,000 consisting of these projects:	2031 total expenditure \$533,406 consisting of these projects:	2032 total expenditure \$0 consisting of these projects:
	H-Mechanical-sump pumps \$6,000	F-Pool Deck-waterproofing \$234,000 F-Pool Deck-planter waterproofing \$194,906 H-Mechanical-exhaust fans \$104,500	

Client Review

2033 total expenditure \$795,911 consisting of these projects:	2034 total expenditure \$0 consisting of these projects:	2035 total expenditure \$1,759,500 consisting of these projects:	2036 total expenditure \$69,500 consisting of these projects:
F-Façade-paint \$275,911 B-Building Exterior-stucco repairs \$220,000 B-Building Exterior-concrete repairs \$108,625 F-Balcony-waterproofing fund \$71,775 B-Pool Deck-concrete repairs \$63,250 F-Swimming Pool-waterproofing & resurfacing \$42,600 G-Doors & Windows-exterior metal door replacement-[1] \$13,750		E-Electrical-meter banks and busway-[3] \$1,620,000 D-Plumbing-storm drainage system \$75,000 H-Mechanical-water heater \$34,500 G-Doors & Windows-sgd and win. replace. (common) \$30,000	F-Parking Garage-paint-[4.e] \$46,000 C-Fire Protection-fire backflow preventer \$12,500 D-Plumbing-domestic water backflow-[3] \$11,000

2037 total expenditure \$0 consisting of these projects:	2038 total expenditure \$0 consisting of these projects:	2039 total expenditure \$0 consisting of these projects:	2040 total expenditure \$41,000 consisting of these projects:
			E-Electrical-light fixtures common areas- [1] \$35,000 H-Mechanical-sump pumps \$6,000

Client Review

2041 total expenditure \$352,800 consisting of these projects:	2042 total expenditure \$0 consisting of these projects:	2043 total expenditure \$676,311 consisting of these projects:	2044 total expenditure \$150,000 consisting of these projects:
C-Fire Protection-alarm system upgrades- [3, 4.b] \$300,000 B-Parking Garage-concrete repairs-[4.a] \$52,800		F-Façade-paint \$275,911 B-Building Exterior-stucco repairs \$220,000 B-Building Exterior-concrete repairs \$108,625 F-Balcony-waterproofing fund \$71,775	E-Electrical-electrical panels-[1] \$150,000

Client Review

2045 total expenditure \$58,300 consisting of these projects:	2046 total expenditure \$662,089 consisting of these projects:	2047 total expenditure \$0 consisting of these projects:	2048 total expenditure \$0 consisting of these projects:
H-Seawall-repair fund \$44,800 D-Plumbing-boiler-[3] \$13,500	A-Roof-flat roof system replacement-[2,3] \$488,589 H-Mechanical-exhaust fans \$104,500 F-Parking Garage-paint-[4.e] \$46,000 A-Roof-roof concrete slab repairs-[2] \$23,000		

Client Review

2049 total expenditure \$0 consisting of these projects:	2050 total expenditure \$80,500 consisting of these projects:
	D-Plumbing-domestic water booster-[3] \$40,000 H-Mechanical-water heater \$34,500 H-Mechanical-sump pumps \$6,000

Client Review

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/manufacture 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.