

Capital Reserves

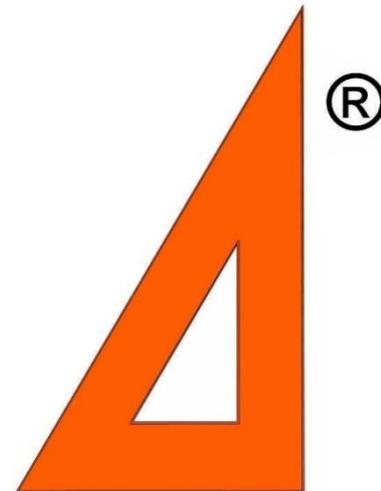
CRITERIUM

CAROLINA ENGINEERS



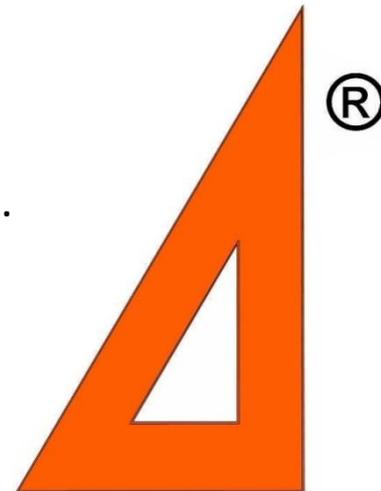
What are Capital Reserves?

- **A separate account set up by the Association to fund large, non-annual repairs**
 - Stormwater pond repair, dredging and drainage improvements
 - Fence repair, retaining wall repairs, asphalt paving, concrete repair
 - Roof replacement, exterior building repair/painting
 - Amenity repair, replacement
 - **NOT:** Operating budgets, landscaping, maintenance, utilities, etc..
- **Why?**
 - Repairs are not required on an annual basis and not included in annual budgets
 - Fiduciary responsibility
 - Governing documents may require a reserve fund
 - Fulfill statutory requirements
- **How Much is Enough?**
 - **Guess?**
 - **RESERVE STUDY**



What is a Reserve Study?

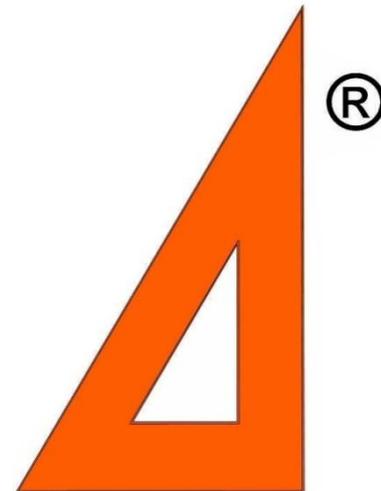
- Estimate of the HOA's future capital expenses
 - Roof replacement, exterior building repair/painting, road maintenance, fence repair, drainage improvements, etc.
 - Includes cost and time estimate of when repairs will likely be required over the next 20 years
- Evaluation of the condition of the association's assets
 - Drainage systems
 - Condition of stormwater retention systems
 - Condition of asphalt paving, concrete flatwork
 - Condition of building components (roofs, siding, finishes, etc..)
 - Condition of amenities (pool coating, tennis courts, playgrounds, etc.)
 - Other association assets.



What is a Reserve Study?

(Continued)

- Financial analysis of the HOA's reserve fund and reserve contribution rate.
 - Includes current reserve account balance, contribution rate.
 - Adjusts for inflation and average return on investments
 - Estimates end of year balance in the reserve fund for each of the next 20 years.
 - Provides recommended funding alternates to ensure reserves are adequately funded
- Maintenance guidelines
 - Suggestions on preventative maintenance guidelines
 - Schedule for non-annual maintenance/repair items



Estimated Future Capital Repairs

Capital Item To Be Replaced	Quantity		Unit cost	Reserve Requirement	Frequency (yrs)	Remaining Life (yrs)	Information Source
Site							
Reseal and stripe asphalt paving	18,600	SY	\$1.75	\$32,550.00	7	2	
Re-surface/Overlay Asphalt Paving	18,600	SY	\$8.00	\$148,800.00	20	15	
Concrete Curb and Gutter Repair	560	LF	\$20.00	\$11,200.00	8	3	5% of total repaired every 8 years.
Concrete Flatwork Repair	370	SY	\$50.00	\$18,500.00	5	1	5% of total repaired every 8 years.
Paint Anodized Aluminum Fencing & rails	2,800	LF	\$5.00	\$14,000.00	15	10	
Drainage Improvements	1	EA	\$5,000.00	\$5,000.00	8	5	
Erosion Repair, behind unit 170 Phase 2.	1	EA	\$5,000.00	\$5,000.00	30	0	
Retaining Wall Repair	1	EA	\$5,000.00	\$5,000.00	8	3	
New Street Sign Installation	1	EA	\$3,100.00	\$3,100.00	30	0	
PVC privacy fencing repairs	1	set	\$500.00	\$500.00	20	15	
Building Exterior							
Roof and gutter replacement	2,380	SQ	\$235.00	\$559,300.00	20	15	
Repar Wood Decking and railings	80	EA	\$1,000.00	\$80,000.00	20	15	
Paint Doors and Trim	257	Units	\$200.00	\$51,400.00	7	3	
Repair, improve downspout extensions	1	EA	\$2,000.00	\$2,000.00	30	0	
Water Seal Wood Decks	80	EA	\$100.00	\$8,000.00	7	3	
New House Number Plaque Installation	24	EA	\$75.00	\$1,800.00	30	0	
Building Interior							
Mechanical							
Exterior Lighting Fixtures	514	EA	\$40.00	\$20,560.00	18	13	
Amenities							
Pet waste station replacement	4	EA	\$500.00	\$2,000.00	20	15	
Other							
Mailbox replacement	304	EA	\$50.00	\$15,200.00	22	17	
Replace Composite Entrance Signage	4	EA	\$350.00	\$1,400.00	15	10	

Estimated Future Capital Repairs Each Year

Year: 2010 2011 2012 2013 2015 2016 2017 2021 2022 2023 2024 2025 2026 2027 2028 2029
Year Number: 1 2 3 4 6 7 8 12 13 14 15 16 17 18 19 20

Site																
Reseal and stripe asphalt paving	0	0	32,550	0	0	0	0	0	0	0	0	0	0	0	0	0
Re-surface/Overlay Asphalt Paving	0	0	0	0	0	0	0	0	0	0	0	148,800	0	0	0	0
Concrete Curb and Gutter Repair	0	0	0	11,200	0	0	0	11,200	0	0	0	0	0	0	0	11,200
Concrete Flatwork Repair	0	18,500	0	0	0	18,500	0	18,500	0	0	0	0	18,500	0	0	0
Paint Anodized Aluminum Fencing & rails	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Drainage Improvements	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	0	0
Erosion Repair, behind unit 170 Phase 2.	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retaining Wall Repair	0	0	0	5,000	0	0	0	5,000	0	0	0	0	0	0	0	5,000
New Street Sign Installation	3,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PVC privacy fencing repairs	0	0	0	0	0	0	0	0	0	0	0	500	0	0	0	0
Building Exterior																
Roof and gutter replacement	0	0	0	0	0	0	0	0	0	0	229,415	229,415	0	0	0	0
Repar Wood Decking and railings	0	0	0	0	0	0	0	0	0	0	0	80,000	0	0	0	0
Paint Doors and Trim	0	0	0	51,400	0	0	0	0	0	0	0	0	0	51,400	0	0
Repair, improve downspout extensions	2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Water Seal Wood Decks	0	0	0	8,000	0	0	0	0		0	0	0	0	8,000	0	0
New House Number Plaque Installation	1,800	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Interior																
Mechanical																
Exterior Lighting Fixtures	0	0	0	0	0	0	0	0	0	20,560	0	0	0	0	0	0
Amenities																
Pet waste station replacement	0	0	0	0	0	0	0	0	0	0	0	2,000	0	0	0	0
Other																
Mailbox replacement	0	0	0	0	0	0	0	0	0	0	0	0	0	15,200	0	0
Replace Composite Entrance Signage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

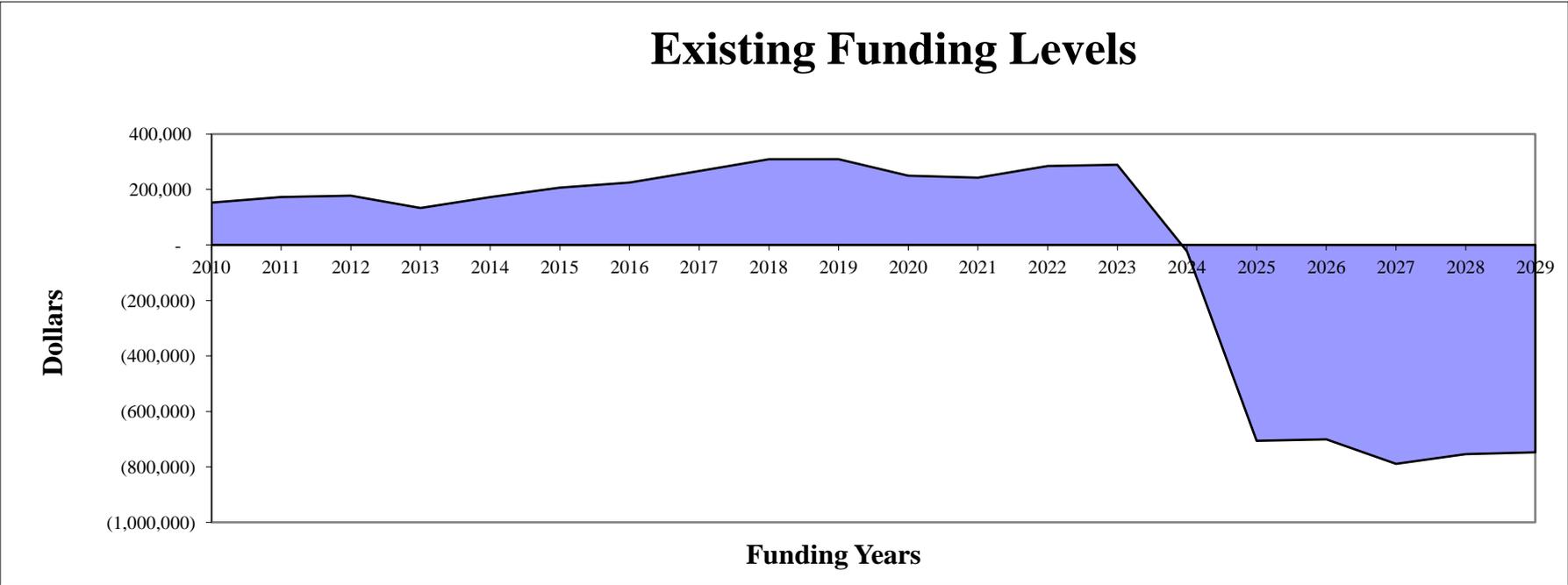
Total Costs	11,900	18,500	32,550	75,600	5,000	18,500	0	34,700	0	25,560	229,415	460,715	18,500	74,600	0	16,200
Total Costs Adjusted For 3% Inflation	11,900	19,055	34,532	82,610	5,796	22,090	0	48,033	0	37,536	336,905	717,779	29,687	123,302	0	28,407

Year End Reserve Fund Balance Projection

Projected Annual Funding and Expenditures:

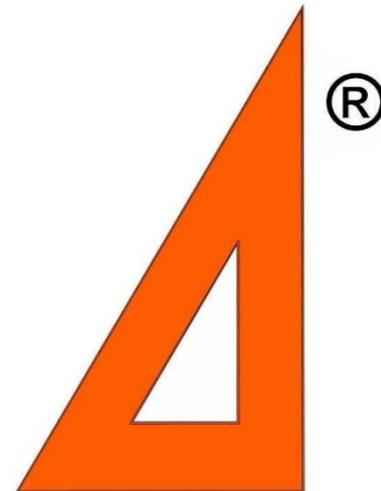
Year:	2010	2011	2012	2014	2015	2016	2017	2018	2019
Year Number:	1	2	3	5	6	7	8	9	10
End of Year Reserve Fund Balance	152,469	172,624	177,420	172,256	206,496	224,891	266,389	308,924	308,990
Capital Expenditures:	11,900	19,055	34,532	-	5,796	22,090	-	-	42,470
Total Revenue (all sources)	21,219	39,210	39,327	39,201	40,037	40,485	41,497	42,535	42,536

Year:	2020	2021	2022	2024	2025	2026	2027	2028	2029
Year Number:	11	12	13	15	16	17	18	19	20
End of Year Reserve Fund Balance	249,551	242,431	284,367	(23,133)	(705,912)	(700,599)	(788,902)	(753,902)	(747,309)
Capital Expenditures:	100,525	48,033	-	347,011	717,779	29,687	123,302	-	28,407
Total Revenue (all sources)	41,087	40,913	41,936	35,000	11,867	(670,912)	(665,599)	(753,902)	(718,902)



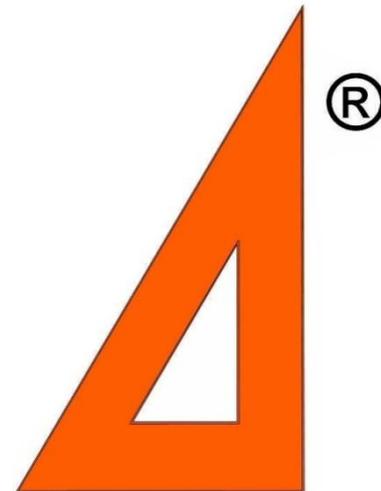
How is a Reserve Study Completed?

- 1) Analysis of historical information about the community and previous capital repair projects
- 2) On-Site inspection(s)
 - Evaluate current condition of the components
 - Measure the amount and size of the components
- 3) Financial analysis
 - Estimate costs of repairs
 - Determine when and how often repairs will likely be required
 - Compare estimated annual expenditures to reserve revenue
 - Develop funding alternates
- 4) Develop Draft and review with Board



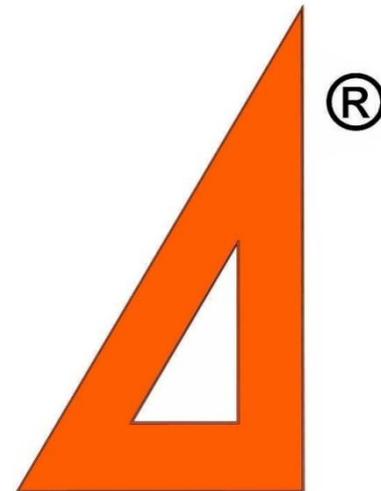
Why a Reserve Study?

- Prepare for future expenses
- **AVOID SPECIAL ASSESSMENTS**
- Budgeting tool allows HOA to invest reserve funds efficiently
- Maintenance guideline tool
- Fulfill requirements of local governments, lender requirements



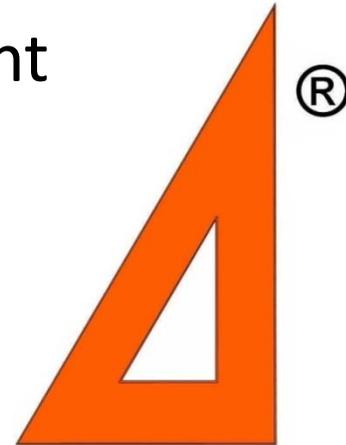
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Why use Professional Engineers?

- It's what we do
- A large part of our time is financial analysis: CBR
- We're licensed by all states
- Professional ethics codes
- Results are based on science and experience
- Typical industry standard cost estimates
- It's a Reserve Study **AND** Condition Assessment





09/06/2011

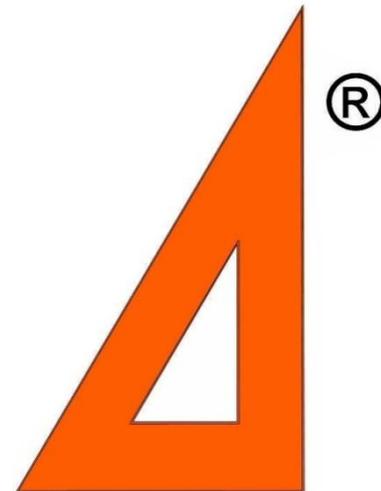


09/06/2011



Stormwater Reserve Items

- Dredging
- Dam, inlet/outlet structure, weir Repair
- Retaining wall repair
- Drainage Improvements – retrench swales, install french drain systems, install stone rip rap reinforcements



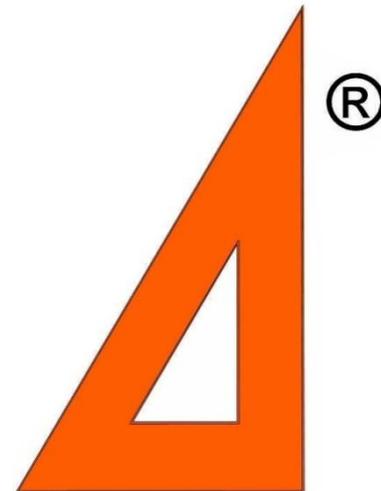
Forecasting Dredging Expense

Frequency

- Subject and neighboring site development
 - During construction
 - Post construction
- Erosion control systems
- Drainage systems
- Current condition
- Historical information
- Sediment / Bathymetric mapping
 - Physically or Sonar
 - Several points over time to track rate of accumulation

Cost

- Amount of sediment to remove
- Accessibility of pond
- Spoil disposal



Questions, Comments?

