

A RESERVE STUDY UPDATE FOR

**Myrtle Trace
Condominium Association, Inc.
Venice, Florida
File # 22920-03975**

FOR PERIOD: January 1, 2012 – December 31, 2012

**PREPARED BY
GAB ROBINS, A DIVISION OF CUNNINGHAM LINDSEY
610 CRESCENT EXECUTIVE COURT
SUITE 212
LAKE MARY, FLORIDA 32746-3432
(800) 248-3376 ext. 257 (FL only)
(407) 805-0086 ext. 257**



610 Crescent Executive Court
Suite 212
Lake Mary, FL 32746
T: 800-248-3376 x 257
F: 407-805-9921
Email: service@gabvalue.com
On-Line: www.gabvalue.com

December 13, 2011

Myrtle Trace Condominium Association, Inc.
Attn: Mr. Robert Simpson, Property Manager
c/o Argus Property Management
181 Center Road
Venice, FL 34285

Dear Mr. Simpson:

On November 1, 2010, we completed an initial on-site inspection of Myrtle Trace Condominium Association, Inc. common area reserve items. Data gleaned from this inspection was utilized in the completion of an original reserve study report published on November 29, 2010. This report is an update of that previous reserve study report, which was accepted as accurate and reliable by the association representatives. The intent of this report is to show cash reserves necessary for the future repair or replacement of expendable components incorporated into the subject property. The purpose of this report is to aid Myrtle Trace Condominium Association, Inc. in making a determination for cash reserves that are needed to repair or replace short-lived building and/or site components. The property has not been re-inspected for use in this updated reserve study report.

The report identifies each component selected, it's estimated useful life, adjusted life, scheduled replacement date, and current cost to repair/replace. The useful and remaining lives of the building components in this study, as well as the current replacement costs, have been selected from market standards, cost estimating services, and consideration of actual recent costs incurred by the association for reserve upgrades. This report is classified as an update reserve study with no site visit under the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. The Reserve Specialist/GAB Robins have no relationships with the association that would result in actual or perceived conflicts of interest.

This report is our opinion and is based upon market typical useful lives and repair/replacement cost estimates. Actual determinations of the current conditions and state of repair for certain items may be beyond the scope of this analysis. Items may not last as long as projected or may exceed their estimated lives. Influences such as weather, catastrophe, improper maintenance, physical abuse, or abnormal use can affect these lives and/or replacement costs. When such occurrences happen, another inspection should be made and a new revised study prepared. While we have attempted to create a useful tool for the association to plan their needs, the actual reserves set aside are solely at the association's discretion.

The findings of this study are not for use in performing an audit, quality/forensic analyses, or background checks of historical records.

Current financial data was not provided and therefore we have utilized a \$0 balance for the purposes of this draft reserve study analysis. Upon receipt of this info the report can be amended and finalized accordingly. The reserve analysts estimated the repair or replacement cost taking into account contingencies inherent to this type of work.

Respectfully submitted,
GAB Robins, A Division of Cunningham Lindsey

J. Dawson
Reserve Analyst

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RESERVE STUDY FUNDING ANALYSIS

There are two generally accepted means of estimating reserves; the Component Funding Analysis and the Cash Flow Analysis methodologies. The **Component Funding Analysis** (or Straight Line Method) calculates the annual contribution amount for each individual line item component by dividing the component's unfunded balance by its remaining useful life. A component's unfunded balance is its replacement cost less the reserve balance in the component at the beginning of the analysis period. The annual contribution rate for each individual line item component is then summed to calculate the total annual contribution rate for this analysis.

The **Cash Flow Analysis** (or Pooling Method) is a method of calculating reserve contributions where contributions to the reserve funds are designed to offset the variable annual expenditures from the reserve fund. This analysis recognizes interest income attributable to reserve accounts over the period of the analysis. Funds from the beginning balances are pooled together and a yearly contribution rate is calculated to arrive at a positive cash flow and reserve account balance to adequately fund the future projected expenditures throughout the period of the analysis.

Prior to December 23, 2002, Florida statute mandated that condominium associations calculate reserves via the Component Funding Analysis method, on an annual basis. Funding at less than 100% of the fully funded estimate, based on the Component Funding Analysis method, could occur only after a full vote of the association membership. As of December 23, 2002, amendments to the Florida Administrative Code recognize the Cash Flow Analysis method as an approved methodology for the calculation of reserve funding for condominium associations. The fund requirement estimated by the Cash Flow Analysis method can now be provided to the membership, on an annual basis as a fully funded figure. The analysis must be completed as a portion of the association's annual budget, include the total estimated useful lives, estimated remaining useful lives, and estimated replacement cost/deferred maintenance expenses of all assets in the reserve budget (minimum roofing, painting, paving and any other item with a replacement/repair cost over \$10,000), and the estimated fund balance of the pooled reserve account as of the beginning of the period for which the budget will be in effect.

If the association maintains a pooled account for reserves, 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 association may include annual percentage increases in costs for the reserve components, but these increases are not mandated. Fully funded reserve contributions utilizing this methodology may not include future special assessments, and the annual funding levels cannot include percentage increases.

RESERVE STUDY FUNDING ANALYSIS – continued:

In our Cash Flow Analysis calculations, we do not include increases in construction costs/inflation. While future costs are expected to be higher than today's costs, which is supported by our analysis of past indexes/trends, increases in costs should be recognized as the association estimates current repair/replacement costs during their annual calculations of full reserve funding. A current cost estimate during the current fiscal year would theoretically be lower than a current cost for future fiscal years. That way the estimates of current cost moving forward will eventually represent current cost as of the date of forecast expenditure. Funding the reserves annually on that basis should ensure that adequate monies are available as of the date of expense, assuming that the current cost estimate is appropriate and that the reserve was fully funded since its last repair/replacement project was completed.

EXECUTIVE SUMMARY

PROPERTY DATA

Property Name: Myrtle Trace
Property Location: Venice, Florida
Property Type: Condominium
Total Units: 178

Report Run Date: December 13, 2011
Budget Year Begins: January 1, 2012
Budget Year Ends: December 31, 2012

PROJECTED COMPONENT CATEGORIES AND PARAMETERS

Component Categories in Reserve Analysis:

1. Building Material Restoration
2. Landscaping & Irrigation
3. Painting & Waterproofing
4. Pavement
5. Pool & Equipment
6. Roofs

Total current cost of all reserve components in reserve analysis:	\$	2,578,824
Estimated beginning reserve fund balance for reserve analysis*:	\$	0
Total number of components scheduled for replacement in the 2012 budget year:		3
Total cost of components scheduled for replacement in the 2012 budget year:	\$	117,446

ANALYSIS RESULTS – COMPONENT FUNDING ANALYSIS

Current annual reserve funding contributions amount (2011 Budget):	\$	n/a
Recommended annual reserve funding contribution amount:	\$	295,179
Increase (decrease) between current and recommended annual contribution amounts:	\$	n/a
Increase (decrease) between current and recommended annual contribution amounts:		n/a

ANALYSIS RESULTS –CASH FLOW ANALYSIS

Current annual reserve funding contributions amount (2011 Budget):	\$	n/a
Recommended annual reserve funding contribution amount:	\$	204,000
Increase (decrease) between current and recommended annual contribution amounts:	\$	n/a
Increase (decrease) between current and recommended annual contribution amounts:	\$	n/a

*As previously stated, the funding projections in this report are based on a zero reserve fund balance. The association's reserve financial information was not provided for use in this reserve study update. Upon receipt of this information, this report could be amended and finalized accordingly.

RESERVE BUDGET COMPARISON

No current or past reserve budgets were provided. As such, meaningful comparisons between the association's estimate of full reserve funding and the findings our analyses could not be made.

Based on our Component Funding Analysis model, the reserves as analyzed in this report suggest that in order to fully fund in fiscal year 2012, the contribution should be \$295,179. The Component Funding Analysis is a straight-line accounting procedure that was previously mandated by the State of Florida. Until December 2002, funding at less than this amount was considered partial funding by the state and required approval by the association members. As stated previously in this report, changes to the administrative code now allow the implementation/use of a pooling, or cash flow method of reserve analysis.

Based on the Cash Flow Analysis method, at level annual contributions, the association can fully fund reserves at \$204,000 in fiscal year 2012. As of fiscal year 2013, at which time the major near future reserve expenditures associated with building cleaning, exterior painting, and asphalt sealcoating, etc. will have been funded/completed, the funding level could be decreased by a factor of 28%, to \$146,880. This level of funding could remain stable over the remainder of the study period. This funding plan would provide adequate funds to offset planned reserve expenditures and maintain positive reserve fund balance.

In this analysis we have utilized a 1.15% rate of return on reserve funds invested over the study period (assuming safe investment in CDs, money market accounts, etc.). The Cash Flow Analysis utilizes a pooling effect with reserve funds by pooling all funds together and distributing these funds to individual components as their replacement comes due. Funds that are pooled together in the cash flow analysis include the beginning balance, contributions to the reserve funds and interest earned on reserve funds. These pooled funds are matched against reserve expenditures throughout the period of the analysis by using our reserve analysis software program to ensure that the available funds are always greater than expenditures.

COMPONENT FUNDING ANALYSIS

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Component Funding Analysis - Category

Components by Category	Current Cost	Useful Life YY:MM	Remaining Life YY:MM	Reserve Balance	Unfunded Balance	Reserve Contribution 2012
Bldg Material Rest.	\$ 17,000.00	5:00	1:05	\$ 0.00	\$ 17,000.00	\$ 12,000.00
Landscaping & Irrigation	5,400.00	4:00	2:05	0.00	5,400.00	2,234.48
Painting & Waterproofing	343,015.00	2:00 - 7:00	0:05 - 6:05	0.00	343,015.00	139,611.43
Pavement	129,996.00	4:00 -25:00	0:09 - 3:05	0.00	129,996.00	48,930.39
Pool & Equipment	27,777.00	10:00 -24:00	4:05 - 9:05	0.00	27,777.00	5,086.93
Roofs	2,055,636.00	30:00	17:05 -24:09	0.00	2,055,636.00	87,316.53
	<u>\$ 2,578,824.00</u>			<u>\$ 0.00</u>	<u>\$ 2,578,824.00</u>	<u>\$ 295,179.76</u>

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Component Funding Analysis - Items

Components by Category	Current Cost	Useful Life YY:MM	Remaining Life YY:MM	Reserve Balance	Unfunded Balance	Reserve Contribution 2012
Bldg Material Rest.						
Building Material Restoration	\$ 17,000.00	5:00	1:05	\$ 0.00	\$ 17,000.00	\$ 12,000.00
	\$ 17,000.00			\$ 0.00	\$ 17,000.00	\$ 12,000.00
Landscaping & Irrigation						
Irrigation Reserve	\$ 5,400.00	4:00	2:05	\$ 0.00	\$ 5,400.00	\$ 2,234.00
	\$ 5,400.00			\$ 0.00	\$ 5,400.00	\$ 2,234.00
Painting & Waterproofing						
Clean Building Exteriors	\$ 41,400.00	2:00	0:05	\$ 0.00	\$ 41,400.00	\$ 41,400.00
Paint Exteriors, Ph 1 (Yellow)	55,605.00	7:00	6:05	0.00	55,605.00	8,666.00
Paint Exteriors, Ph 2 (Blue)	50,550.00	7:00	6:05	0.00	50,550.00	7,878.00
Paint Exteriors, Ph 3 (Red)	60,660.00	7:00	0:05	0.00	60,660.00	60,660.00
Paint Exteriors, Ph 4 (Orange)	53,920.00	7:00	6:05	0.00	53,920.00	8,403.00
Paint Exteriors, Ph 5 (Purple)	40,440.00	7:00	6:05	0.00	40,440.00	6,302.00
Paint Exteriors, Ph 6 (Green)	40,440.00	7:00	6:05	0.00	40,440.00	6,302.00
	\$ 343,015.00			\$ 0.00	\$ 343,015.00	\$ 139,611.00
Pavement						
Asphalt Overlay	\$ 114,610.00	25:00	3:05	\$ 0.00	\$ 114,610.00	\$ 33,544.00
Asphalt Sealcoat/Rejuvenation	15,386.00	4:00	0:09	0.00	15,386.00	15,386.00
	\$ 129,996.00			\$ 0.00	\$ 129,996.00	\$ 48,930.00
Pool & Equipment						
Pool Deck Fencing & Gates	\$ 7,905.00	24:00	4:05	\$ 0.00	\$ 7,905.00	\$ 1,790.00
Pool Equipment Allowance	10,000.00	10:00	9:05	0.00	10,000.00	1,062.00
Pool Interior Resurfacing	9,872.00	12:00	4:05	0.00	9,872.00	2,235.00
	\$ 27,777.00			\$ 0.00	\$ 27,777.00	\$ 5,087.00
Roofs						
Roof Replacement, Phase 1	\$ 240,570.00	30:00	17:05	\$ 0.00	\$ 240,570.00	\$ 13,813.00
Roof Replacement, Phase 2	304,392.00	30:00	24:05	0.00	304,392.00	12,467.00
Roof Replacement, Phase 3	1,510,674.00	30:00	24:09	0.00	1,510,674.00	61,037.00
	\$ 2,055,636.00			\$ 0.00	\$ 2,055,636.00	\$ 87,317.00

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Component Funding Analysis - Items

Components by Category	Current Cost	Useful Life YY:MM	Remaining Life YY:MM	Reserve Balance	Unfunded Balance	Reserve Contribution 2012
	\$ 2,578,824.00			\$ 0.00	\$ 2,578,824.00	\$ 295,179.00

CASH FLOW ANALYSIS

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Cash Flow - Annual

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/12 - 12/12	\$ 0.00	\$ 204,000.00	\$ 502.64	\$ 117,446.00	\$ 87,056.64
01/13 - 12/13	87,056.64	146,880.00	1,747.68	17,000.00	218,684.32
01/14 - 12/14	218,684.32	146,880.00	3,083.27	46,800.00	321,847.59
01/15 - 12/15	321,847.59	146,880.00	3,852.43	114,610.00	357,970.02
01/16 - 12/16	357,970.02	146,880.00	4,579.34	74,563.00	434,866.36
01/17 - 12/17	434,866.36	146,880.00	5,874.82	0.00	587,621.18
01/18 - 12/18	587,621.18	146,880.00	5,737.37	304,755.00	435,483.55
01/19 - 12/19	435,483.55	146,880.00	5,503.10	60,660.00	527,206.65
01/20 - 12/20	527,206.65	146,880.00	6,646.87	56,786.00	623,947.52
01/21 - 12/21	623,947.52	146,880.00	7,998.29	10,000.00	768,825.81
	<u>\$ 0.00</u>	<u>\$ 1,525,920.00</u>	<u>\$ 45,525.81</u>	<u>\$ 802,620.00</u>	<u>\$ 768,825.81</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/22 - 12/22	768,825.81	146,880.00	9,443.36	46,800.00	878,349.17
01/23 - 12/23	878,349.17	146,880.00	10,895.66	17,000.00	1,019,124.83
01/24 - 12/24	1,019,124.83	146,880.00	12,333.86	56,786.00	1,121,552.69
01/25 - 12/25	1,121,552.69	146,880.00	12,308.54	240,955.00	1,039,786.23
01/26 - 12/26	1,039,786.23	146,880.00	12,197.01	107,460.00	1,091,403.24
01/27 - 12/27	1,091,403.24	146,880.00	13,464.91	0.00	1,251,748.15
01/28 - 12/28	1,251,748.15	146,880.00	14,855.33	83,658.00	1,329,825.48
01/29 - 12/29	1,329,825.48	146,880.00	14,718.74	240,570.00	1,250,854.22
01/30 - 12/30	1,250,854.22	146,880.00	15,015.98	46,800.00	1,365,950.20
01/31 - 12/31	1,365,950.20	146,880.00	16,576.44	10,000.00	1,519,406.64
	<u>\$ 768,825.81</u>	<u>\$ 1,468,800.00</u>	<u>\$ 131,809.83</u>	<u>\$ 850,029.00</u>	<u>\$ 1,519,406.64</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/32 - 12/32	1,519,406.64	146,880.00	16,612.58	297,741.00	1,385,158.22
01/33 - 12/33	1,385,158.22	146,880.00	16,375.91	77,660.00	1,470,754.13
01/34 - 12/34	1,470,754.13	146,880.00	17,558.20	46,800.00	1,588,392.33
01/35 - 12/35	1,588,392.33	146,880.00	19,210.51	0.00	1,754,482.84
01/36 - 12/36	1,754,482.84	146,880.00	15,311.93	1,871,852.00	44,822.77
01/37 - 12/37	44,822.77	146,880.00	1,365.62	0.00	193,068.39
01/38 - 12/38	193,068.39	146,880.00	2,680.97	63,800.00	278,829.36
01/39 - 12/39	278,829.36	146,880.00	2,565.96	240,955.00	187,320.32
01/40 - 12/40	187,320.32	146,880.00	1,511.80	249,833.00	85,879.12
01/41 - 12/41	85,879.12	146,880.00	1,777.79	10,000.00	224,536.91
	<u>\$ 1,519,406.64</u>	<u>\$ 1,468,800.00</u>	<u>\$ 94,971.27</u>	<u>\$ 2,858,641.00</u>	<u>\$ 224,536.91</u>

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Expenditures - Description

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Asphalt Overlay				114,610						
Asphalt Sealcoat/Rejuvenation	15,386				15,386				15,386	
Building Material Restoration		17,000					17,000			
Clean Building Exteriors	41,400		41,400		41,400		41,400		41,400	
Irrigation Reserve			5,400				5,400			
Paint Exteriors, Ph 1 (Yellow)							55,605			
Paint Exteriors, Ph 2 (Blue)							50,550			
Paint Exteriors, Ph 3 (Red)	60,660							60,660		
Paint Exteriors, Ph 4 (Orange)							53,920			
Paint Exteriors, Ph 5 (Purple)							40,440			
Paint Exteriors, Ph 6 (Green)							40,440			
Pool Deck Fencing & Gates					7,905					
Pool Equipment Allowance										10,000
Pool Interior Resurfacing					9,872					
Roof Replacement, Phase 1										
Roof Replacement, Phase 2										
Roof Replacement, Phase 3										
	117,446	17,000	46,800	114,610	74,563	0	304,755	60,660	56,786	10,000

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Expenditures - Description

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Asphalt Overlay										
Asphalt Sealcoat/Rejuvenation			15,386				15,386			
Building Material Restoration		17,000					17,000			
Clean Building Exteriors	41,400		41,400		41,400		41,400		41,400	
Irrigation Reserve	5,400				5,400				5,400	
Paint Exteriors, Ph 1 (Yellow)				55,605						
Paint Exteriors, Ph 2 (Blue)				50,550						
Paint Exteriors, Ph 3 (Red)					60,660					
Paint Exteriors, Ph 4 (Orange)				53,920						
Paint Exteriors, Ph 5 (Purple)				40,440						
Paint Exteriors, Ph 6 (Green)				40,440						
Pool Deck Fencing & Gates										
Pool Equipment Allowance										10,000
Pool Interior Resurfacing							9,872			
Roof Replacement, Phase 1								240,570		
Roof Replacement, Phase 2										
Roof Replacement, Phase 3										
	46,800	17,000	56,786	240,955	107,460	0	83,658	240,570	46,800	10,000

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Expenditures - Description

Description	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Asphalt Overlay									114,610	
Asphalt Sealcoat/Rejuvenation	15,386				15,386				15,386	
Building Material Restoration		17,000					17,000			
Clean Building Exteriors	41,400		41,400		41,400		41,400		41,400	
Irrigation Reserve			5,400				5,400			
Paint Exteriors, Ph 1 (Yellow)	55,605							55,605		
Paint Exteriors, Ph 2 (Blue)	50,550							50,550		
Paint Exteriors, Ph 3 (Red)		60,660							60,660	
Paint Exteriors, Ph 4 (Orange)	53,920							53,920		
Paint Exteriors, Ph 5 (Purple)	40,440							40,440		
Paint Exteriors, Ph 6 (Green)	40,440							40,440		
Pool Deck Fencing & Gates									7,905	
Pool Equipment Allowance										10,000
Pool Interior Resurfacing									9,872	
Roof Replacement, Phase 1										
Roof Replacement, Phase 2					304,392					
Roof Replacement, Phase 3					1,510,674					
	297,741	77,660	46,800	0	1,871,852	0	63,800	240,955	249,833	10,000

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Detail

Description	Service Date	Current Cost	Est Life	Adj Life	Rem Life	Future Cost	Measurement Basis	Basis Cost
Bldg Material Rest.								
Building Material Restoration	06/01/2008	\$ 17,000.00	5:00	5:00	1:05	\$ 17,000.00	Lump Sum	\$ 17,000.00
		\$ 17,000.00				\$ 17,000.00		
Landscaping & Irrigation								
Irrigation Reserve	06/01/2010	5,400.00	4:00	4:00	2:05	5,400.00	Lump Sum	5,400.00
		\$ 5,400.00				\$ 5,400.00		
Painting & Waterproofing								
Clean Building Exteriors	06/01/2010	41,400.00	2:00	2:00	0:05	41,400.00	Lump Sum	41,400.00
Paint Exteriors, Ph 1 (Yellow)	06/01/2011	55,605.00	7:00	7:00	6:05	55,605.00	Units	1,685.00
Paint Exteriors, Ph 2 (Blue)	06/01/2011	50,550.00	7:00	7:00	6:05	50,550.00	Units	1,685.00
Paint Exteriors, Ph 3 (Red)	06/01/2005	60,660.00	7:00	7:00	0:05	60,660.00	Units	1,685.00
Paint Exteriors, Ph 4 (Orange)	06/01/2011	53,920.00	7:00	7:00	6:05	53,920.00	Units	1,685.00
Paint Exteriors, Ph 5 (Purple)	06/01/2011	40,440.00	7:00	7:00	6:05	40,440.00	Units	1,685.00
Paint Exteriors, Ph 6 (Green)	06/01/2011	40,440.00	7:00	7:00	6:05	40,440.00	Units	1,685.00
		\$ 343,015.00				\$ 343,015.00		
Pavement								
Asphalt Overlay	06/01/1983	114,610.00	25:00	32:00	3:05	114,610.00	Sq Yds	7.30
Asphalt Sealcoat/Rejuvenation	10/01/2008	15,386.00	4:00	4:00	0:09	15,386.00	Sq Yds	0.98
		\$ 129,996.00				\$ 129,996.00		
Pool & Equipment								
Pool Deck Fencing & Gates	06/01/1983	7,905.00	24:00	33:00	4:05	7,905.00	Ln Ft	46.50
Pool Equipment Allowance	06/01/1983	10,000.00	10:00	38:00	9:05	10,000.00	Lump Sum	10,000.00
Pool Interior Resurfacing	06/01/2004	9,872.00	12:00	12:00	4:05	9,872.00	Sq Ft	12.34
		\$ 27,777.00				\$ 27,777.00		
Roofs								
Roof Replacement, Phase 1	06/01/1999	240,570.00	30:00	30:00	17:05	240,570.00	Squares	660.00
Roof Replacement, Phase 2	06/01/2006	304,392.00	30:00	30:00	24:05	304,392.00	Squares	660.00
Roof Replacement, Phase 3	10/01/2006	1,510,674.00	30:00	30:00	24:09	1,510,674.00	Squares	660.00
		\$ 2,055,636.00				\$ 2,055,636.00		

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Asphalt Overlay

Item Number	10	Measurement Basis	Sq Yds
Type	Common Area	Estimated Useful Life	25:00
Category	Pavement	Basis Cost	7.30
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Adjusted		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0010	06/01/1983	06/01/2015	3:05	32:00	15700.00	\$ 114,610.00	\$ 114,610.00
						\$ 114,610.00	\$ 114,610.00

Comments

We have observed life cycles of less than 15 years, to 25+ years, for installation of asphalt overlays/repaving. The useful life typically depends on the quality of installation/materials, level of ongoing maintenance, and association cosmetic tastes. As reported, the asphalt is original to the 1983 installation date, which suggests an actual age of +/- 27 years. Considering the current observed condition of the pavement, and that the association does not have plans to complete this expense in the near future, we have adjusted the next expense date to 2015. A market supported recurring 25 year useful life cycle was scheduled thereafter. The current cost estimate includes as needed milling of the asphalt paving at its junction with adjacent concrete paving, typical minor repairs to the underlying pavement structures and drainage systems, installation of a 1" asphalt overlay, curb stops replacement and restriping.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Asphalt Sealcoat/Rejuvenation

Item Number	11	Measurement Basis	Sq Yds
Type	Common Area	Estimated Useful Life	4:00
Category	Pavement	Basis Cost	0.98
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0011	10/01/2008	10/01/2012	0:09	4:00	15700.00	\$ 15,386.00	\$ 15,386.00
						\$ 15,386.00	\$ 15,386.00

Comments

Sealcoating/rejuvenation serves as not only a cosmetic upgrade; it also insures minimal moisture intrusion into the underlying pavement structure. Without a proper moisture barrier, premature deterioration in the form of potholes, etc. can occur, causing the need for more frequent (and costly) asphalt overlays. The market reflects a typical useful life of 3-4 years for this upgrade. Based on the previous reported sealcoating project in 2008/2009, we have scheduled this expense again in 2012. We have scheduled this expense to be completed on a future 4 year life cycle thereafter. The current cost includes typical minor pavement repairs and restriping.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Building Material Restoration

Item Number	1	Measurement Basis	Lump Sum
Type	Common Area	Estimated Useful Life	5:00
Category	Bldg Material Rest.	Basis Cost	17,000.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0001	06/01/2008	06/01/2013	1:05	5:00	1.00	\$ 17,000.00	\$ 17,000.00
						\$ 17,000.00	\$ 17,000.00

Comments

The association's 2010 reserve budget included a line item identified as "Building Material Restoration", with a projected 12/31/10 fund balance of \$4,962, which is reportedly established for as needed repairs to the building exteriors, etc. In keeping with the association's 2010 reserve budget, we have scheduled an allowance of \$17,000 on a recurring 5 year life cycle. The next indicated expense date is 2013.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Clean Building Exteriors

Item Number	3	Measurement Basis	Lump Sum
Type	Common Area	Estimated Useful Life	2:00
Category	Painting & Waterproofing	Basis Cost	41,400.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0003	06/01/2010	06/01/2012	0:05	2:00	1.00	\$ 41,400.00	\$ 41,400.00
						\$ 41,400.00	\$ 41,400.00

Comments

Associations typically complete pressure washing of building exteriors on a maximum 4 year life cycle to maximize the life of the paint, and to maintain a positive cosmetic appeal. In keeping with the association's previous 2010 reserve budget and reported plans, we have scheduled pressure washing/cleaning of the building exteriors on a recurring 2 year life cycle. The next indicated expense date is 2012. The current cost of \$41,400 (\$460 per building) is based on actual costs recently incurred by the association, trended for inflation. This cost was found to be in line with current market data.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Irrigation Reserve

Item Number	2	Measurement Basis	Lump Sum
Type	Common Area	Estimated Useful Life	4:00
Category	Landscaping & Irrigation	Basis Cost	5,400.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0002	06/01/2010	06/01/2014	2:05	4:00	1.00	\$ 5,400.00	\$ 5,400.00
						\$ 5,400.00	\$ 5,400.00

Comments

The association's 2010 reserve budget included a line item identified as "Irrigation Reserve", which is reportedly for as needed repairs/replacements to the irrigation system. The association's budget reflected an estimated replacement cost of \$5,400, and a projected 2010 contribution of \$5,000. In keeping with the association's 2010 reserve budget, we have scheduled an allowance of \$5,400 on a recurring 4 year life cycle. The next indicated expense date is 2014.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 1 (Yellow)

Item Number	4	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0004	06/01/2011	06/01/2018	6:05	7:00	33.00	\$ 55,605.00	\$ 55,605.00
						\$ 55,605.00	\$ 55,605.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 2 (Blue)

Item Number	5	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0005	06/01/2011	06/01/2018	6:05	7:00	30.00	\$ 50,550.00	\$ 50,550.00
						\$ 50,550.00	\$ 50,550.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 3 (Red)

Item Number	6	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0006	06/01/2005	06/01/2012	0:05	7:00	36.00	\$ 60,660.00	\$ 60,660.00
						\$ 60,660.00	\$ 60,660.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 4 (Orange)

Item Number	7	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0007	06/01/2011	06/01/2018	6:05	7:00	32.00	\$ 53,920.00	\$ 53,920.00
						\$ 53,920.00	\$ 53,920.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 5 (Purple)

Item Number	8	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0008	06/01/2011	06/01/2018	6:05	7:00	24.00	\$ 40,440.00	\$ 40,440.00
						\$ 40,440.00	\$ 40,440.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Paint Exteriors, Ph 6 (Green)

Item Number	9	Measurement Basis	Units
Type	Common Area	Estimated Useful Life	7:00
Category	Painting & Waterproofing	Basis Cost	1,685.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0009	06/01/2011	06/01/2018	6:05	7:00	24.00	\$ 40,440.00	\$ 40,440.00
						\$ 40,440.00	\$ 40,440.00

Comments

To insure proper protection of the underlying concrete, stucco, metal, and wood surfaces, the market reflects a maximum 6 to 7 year life cycle for exterior painting and waterproofing. Considering the association's operating history, we have scheduled exterior painting in phases. This analysis assumes that the previously scheduled 2011 painting projects were completed. Each phase was scheduled to be completed on a recurring 7 year future life cycle, based on the respective placed in service dates. The current cost estimates include typical minor exterior repairs, surface preparation, as needed window and sliding glass door caulking/waterproofing, repainting of all exterior surfaces including the windows/slider frames.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Pool Deck Fencing & Gates

Item Number	12	Measurement Basis	Ln Ft
Type	Common Area	Estimated Useful Life	24:00
Category	Pool & Equipment	Basis Cost	46.50
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Adjusted		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0012	06/01/1983	06/01/2016	4:05	33:00	170.00	\$ 7,905.00	\$ 7,905.00
						\$ 7,905.00	\$ 7,905.00

Comments

Assuming routine maintenance, total replacement of the wood fencing and gates at the pool perimeter should be expected on a life cycle in the low to mid 20 year range. The placed in service date of the pool deck fencing was unknown. Based on the observed condition, we do not foresee the need for replacement in the near future. For the purposes of this analysis, we have scheduled this expense for 2016, and on a future 24 year life cycle thereafter. The current cost estimate includes removal and disposal of the existing fencing and gates and replacement with fencing and gates of similar height and quality.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Pool Equipment Allowance

Item Number	13	Measurement Basis	Lump Sum
Type	Common Area	Estimated Useful Life	10:00
Category	Pool & Equipment	Basis Cost	10,000.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Adjusted		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0013	06/01/1983	06/01/2021	9:05	38:00	1.00	\$ 10,000.00	\$ 10,000.00
						\$ 10,000.00	\$ 10,000.00

Comments

Under normal operating conditions, total replacement of the inventory of pool equipment (pumps, filters, chlorination systems, heaters, etc.) should not be necessary at any one given time. Some associations do establish and fund reserves for as needed equipment replacements, while others prefer to fund as needed expenses through their annual operating budgets as a function of general maintenance. For the association's consideration we have provided an allowance of \$10,000 in 2021 and on a future 10 year life cycle thereafter, to provide monies for as needed replacements of the pool equipment.

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Pool Interior Resurfacing

Item Number	14	Measurement Basis	Sq Ft
Type	Common Area	Estimated Useful Life	12:00
Category	Pool & Equipment	Basis Cost	12.34
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0014	06/01/2004	06/01/2016	4:05	12:00	800.00	\$ 9,872.00	\$ 9,872.00
						\$ 9,872.00	\$ 9,872.00

Comments

With proper installation, chemical balancing, and routine maintenance, pool interior resurfacing/restoration can be expected on a 10-12 year life cycle. As reported, this expense was last completed in or around 2004. We have scheduled the next expense in 2016, and on a recurring 12 year life cycle thereafter. The current cost includes typical minor structural/tank repairs, tile upgrades/replacements, and installation of new aggregate surface materials (“diamond brite”, “pebble crete”, etc.)

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Roof Replacement, Phase 1

Item Number	15	Measurement Basis	Squares
Type	Common Area	Estimated Useful Life	30:00
Category	Roofs	Basis Cost	660.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0015	06/01/1999	06/01/2029	17:05	30:00	364.50	\$ 240,570.00	\$ 240,570.00
						\$ 240,570.00	\$ 240,570.00

Comments

The tile roofs were reportedly last replaced in 1999 (phase 1), 2006 (phase 2), and 2006/2007 (phase 3). Assuming proper installation and routine maintenance, this type of roof cover does not typically require replacement prior to a 25-30+ year life under normal operating conditions. We have scheduled recurring 30 year future life cycles for the differing unit types/roof sizes within each phase. The current replacement costs include tear off and disposal of the existing roofing, typical minor repairs to the underlying roof structures, flashing, as needed repair/replacement of fascia, soffits, and/or gutters and downspouts, and installation of like roofing. The current replacement cost estimates are much lower than projected in the previous 2011 reserve study, based on new market data suggesting a lower cost for this type of roofing.

1 square = 100 square feet

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Roof Replacement, Phase 2

Item Number	16	Measurement Basis	Squares
Type	Common Area	Estimated Useful Life	30:00
Category	Roofs	Basis Cost	660.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0016	06/01/2006	06/01/2036	24:05	30:00	461.20	\$ 304,392.00	\$ 304,392.00
						\$ 304,392.00	\$ 304,392.00

Comments

The tile roofs were reportedly last replaced in 1999 (phase 1), 2006 (phase 2), and 2006/2007 (phase 3). Assuming proper installation and routine maintenance, this type of roof cover does not typically require replacement prior to a 25-30+ year life under normal operating conditions. We have scheduled recurring 30 year future life cycles for the differing unit types/roof sizes within each phase. The current replacement costs include tear off and disposal of the existing roofing, typical minor repairs to the underlying roof structures, flashing, as needed repair/replacement of fascia, soffits, and/or gutters and downspouts, and installation of like roofing. The current replacement cost estimates are much lower than projected in the previous 2011 reserve study, based on new market data suggesting a lower cost for this type of roofing.

1 square = 100 square feet

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Item Parameters - Full Detail

Roof Replacement, Phase 3

Item Number	17	Measurement Basis	Squares
Type	Common Area	Estimated Useful Life	30:00
Category	Roofs	Basis Cost	660.00
Tracking	Logistical	Salvage Value	\$ 0.00
Method	Fixed		

Code	Service Date	Replace Date	Rem Life	Adj Life	Quantity	Replacement Cost	
						Current	Future
910-000-0017	10/01/2006	10/01/2036	24:09	30:00	2288.90	\$ 1,510,674.00	\$ 1,510,674.00
						\$ 1,510,674.00	\$ 1,510,674.00

Comments

The tile roofs were reportedly last replaced in 1999 (phase 1), 2006 (phase 2), and 2006/2007 (phase 3). Assuming proper installation and routine maintenance, this type of roof cover does not typically require replacement prior to a 25-30+ year life under normal operating conditions. We have scheduled recurring 30 year future life cycles for the differing unit types/roof sizes within each phase. The current replacement costs include tear off and disposal of the existing roofing, typical minor repairs to the underlying roof structures, flashing, as needed repair/replacement of fascia, soffits, and/or gutters and downspouts, and installation of like roofing. The current replacement cost estimates are much lower than projected in the previous 2011 reserve study, based on new market data suggesting a lower cost for this type of roofing.

1 square = 100 square feet

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Supplementary Information
on Future Major Repairs and Replacements

Components by Category	Estimated Remaining Useful Lives Life YY:MM	Estimated Current Replacement Cost	2012 Funding Requirement	Components of Fund Balance at 12/31/2011
Bldg Material Rest.				
Building Material Restoration	1:05	\$ 17,000.00	\$ 4,768.46	\$ 0.00
Landscaping & Irrigation				
Irrigation Reserve	2:05	5,400.00	1,893.38	0.00
Painting & Waterproofing				
Clean Building Exteriors	0:05	41,400.00	29,031.86	0.00
Paint Exteriors, Ph 1 (Yellow)	6:05	55,605.00	11,140.83	0.00
Paint Exteriors, Ph 2 (Blue)	6:05	50,550.00	10,128.17	0.00
Paint Exteriors, Ph 3 (Red)	0:05	60,660.00	12,153.66	0.00
Paint Exteriors, Ph 4 (Orange)	6:05	53,920.00	10,803.22	0.00
Paint Exteriors, Ph 5 (Purple)	6:05	40,440.00	8,102.50	0.00
Paint Exteriors, Ph 6 (Green)	6:05	40,440.00	8,102.50	0.00
Pavement				
Asphalt Overlay	3:05	114,610.00	5,023.10	0.00
Asphalt Sealcoat/Rejuvenation	0:09	15,386.00	5,394.71	0.00
Pool & Equipment				
Pool Deck Fencing & Gates	4:05	7,905.00	335.93	0.00
Pool Equipment Allowance	9:05	10,000.00	369.08	0.00
Pool Interior Resurfacing	4:05	9,872.00	1,153.87	0.00
Roofs				
Roof Replacement, Phase 1	17:05	240,570.00	11,246.69	0.00
Roof Replacement, Phase 2	24:05	304,392.00	14,230.33	0.00
Roof Replacement, Phase 3	24:09	1,510,674.00	70,624.34	0.00

Myrtle Trace Condominium Association, Inc.

Analysis Date - January 1, 2012

Supplementary Information
on Future Major Repairs and Replacements

Components by Category	Estimated Remaining Useful Lives Life YY:MM	Estimated Current Replacement Cost	2012 Funding Requirement	Components of Fund Balance at 12/31/2011
		\$ 2,578,824.00	\$ 204,502.63	\$ 0.00

ADDENDUM

Chapter 718 & 719 Florida Statutes
The Condominium Act, 1995
The Cooperative Act, 1997

CONDOMINIUMS 718.112 (2)(f) 2 & 3
COOPERATIVES 719.106 (1)(j) 2 & 3

2. In addition to annual operating expenses, the budget shall include reserve accounts for capital expenditures and deferred maintenance. These accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing, regardless of the amount of deferred maintenance expense or replacement cost, and for any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000. The amount to be reserved shall be computed by means of a formula which is based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of each reserve item. The association may adjust replacement reserve assessments annually to take into account any changes in estimates or extension of the useful life of a reserve item caused by deferred maintenance. This subsection does not apply to budgets in which the members of an association have, by a majority vote at a duly called meeting of the association, determined for a fiscal year to provide no reserves or reserves less adequate than required by this subsection. However, prior to turnover of control of an association by a developer to unit owners other than a developer pursuant to s. 718.301, the developer may vote to waive the reserves or reduce the funding of reserves for the first 2 years of the operation of the association, after which time reserves may only be waived or reduced upon the vote of a majority of all nondeveloper voting interests voting in person or by limited proxy at a duly called meeting of the association. If a meeting of the unit owners has been called to determine to provide no reserves or reserves less adequate than required, and such result is not attained or a quorum is not attained, the reserves as included in the budget shall go into effect.

3. 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 vote of the majority of the voting interests, voting in person or by limited proxy at a duly called meeting of the association. Prior to turnover of control of an association by a developer to unit owners other than the developer pursuant to s 718.301, the developer-controlled association shall not vote to use reserves for purposes other than that for which they were intended without the approval of a majority of all nondeveloper voting interests, voting in person or by limited proxy at a duly called meeting of the association.

Florida Administrative Code Reserve Requirements

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

(2) “Capital expenditure” means an expenditure of funds for the purchase of an asset whose life is greater than one year in length, or the replacement of an asset whose life is greater than one year in length, or the addition to an asset which extends the life of the previously existing asset for a period greater than one year.

(3) “Deferred maintenance” means any maintenance or repair that will be performed less frequently than yearly and will result in maintaining the life of an asset; and

(4) “Reserves” means any funds which 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. “Contingency reserves” which are not restricted as to use by the condominium documents or by the association shall not be considered reserves within the meaning of this rule.

61B-22.003 Budgets. 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) 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) 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.
- (g) “Contingency reserves” and any other categories of expense which are not restricted as to use shall be stated in the operating portion of the budget rather than the reserve portion of the budget.

61B-22.005 Reserves. 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 of an item 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 replacement cost of an item exceeds \$10,000, 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.

61B-22.0051 Estimating Reserve Requirements.

- (1) Formula for calculation of 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 which will provide funds equal to the total estimated deferred maintenance expense or total estimated replacement cost for an asset over the remaining useful life of the asset. The formula shall provide funds in annual increments and may be adjusted each year for changes in estimates. The formula may consider such factors as inflation and interest or other earnings rates, but must include the following:
 - (a) The estimated remaining useful life of the asset;
 - (b) The estimated deferred maintenance expense or estimated replacement cost of the asset; and,
 - (c) The estimated fund balance of the reserve account as of the beginning of the period for which the budget will be in effect.
- (2) 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.
- (3) Estimating reserves when the developer is funding converted reserves. For the purpose of estimating non-converter reserves the estimated fund balance of the non-converter reserve account related to any asset for which the developer has established converter reserves 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.

61B-22.0052 Funding Requirements and Restrictions on Use.

- (1) 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).
- (2) Restrictions on use. Reserves required by section 718.112(2)(f), Florida Statutes, and other reserves included on the adopted budget, shall only be used for the purposes for

which they were intended unless their use for other purposes is approved in advance by the unit owners according to section 718.112(2)(f)3, Florida Statutes. In a multi-condominium association, the same procedures which are specified for the waiving or reduction of reserves shall apply where an association seeks to use reserve funds for purposes other than which the funds were originally reserved. 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.

61B-22.0053 Waiver of Reserves.

- (1) 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, and the vote must be taken annually. Additionally, in a multi-condominium association, no waiver or reduction is effective as to a particular condominium unless conducted at a meeting at which a majority of the voting interests in that condominium are present, in person or by proxy, and a majority of those present in person or by limited proxy vote to waive or reduce reserves.
- (2) Developer voting restrictions. Prior to turnover, the developer may cast votes to waive or reduce reserves during the first two fiscal years only, beginning with the date of the recording of the declaration. In the case of a multi-condominium association, this restriction applies to the association's first two fiscal years beginning with the recording of the initial declaration.

61B-22.006 Financial Reporting Requirements.

- (3) Disclosure requirements. The financial statements required by sections 718.111(14) 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.

Chapter 61B – 22, Florida Administrative Code Summary of Rule Amendments

61B-22.003 Budgets

- Recognizes the use of a pooled account for reserves and provides that a schedule showing each reserve account is not necessary if a pooled account for reserves is used.
- Provides an alternate disclosure method for the use of a pooled account for reserves.

61B-22.005 Reserves

- Recognizes the concept of funding a group of assets using a pooled analysis of two or more required assets and provides requirements and direction related to the pooled account method.
- Clarifies that the chosen reserve funding formula shall not include any type of balloon payment.

Amended Rule Text

61B – 22.003 Budgets

(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:

(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.

61B – 22.005 Reserves

- 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 it 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 of 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 \$0; 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 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 payment.

TERMS AND DEFINITIONS

ACCRUED FUND BALANCE (AFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association tool. Two formulae can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.

$$\text{AFB} = \text{Current Cost} \times \text{Effective Age/Useful Life}$$

or

$$\text{AFB} = (\text{Current Cost} \times \text{Effective Age/Useful Life}) + [(\text{Current Cost} \times \text{Effective Age/Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age/Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

CASH FLOW METHOD: A method of calculating Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved. “Because we use the cash flow method, we compute individual line item contributions after the total contribution rate has been established.” See “Component Method”.

CAPITAL EXPENDITURES : A capital expenditure means any expenditure of funds for: (1) the purchase or replacement of an asset whose useful life is greater than one year, or (2) the addition to an asset that extends the useful life of the previously existing asset for a period greater than one year.

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, and 4) above a minimum threshold cost, and 5) as required by local codes. “We have 17 components in our reserve Study.”

COMPONENT ASSESSMENT AND VALUATION: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. This task is accomplished either with or without an on-site inspection, based on Level or Service selected by the client.

COMPONENT FULL FUNDING: When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task is accomplished through an on-site inspection, review of association design and organizational documents, and a review of established association precedents, and discussion with appropriate association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. “Since we calculate a Reserve contribution rate for each component and then sum them all together, we are using the component method to calculate our Reserve contributions.” See “Cash Flow Method”.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed and reported characteristics.

CURRENT REPLACEMENT COST: See “Replacement Cost”.

DEFERRED MAINTENANCE: Deferred maintenance means any maintenance or repair that: (1) will be performed less frequently than yearly, and (2) will result in maintaining the useful life of an asset.

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: When the budget is provided to the owners, it will show the amount of money that must be deposited that year for each reserve item to ensure that, when the time comes, sufficient funds will be available for deferred maintenance or a capital expenditure. (Definition published in “Budgets & Reserve Schedules Made Easy” training manual by the State of Florida Department of Business and Professional Regulations in January 1997).

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

FUNDING PLAN: An association’s plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

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

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

- **Baseline Funding** – Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- **Component Full Funding** – Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100%.
- **Statutory Funding** – Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves of component required by local statutes.
- **Threshold Funding** – Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less

conservative than “Component Full Funding.”

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve Components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage. “With \$76,000 in Reserves, and since our 100% Funded Balance is \$100,000, our association is 76% Funded”.

Editor’s Note: since funds can typically be allocated from one component to another with ease, this parameter has no real meaning on an individual Component basis. The purpose of this parameter is to identify the relative strength or weakness of the entire Reserve fund as of a particular point in time. The value of this parameter is in providing a more stable measure of Reserve Fund strength, since cash in Reserves may mean very different things to different associations.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

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

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray to the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based on information provided and not audited

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.” The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. “Our budget and finance committee is soliciting proposals to update our Reserve Study for the next year’s budget.”

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve duty of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional

services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project:

2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advanced notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT : An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by Governing Documents or local statutes. “Since we need a new roof and there wasn’t enough money in the Reserve fund, we had to pass a special assessment.”

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balances. See Deficit”.

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

ANNUAL UPDATE PROGRAM

GAB Robins is pleased to offer our clients a program to provide annual updates on their Reserve Studies for the next three years for a guaranteed fee.

The Update Program is valid only if there are no changes to the property, i.e. new construction, major upgrades, etc. Changes to the property within the three-year update program period would require a re-inspection of the property at a higher fee.

Benefits:

- Annual Reserve Study updates on the property provide a written validation of reserve study needs.
- Demonstrates due diligence and impartiality on the part of the property manager and board members by the involvement of a third party professional.
- The cost of your update reserve study is lower if enrolled in the update program.
- Provides peace of mind to clients knowing that their property is adequately funded year after year.

If you have not already chosen to accept the three-year annual update program, and would like to do so at this time, please contact our bid proposal specialist at (407) 805-0086 x 257, or (800) 248-3379 x 257 (FL only) or fax your request to (407) 805-9921. We will be pleased to provide you with a bid for the three year annual program.