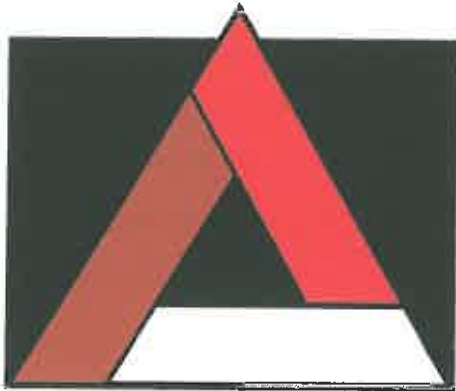


# DELTA



ENGINEERING

E N G I N E E R S

I N S P E C T O R S

P R O J E C T  
M A N A G E R S

## Reserve Study

Prepared for:  
**Riviera Dunes**  
**Master Association, Inc.**  
**Palmetto, Florida**

Project No. RS1008-101

January 21<sup>st</sup>, 2011

**DELTA ENGINEERING & INSPECTION, INC.**  
**6497 PARKLAND DR., SUITE C**  
**SARASOTA, FL 34243**

**FLORIDA REGISTERED ENGINEERING CORP.**  
**CERTIFICATE OF AUTHORIZATION #8753**  
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**DELTA**

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January 21<sup>st</sup>, 2011

Project No. RS1008-101

Mr. Coby Gaulien, Board President  
**Riviera Dunes Master Association, Inc.**  
c/o C&S Condominium Management Services, Inc.  
4301 32<sup>nd</sup> Street West, Suite A-20  
Bradenton, FL 34205

**RE: RESERVE STUDY - Draft**

Dear Mr. Gaulien:

As requested, Delta Engineering & Inspection, Inc. (Delta) has conducted this Reserve Study (RS) on behalf of **Riviera Dunes Master Association, Inc.** (Client) to assist the Association in making a determination of cash reserves needed for the replacement of common elements described herein. The current fund status and calculated funding plan scenarios are documented within this report, based upon the component inventory, life evaluations, and information provided by the Association. Although this study may not reveal all physical and reserve fund deficiencies, every reasonable attempt has been made to do so within the scope of work and components agreed upon by Delta and the Client.

Based on the information gathered for this reserve study, Delta has determined that the Association's present contributions will underfund the reserves required for the future replacement of the common elements using both the "cash-flow" method and the more conservative "component funding" method. Delta has calculated two fully funded contribution scenarios based on both funding methods for the Association's consideration. Please review the contents within this report and choose the appropriate method for calculating reserve contributions and adjust for future reserve funding accordingly.

Should you have any questions regarding the contents of the enclosed report or any other matter, please do not hesitate to contact our office at (941) 727-2600.

Respectfully submitted,  
**DELTA ENGINEERING & INSPECTION, INC.**  
Certificate of Authorization #8753

Craig M. Dudas  
Certified Reserved Specialist #215  
Inspector / (ICC No. 5234376-B1 & B2)

Encl.: Reserve Study Report - Draft

ENGINEERS PROJECT MANAGERS INSPECTORS

SARASOTA • FORT LAUDERDALE • NAPLES

# **RESERVE STUDY**

***Draft***

## **Riviera Dunes Master Association, Inc.**

**Property located at:**

**205 12<sup>th</sup> Avenue East  
Palmetto, FL 34421**

**January 21<sup>st</sup>, 2011**

**Prepared for and Certified to:**

**Riviera Dunes  
Master Association, Inc.  
Palmetto, FL**

**Prepared by:**

**Delta Engineering & Inspection, Inc.  
6497 Parkland Drive, Suite C  
Sarasota, Florida 34243  
Certificate of Authorization #8753**

**Project No. RS1008-101**

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## LIST OF EXHIBITS

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- |                   |   |
|-------------------|---|
| <b>EXHIBIT II</b> | <b>- FLORIDA STATUTES / FLORIDA ADMINISTRATIVE CODE</b> |
| <b>EXHIBIT II</b> | <b>- DEFINITIONS</b>                                    |

## 1.0 SUMMARY

### 1.1 General Information

Property Name:	Riviera Dunes Master	Level of Service:	Reserve Study
Property Location:	Palmetto, FL	Prepared for Year:	2012
Property Type:	Condominium/Single Family	Total Units:	622
Year Built:	2000	Replacement Schedule:	40 Years

### 1.2 Reserve Elements:

- |                      |                 |
|----------------------|-----------------|
| 1. Bridge            | 4. *Signs       |
| 2. Bulkhead / Riprap | 5. *Dredging    |
| 3. Seawall Cap       | 6. *Landscaping |

### 1.3 Reserve Parameters:

Total current cost of all reserve components in reserve analysis:	\$ 249,939
Total future cost of all reserve components in reserve analysis:	\$ 5,834,933
Estimated beginning reserve fund balance for reserve analysis:	\$ 151,094
Total number of components scheduled for replacement in 2012 budget:	1
Total cost of components scheduled for replacement in 2012 budget:	\$ 5,000
**Current annual reserve funding contribution amount:	\$ 88,445

### 1.4 Funding Method:

#### Cash Flow Analysis

Calculated total annual reserve funding contribution amount:	\$ 99,520
Calculated annual reserve funding contribution amount per unit: (year 2012 only)	\$ 160
<u>Increase</u> between current and calculated annual contribution:	\$ 11,075
Percent <u>increase</u> between current and calculated annual contribution:	11 %

#### Component Funding Analysis

Calculated annual reserve funding contribution amount:	\$ 89,161
Calculated annual reserve funding contribution amount per unit:	\$ 143
<u>Increase</u> between current and calculated annual contribution:	\$ 719
Percent <u>increase</u> between current and calculated annual contribution:	1 %

### 1.5 Discussion

Based on the information gathered for this reserve study, Delta has determined that the Association's present contributions will underfund the reserves required for the future replacement of the common elements using both the "cash-flow" method and the more conservative "component funding" method. Delta has calculated two fully funded contribution scenarios based on both funding methods for the Association's consideration. Please review the contents within this report and choose the appropriate method for calculating reserve contributions and adjust for future reserve funding accordingly.

\*Items not included in the condition assessment of the study, but considered as reserve items in the financial analysis.

\*\*Based on the information provided by the Association in the proposed 2011 budget.

## **2.0 GENERAL INFORMATION / SCOPE OF SERVICE**

---

### **2.1 General Information**

Delta Engineering & Inspection, Inc. (Delta) was contracted to perform a Reserve Study (RS) on behalf of **Riviera Dunes Master Association, Inc.** The purpose of this study and related report is to assist the Association in making a determination of cash reserves needed to replace the assets described and to recommend an adequate reserve funding strategy to meet the scheduled replacement requirements.

This RS was conducted, in part, within the scope and limitations of the National Reserve Study Standards of the Community Association Institute (CAI), the applicable Florida Statutes, and Florida Administrative Code Reserve Requirements. This study documents the component inventory of the common elements, a physical condition assessment (based upon on-site visual observations), life and valuation estimates, fund status, and funding plan scenarios. See **Section 5.0** for the financial analysis regarding annual expenses, fund status, and recommended reserve funding strategy.

This report was prepared by Mr. Steven J. Mainardi, PE and Mr. Craig Dudas. Mr. Mainardi is a Licensed Professional Engineer in the State of Florida (Reg. No. 56563) and is a Reserve Specialist (RS) certified by the Community Association Institute (Reg. No. 101). Mr. Dudas is a Reserve Specialist (RS) certified by the Community Association Institute (Reg. No. 215) and a Certified Inspector with the International Code Council (ICC No. 5234376-B1 & B2), specializing in building inspections and reserve studies.

### **2.2 Scope of Service**

The scope of this study was limited to performing tasks in regard to specific components and systems, as defined in the contract between **Delta** and **Riviera Dunes Master Association, Inc.**, including the following:

#### **2.2.1 Components and Systems**

- |                |                 |
|----------------|-----------------|
| 1. Bridge      | 4. *Signs       |
| 2. Bulkhead    | 5. *Dredging    |
| 3. Seawall Cap | 6. *Landscaping |

\*Items not included in the condition assessment of the study, but considered as reserve items in the financial analysis.

### 2.2.2 Reserve Study Tasks

- **Component Inventory** – The task of selecting and quantifying reserve components. This task is accomplished through on-site visual observations, the review of Association documents and covenants if provided by the Client, and discussions with appropriate Association representative(s).
- **Condition Assessment** – The task of evaluating the current condition of the components based upon on-site visual observations or reported characteristics. The physical condition of the components is typically defined as being in one of four categories: Excellent, Good, Fair, and Poor. For the purposes of this report, the following definitions are used:
  - **EXCELLENT** - The component or system is in new or like new condition. There is little or no evidence of deferred maintenance, or the needed repairs can be accomplished through routine scheduled maintenance.
  - **GOOD** - The component or system is sound and performing its function. It may show signs of normal aging or wear and tear, and some remedial and routine maintenance or rehabilitation work may be necessary.
  - **FAIR** - The component or system is performing adequately at this time, but is obsolete or is approaching the end of its typical expected useful life. The component or system may exhibit signs of deferred maintenance, evidence of previous repairs, and/or workmanship not in compliance with commonly accepted standards. Significant repair or replacement may be recommended to prevent further deterioration, restore it to Good condition, prevent premature failure, or to prolong its typical expected useful life.
  - **POOR** - The component or system has either failed or cannot be relied upon to perform its original function. This may be a result of having exceeded its typical expected useful life, exhibiting excessive deferred maintenance, or being in a state of disrepair. The present condition could contribute to or cause the deterioration of other adjoining components or systems. Repair or replacement is recommended.

For this report, the terms “deficiencies observed,” “physical deficiencies,” or “damage” are defined as the “presence of conspicuous defects or deferred maintenance of the subject property’s supporting systems, components, or equipment.” This assessment excludes deficiencies that may be remedied with routine maintenance or minor repairs. Also excluded are de minimis conditions that generally do not present physical deficiencies.

- Life and Valuation Estimates – Estimated Useful Life is an estimate of the total number of years that a component or system is expected to serve its intended function. Remaining Useful Life is an estimate of the total number of years that a component or system can be expected to serve its intended function.
- Replacement Estimates – The estimated 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. Contingency items costs have been provided by the Association.
- Fund Status – The status of the reserve fund as compared to an established benchmark, such as percent funding.
- Funding Plan – Funding scenarios are developed in cooperation with the Association's plan to provide income to a Reserve Fund to offset any anticipated expenditures. For the purpose of this study, "Component Funding" and "Cash Flow" methods will be used as a means of estimating reserves.



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## **3.0 PROPERTY DESCRIPTION**

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### **3.1 Site Description**

The subject property, Riviera Dunes Master Association, Inc., is a residential community zoned as "A-1" in Section 24, Township 34, and Range 17 East in Manatee County, Florida. The property is in a windborne debris region as dictated by the Florida Building Code and is located in flood zone "AE" per the flood insurance rate map and Federal Emergency Management Agency (FEMA). The physical address of the clubhouse is 205 12<sup>th</sup> Avenue East, Palmetto, Florida in Manatee County. The subject property is bound on the east by residential property, on the west by Tamiami Trail (US 41), on the north by Haben Boulevard, and on the south by the Manatee River. Improvements to the property include, but are not limited to: 622 residential and commercial units, general landscaping, irrigation, site lighting, marina, clubhouse, and a gate house.

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## **4.0 PHYSICAL ANALYSIS**

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## 4.1 BRIDGE

### **Description:**

A vehicular bridge is located on the southwest side of the property and provides access to the homes along the south end of Riviera Dunes Way. The bridge is comprised of pre-stressed concrete I-beams with a precast concrete deck and an asphalt wearing surface overlay. All exposed concrete, with the exception of the underside of the bridge, is coated with what appears to be an acrylic paint. The structural components appear to be in **Good** condition and are considered to be in the beginning of their estimated useful life. The paint coatings which were repainted in August 2008, also appear to be in **Good** condition, and are considered to be in the middle of their estimated useful life. It is Delta's understanding that the bridge's asphalt wearing surface is maintained and funded by the homeowner's association and not included in the master associations reserve analysis. For the purposes of this study the next scheduled painting, which includes prime and paint, shall be reserved for 2015 and again every 7 years thereafter. For the purposes of this study the next scheduled concrete restoration shall be reserved for 2015 and again every 14 years thereafter.

### **Estimated Replacement Data:**

Bridge	Concrete Restoration	Painting
Approximate Age	11	4
Remaining Useful Life	3	3
Present-Day Cost	<b>\$ 10,000</b>	<b>\$ 22,750</b>
1 <sup>st</sup> Year of Repair or Replacement	2015	2015

## 4.2 BULKHEAD / RIPRAP

### **Description:**

The bulkhead / riprap is located along the southeast inlet of the property and the southwest outflow. The wood bulkhead is comprised of 14-inch-diameter wood piles with 2-inch-by-10-inch pressure-treated wood walls, filter fabric, anchor tie-backs, and riprap at the assumed water levels, and is approximately 1,200 feet in length. A 2-inch-by-10-inch, pressure-treated wood cap covers the entire bulkhead. The bulkhead and its components appear to be in **Good** condition and are considered to be in the beginning of their estimated useful life. The pressure-treated wood cap appears to be in **Fair** condition and is nearing the end of its estimated useful life. For the purposes of this study, the next scheduled bulkhead restoration shall be reserved for 2018 and again every 10 years thereafter. For the purposes of this study, the next scheduled replacement of the pressure-treated wood cap shall be reserved for 2011 and again every 10 years thereafter. It is Delta's recommendation that a maintenance and inspection program be put be implemented on an annual basis to identify and damages so they are addressed prior to them becoming a significant repair.

### **Estimated Replacement Data:**

<b>Bulkhead</b>	<b>Bulkhead Restoration</b>	<b>Wood Cap Replacement</b>
Approximate Age	4	10
Remaining Useful Life	6	0
Present-Day Cost	<b>\$ 35,000</b>	<b>\$ 5,000</b>
1 <sup>st</sup> Year of Repair or Replacement	2018	2011

### 4.3 SEAWALL and CAP

**Description:**

A concrete seawall is located around the perimeter of the marina. The seawall is approximately 5,500 feet in length and approximately 8 feet in height and is comprised of sheet pile walls made out of steel which are driven into the ground anchor tie-backs, and riprap is installed at the assumed water levels. A concrete cap approximately 16-in.-by-22-in. is installed along the entire seawall. At the time of the site visit only cracks of the seawall cap were observed. The seawall and cap appears to be in **Good** condition and in the middle of its estimated useful life. For the purpose of this study, the cap shall be reserved for repair in 2018 and again every 10 years thereafter and the seawall shall be reserved for repair in 2017 and again every 15 years thereafter. It is Delta's recommendation that a maintenance and inspection program be implemented on an annual basis to identify and damages so they are addressed prior to them becoming a significant repair.

**Estimated Replacement Data:**

Seawall and Cap	Seawall Cap Restoration	Seawall Restoration
Approximate Age	4	10
Remaining Useful Life	6	5
Present-Day Cost	<b>\$ 40,000</b>	<b>\$ 80,000</b>
1 <sup>st</sup> Year of Repair or Replacement	2018	2017

## 5.0 RESERVE / FINANCIAL ANALYSIS

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There are two generally accepted means of estimating reserves: the Component Funding Method and the Cash Flow Method. The **Component Funding 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. In the case of the subject property, reserve fund balances for specific categories were allocated to individual reserve components within those categories on a pro rata basis, based on the individual reserve component's current cost vs. the total current cost of the other reserve components within that category.

The **Cash Flow 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 calculates the future replacement cost for reserve components when they are due for replacement and recognizes increases in construction costs, as well as interest income attributable to reserve accounts. 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.

Unlike the Component Funding Analysis, the Cash Flow Analysis does not require 100% funding of components to meet projected future expenditures. The rate of return on funds invested is also factored into the Cash Flow Analysis. These two factors result in a contribution rate that is normally less than that developed by the Component Fund Analysis. Although the Cash Flow Analysis may fund reserves at less than 100% during all or portions of the analysis period, a positive cash flow throughout the period of the analysis ensures that each reserve component will have sufficient funds available for expenditures when they are due.

Prior to December 23, 2002, Florida Statutes mandated that condominiums, cooperatives, and timeshare condominiums calculate reserves via the Component Funding Method on an annual basis. Funding at less than 100% of the fully funded estimate, based on the Component Funding 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 Method as an approved methodology for the calculation of reserve funding. Condominiums, cooperatives, and timeshare condominiums can now employ the Cash

Flow Method in lieu of the previously mandated Component Funding Method analysis. If associations wish to change to the Cash Flow Method, reserve funds must be pooled into a single fund via a full vote of the association membership. The fund requirement estimated by the Cash Flow Method can now be provided to the membership on an annual basis as a fully funded figure. The analysis must be completed on an annual basis, 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 not be 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 project 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.

**TABLE 1 - Estimated Replacement Data**

Element	Quantities		Costs			Life Analysis (yrs)				Task	
	Total	Units	Present Day	Total Present Day Costs	Future Costs for 40 Year Period at 1.2%	% of Total Future Costs	Typical Useful Life	Remaining Useful Life	Repair	Replace	Partial
<b>Bridge</b>											
Concrete Restoration	1	Each	\$10,000.00	\$10,000	\$37,087	0.6%	15	3		X	
Painting	1	Each	\$22,750.00	\$22,750	\$176,092	3.0%	7	3			X
<b>Bulkhead / Riprap</b>											
Bulkhead Restoration	1	Each	\$35,000.00	\$35,000	\$181,457	3.1%	10	6		X	
Wood Cap Replacement	1	Each	\$5,000.00	\$5,000	\$32,189	0.5%	10	0			X
<b>Seawall Cap</b>											
Seawall Cap Restoration	1	Each	\$40,000.00	\$40,000	\$0	0.0%	10	6		X	
Seawall Restoration	1	Each	\$80,000.00	\$80,000	\$307,924	5.2%	15	5		X	
<b>*Signs</b>											
	1	Each	\$62,189.00	\$62,189	\$1,593,879	26.8%	2	1			X
<b>*Dredging</b>											
	1	Each	\$10,000.00	\$10,000	\$256,296	4.3%	2	1			X
<b>*Landscaping</b>											
	1	Each	\$65,000.00	\$65,000	\$3,351,840	56.5%	1	1			X
<b>Totals</b>				\$329,939	\$5,936,764	100%					
*Replacement values provided by Association.											



**TABLE 2 - Cash Flow Expense Schedule**

Element	0 2012	1 2013	2 2014	3 2015	4 2016	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022
<b>Bridge</b>											
Concrete Restoration				\$10,364							
Painting				\$23,579							\$25,632
<b>Bulkhead / Riprap</b>											
Bulkhead Restoration											
Wood Cap Replacement	\$5,000						\$37,597				\$5,633
<b>Seawall Cap</b>											
Seawall Cap Restoration											
Seawall Restoration						\$84,917					
<b>*Signs</b>		\$62,935		\$64,455		\$66,011		\$67,605		\$69,237	
<b>*Dredging</b>		\$10,120		\$10,364		\$10,615		\$10,871		\$11,133	
<b>*Landscaping</b>		\$65,780	\$66,569	\$67,368	\$68,177	\$68,995	\$69,823	\$70,661	\$71,508	\$72,367	\$73,235
<b>Totals</b>	\$5,000	\$138,835	\$66,569	\$176,131	\$68,177	\$230,537	\$150,387	\$149,136	\$71,508	\$152,737	\$104,501

**TABLE 2 - Cash Flow Expense Schedule**

Element	11 2023	12 2024	13 2025	14 2026	15 2027	16 2028	17 2029	18 2030	19 2031	20 2032
<b>Bridge</b>										
Concrete Restoration							\$12,248			
Painting							\$27,864			
<b>Bulkhead / Riprap</b>										
Bulkhead Restoration						\$42,360				
Wood Cap Replacement										\$6,347
<b>Seawall Cap</b>										
Seawall Cap Restoration						\$48,411				
Seawall Restoration										\$101,555
<b>*Signs</b>	\$70,909		\$72,621		\$74,374		\$76,170		\$78,009	
<b>*Dredging</b>	\$11,402		\$11,677		\$11,959		\$12,248		\$12,544	
<b>*Landscaping</b>	\$74,114	\$75,003	\$75,903	\$76,814	\$77,736	\$78,669	\$79,613	\$80,568	\$81,535	\$82,513
	\$156,425	\$75,003	\$160,201	\$76,814	\$164,069	\$169,440	\$208,143	\$80,568	\$172,087	\$190,415

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**TABLE 2 - Cash Flow Expense Schedule**

Element	21 2033	22 2034	23 2035	24 2036	25 2037	26 2038	27 2039	28 2040	29 2041	30 2042
<b>Bridge</b>										
Concrete Restoration										
Painting				\$30,291						
<b>Bulkhead / Riprap</b>										
Bulkhead Restoration										
Wood Cap Replacement						\$47,727				\$7,151
<b>Seawall Cap</b>										
Seawall Cap Restoration				\$53,259						
Seawall Restoration										
<b>*Signs</b>	\$79,892		\$81,821		\$83,797		\$85,820		\$87,892	
<b>*Dredging</b>	\$12,847		\$13,157		\$13,475		\$13,800		\$14,133	
<b>*Landscaping</b>	\$83,503	\$84,505	\$85,519	\$86,546	\$87,584	\$88,635	\$89,699	\$90,775	\$91,865	\$92,967
	\$176,242	\$84,505	\$180,497	\$170,096	\$184,855	\$136,362	\$189,319	\$90,775	\$193,889	\$100,118

**TABLE 2 - Cash Flow Expense Schedule**

Element	31 2043	32 2044	33 2045	34 2046	35 2047	36 2048	37 2049	38 2050	39 2051	40 2052	Total
<b>Bridge</b>											
Concrete Restoration	\$14,474										\$37,087
Painting	\$32,929							\$35,797			\$176,092
<b>Bulkhead / Riprap</b>											
Bulkhead Restoration						\$53,773					\$181,457
Wood Cap Replacement										\$8,057	\$32,189
<b>Seawall Cap</b>											
Seawall Cap Restoration						\$61,455					\$206,093
Seawall Restoration					\$121,453						\$307,924
<b>*Signs</b>	\$90,014		\$92,187		\$94,413		\$96,692		\$99,027		\$1,593,879
<b>*Dredging</b>	\$14,474		\$14,824		\$15,182		\$15,548		\$15,924		\$256,296
<b>*Landscaping</b>	\$94,083	\$95,212	\$96,354	\$97,510	\$98,680	\$99,865	\$101,063	\$102,276	\$103,503	\$104,745	\$3,351,840
	\$245,974	\$95,212	\$203,365	\$97,510	\$329,728	\$215,093	\$213,304	\$138,072	\$218,454	\$112,802	\$6,142,857

**Table 3**  
**Cash Flow Funding Table**

Interest Rate	Inflation Rate
0.50%	1.20%

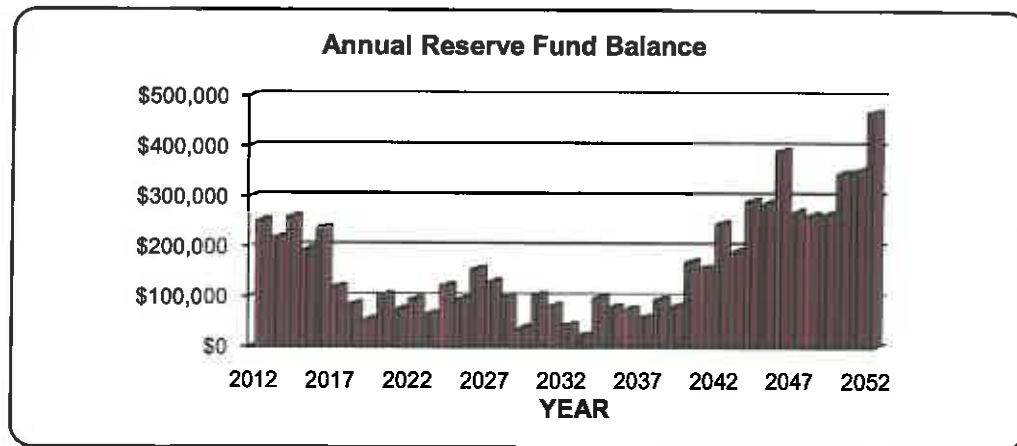
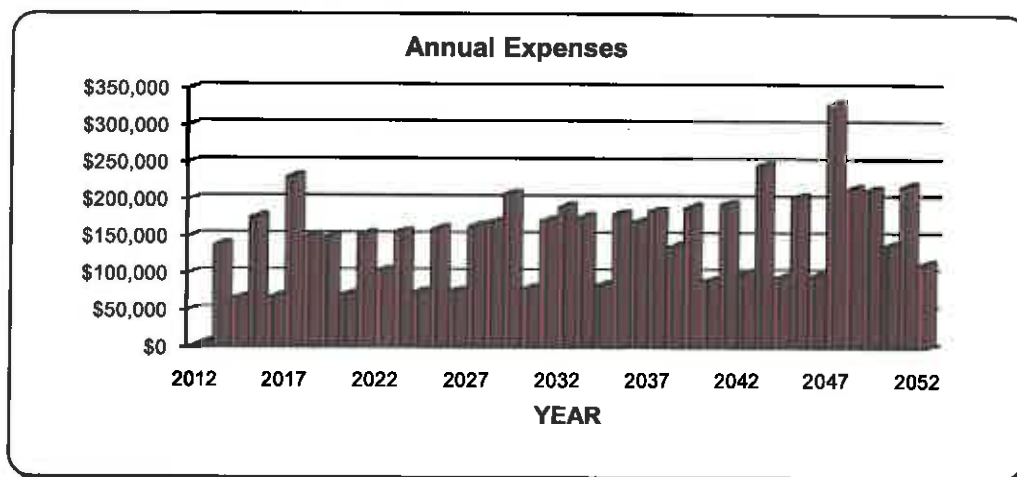
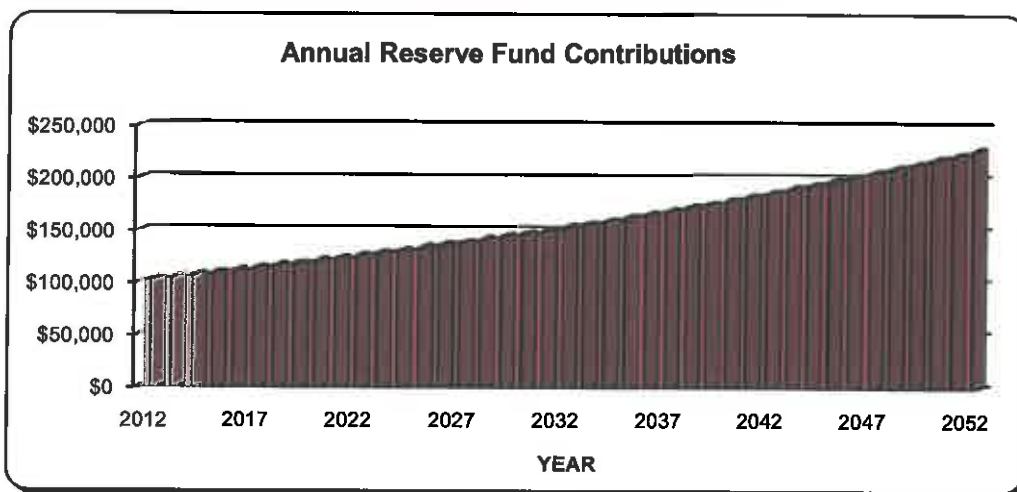
Number of Units	622
Current annual reserve contribution:	\$88,445
Estimated ending Balance:	\$151,094
Difference between current and calculated annual contributions:	\$14,185
Percent difference between current and calculated annual contribution:	-14%

Year	Beginning Balance of Reserve Fund	*Per Unit Reserve Contrib.	Total Reserve Contrib.	Expenses	Interest	Ending Balance of Reserve Fund
2012	\$151,094	\$165	\$102,630	\$5,000	\$1,244	\$249,968
2013	\$249,968	\$168	\$104,683	\$138,835	\$1,079	\$216,894
2014	\$216,894	\$172	\$106,776	\$66,569	\$1,286	\$258,386
2015	\$258,386	\$175	\$108,912	\$176,131	\$956	\$192,124
2016	\$192,124	\$179	\$111,090	\$68,177	\$1,175	\$236,212
2017	\$236,212	\$182	\$113,312	\$230,537	\$595	\$119,582
2018	\$119,582	\$186	\$115,578	\$150,387	\$424	\$85,197
2019	\$85,197	\$190	\$117,890	\$149,136	\$270	\$54,220
2020	\$54,220	\$193	\$120,247	\$71,508	\$515	\$103,474
2021	\$103,474	\$197	\$122,652	\$152,737	\$367	\$73,756
2022	\$73,756	\$201	\$125,105	\$104,501	\$472	\$94,833
2023	\$94,833	\$205	\$127,608	\$156,425	\$330	\$66,346
2024	\$66,346	\$209	\$130,160	\$75,003	\$608	\$122,110
2025	\$122,110	\$213	\$132,763	\$160,201	\$473	\$95,145
2026	\$95,145	\$218	\$135,418	\$76,814	\$769	\$154,517
2027	\$154,517	\$222	\$138,126	\$164,069	\$643	\$129,218
2028	\$129,218	\$227	\$140,889	\$169,440	\$503	\$101,170
2029	\$101,170	\$231	\$143,707	\$208,143	\$184	\$36,917
2030	\$36,917	\$236	\$146,581	\$80,568	\$515	\$103,445
2031	\$103,445	\$240	\$149,513	\$172,087	\$404	\$81,274
2032	\$81,274	\$245	\$152,503	\$190,415	\$217	\$43,579
2033	\$43,579	\$250	\$155,553	\$176,242	\$114	\$23,004
2034	\$23,004	\$255	\$158,664	\$84,505	\$486	\$97,648
2035	\$97,648	\$260	\$161,837	\$180,497	\$395	\$79,383
2036	\$79,383	\$265	\$165,074	\$170,096	\$372	\$74,733
2037	\$74,733	\$271	\$168,375	\$184,855	\$291	\$58,544
2038	\$58,544	\$276	\$171,743	\$136,362	\$470	\$94,395
2039	\$94,395	\$282	\$175,178	\$189,319	\$401	\$80,655
2040	\$80,655	\$287	\$178,681	\$90,775	\$843	\$169,404
2041	\$169,404	\$293	\$182,255	\$193,889	\$789	\$158,558
2042	\$158,558	\$299	\$185,900	\$100,118	\$1,222	\$245,562
2043	\$245,562	\$305	\$189,618	\$245,974	\$946	\$190,152
2044	\$190,152	\$311	\$193,410	\$95,212	\$1,442	\$289,792
2045	\$289,792	\$317	\$197,279	\$203,365	\$1,419	\$285,125
2046	\$285,125	\$324	\$201,224	\$97,510	\$1,944	\$390,783
2047	\$390,783	\$330	\$205,249	\$329,728	\$1,332	\$267,635
2048	\$267,635	\$337	\$209,354	\$215,093	\$1,309	\$263,205
2049	\$263,205	\$343	\$213,541	\$213,304	\$1,317	\$264,759
2050	\$264,759	\$350	\$217,812	\$138,072	\$1,722	\$346,221
2051	\$346,221	\$357	\$222,168	\$218,454	\$1,750	\$351,685
2052	\$351,685	\$364	\$226,611	\$112,802	\$2,327	\$467,821
				<b>\$6,142,857</b>		

\*Includes a 2% Increase per Year

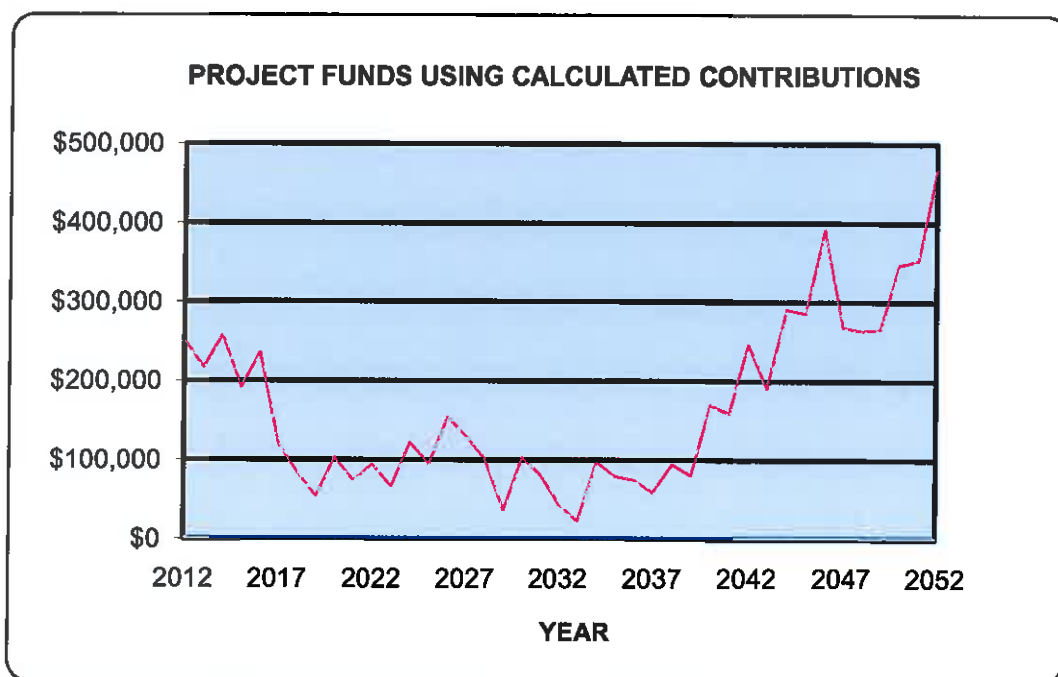
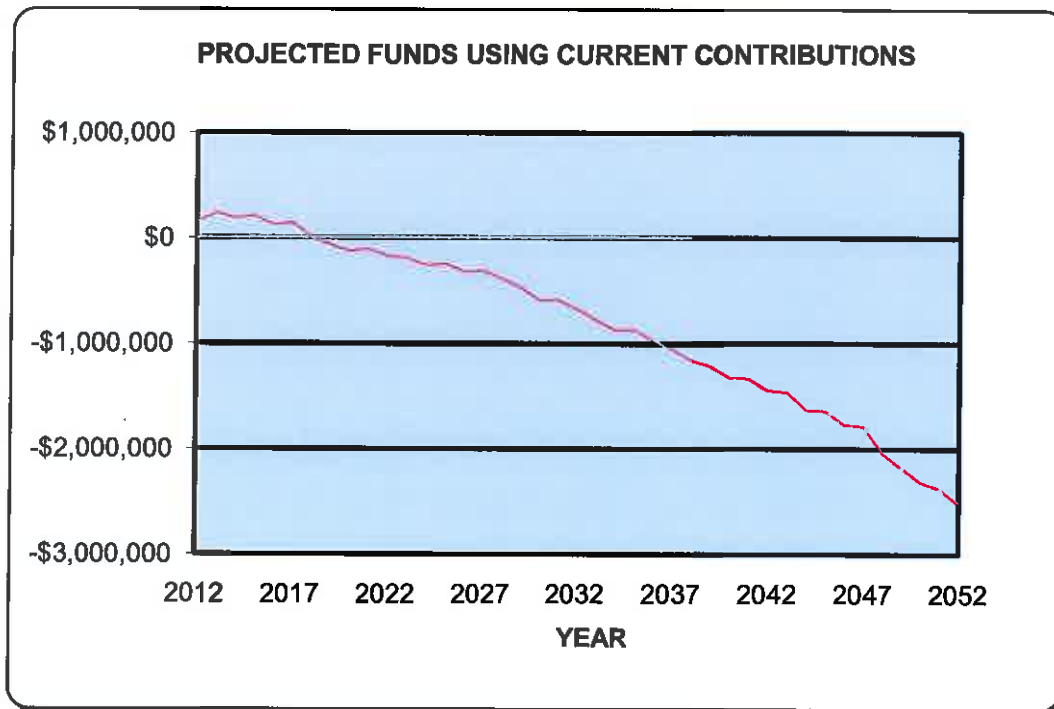
**Figure 1**  
**Cash Flow Funding Bar Graphs**

Interest Rate	Inflation Rate
0.50%	1.20%



**Figure 2**  
**Cash Flow Funding Line Graphs**

Interest Rate	Inflation Rate
0.50%	1.20%



**TABLE 4**  
**COMPONENT FUNDING ANALYSIS - YEAR 2012**

FOR PERIOD 1/1/11 THROUGH 12/31/11

ELEMENT	*TYPICAL USEFUL LIFE	REMAINING USEFUL LIFE	ESTIMATED BEGINNING BALANCE	CURRENT REPLACEMENT COST	UNFUNDED BALANCE	ANNUAL CONTRIBUTION
<b>Bridge</b>						
Concrete Restoration	15	3	\$2,962	\$10,000	\$7,038	\$2,346
Painting	7	3	\$6,737	\$22,750	\$16,013	\$5,338
<b>Total</b>			\$9,699	\$32,750	\$23,051	\$7,684
<b>Bulkhead / Riprap</b>						
Bulkhead Restoration	10	6	\$9,867	\$35,000	\$25,134	\$4,189
Wood Cap Replacement	10	0	\$1,410	\$5,000	\$3,591	\$903
<b>Total</b>			\$11,276	\$40,000	\$28,724	\$5,092
<b>Seawall Cap</b>						
Seawall Cap Restoration	10	6	\$0	\$40,000	\$40,000	\$6,667
Seawall Restoration	15	5	\$0	\$80,000	\$80,000	\$16,000
<b>Total</b>			\$0	\$120,000	\$120,000	\$22,667
*Signs	2	1	\$0	\$62,189	\$62,189	\$62,189
*Dredging	2	1	\$2,470	\$10,000	\$7,530	\$7,530
*Landscaping	1	1	\$65,000	\$65,000	\$0	\$0
<b>TOTAL</b>			\$88,445	\$329,939	\$241,494	\$105,161
<b>NUMBER OF UNITS</b>						
CURRENT ANNUAL RESERVE CONTRIBUTION:					622	
CALCULATED ANNUAL RESERVE CONTRIBUTION:					\$88,445	
CALCULATED PER UNIT RESERVE CONTRIBUTION:					\$105,161	
DIFFERENCE BETWEEN CURRENT AND CALCULATED ANNUAL CONTRIBUTION:					\$169	
PERCENT DIFFERENCE BETWEEN CURRENT AND CALCULATED ANNUAL CONTRIBUTION:					\$16,716	-16%



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## **6.0 DOCUMENTS REVIEWED AND INTERVIEWS**

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### **6.1 Agencies or Businesses Contacted**

The following agencies or businesses were contacted during the course of this RS. When needed, officials from these agencies were interviewed regarding specific information pertaining to the subject property:

- Ms. Julie Kollath – C&S Condominium Management Services, Property Manager, Bradenton, FL
- Mr. Coby Gaulien – Riviera Dunes Master Association, Inc., Board President, Palmetto, FL

### **6.2 Documents Referenced**

- ImproveNet.com
- Costestimator.com
- Construction Cost Guide 2008
- RS Means Light Commercial Cost Data 2008
- RS Means Assemblies Cost Data 2008
- RS Means Repair & Remodeling Cost Data 2008
- Riviera Dunes Master Association, Inc., Reserve Schedule
- Riviera Dunes Master Association, Inc., Reserve Breakdown
- Riviera Dunes Master Association, Inc., Budget
- Riviera Dunes Master Association, Inc., Lot/Parcel Breakdown

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## 7.0 LIMITATIONS

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The scope of work for this Reserve Study (RS) was limited to performing tasks as defined in the Professional Service Agreement between **Delta** and **Riviera Dunes Master Association, Inc.** The use of this report by any unauthorized third party shall be at their own risk.

The opinions expressed herein are based on the information collected during our study, our present understanding of the site conditions, and our professional judgment in light of such information at the time of this report. The report is a professional opinion, and no warranty is either expressed or implied as to the conclusions, advice, and recommendations offered. In expressing the opinions stated in this report, Delta has exercised a reasonable degree of care and skill ordinarily exercised by a reasonably prudent architect or engineer in the same community and in the same time frame given the same facts and circumstances. Documentation and data provided by the Client, designated representatives of the Client, or other interested third parties, or from public domain, and referred to in preparation of this report, have been used and referenced with the understanding that Delta assumes no responsibility or liability for their accuracy.

Independent conclusions represent our professional judgment based on the information and data available to us during the course of this assignment. Delta's evaluations, analyses, and opinions do not represent design integrity, structural soundness, or actual value of the property. Factual information regarding operations, conditions, and test data provided by the Client or their representatives has been assumed to be correct and complete. The conclusions presented are based on the data provided, observations, and conditions that existed on the date of the site investigation. Our work was performed and prepared in accordance with procedures, practices, and standards generally accepted and customary in the consultant's profession for use in similar assignments.

This report is prepared for the exclusive use of the Client, and opinions and recommendations contained in this report apply to the conditions existing when services were performed and are intended only for the client, purposes, locations, timeframes, and project parameters indicated. This report is not for the use and benefit of, nor may be relied upon by, any other person or entity without the advance written consent of Delta.

The information reported was obtained through sources deemed reliable; a visual site survey of the areas readily observable, easily accessible or made accessible by the property contact; and interviews with owners, agents, occupants, or other appropriate persons involved with the Subject Property. Applicable municipal information was obtained through file reviews of reasonably ascertainable standard government

record sources, and interviews with the authorities having jurisdiction over the property. Findings, conclusions, and recommendations included in this report are based on our visual observations in the field, the municipal information reasonably obtained, information provided by the Client, and/or a review of readily available and supplied drawings and documents. No disassembly of system or building components or physical or invasive testing was performed. Delta renders no opinion as to the property condition at unsurveyed and/or inaccessible portions of the subject property. Delta relies on the information, whether written, graphic, or verbal, provided by the property contact or as shown on any documents reviewed or received from the property contact, owner or agent, or municipal source, and assumes that information to be true and correct. The observations in this report are valid on the date of the survey. Delta uses the date recorded by the local Property Appraiser's Office as the effective year built. It is important to note that all but an exhaustive investigation might fail to locate or identify deficiencies that may not be reasonably visible.

The contents of this report are not intended to represent an in-depth evaluation or analysis of the systems and components of the subject property. The extent of the physical survey for the production of this report has been limited by the contract and agreed upon Scope of Work, (consistent with the National Reserves Study Guidelines of the Community Association Institute (CAI). Assumptions regarding the overall condition of the property have been developed based upon a survey of representative areas of the subject property. As such, no representation of *all* aspects of *all* areas or components was made. Routine maintenance items are not reported or included in this report. Where quantities could not be derived from actual takeoffs, lump sum figures or allowances were used. Estimated costs are based on professional judgment and the probable or actual extent of the observed defect inclusive of the cost to design, procure, construct and manage the corrections. Where property-unique or specialty equipment is present, Delta relies solely on data regarding maintenance and/or replacement costs provided by the designated site contact or on-site individuals with first-hand knowledge of the specific equipment.

The survey was conducted in a manner consistent with the level of care and skill ordinarily exercised by members of the profession, and in accordance with generally accepted practices of other consultants currently practicing in the same locality under similar conditions. No other representation, express or implied, and no warranty or guarantee is included or intended. The *report* speaks only as of its date, in the absence of a specific written update of the report, signed and delivered by Delta.

Any additional information that becomes available after our survey and draft submission concerning the subject property should be provided to Delta so that our conclusions may be revised and modified if necessary, at additional cost. This report has been prepared in accordance with our Professional Service Agreement, which is an integral Part of this report.

Excluded from said contract is the existence of any code violations within the property, the location of any well field protection areas, urea formaldehyde insulation or testing for lead within any structures on the subject property, the existence of the "sick-building" syndrome within any structure on the subject property, geotechnical analysis or indoor air quality, structural stability of building(s), or construction claims. Delta assumes that there are no hidden or unapparent physical or environmental conditions of the buildings, site, subsoil, groundwater, structures, or surroundings that may have an adverse effect on the subject property, whether the source is on-site or located on adjacent properties or in surrounding areas. This RS does not provide a detailed condition assessment, engineering, environmental, or geological analysis of the site, buildings or its common elements. Items mentioned within the report can specifically be evaluated in more detail, but only by procedures more involved than those provided by this RS.

Any site plans or drawings provided show approximate dimensions and are included in this report to assist the client in visualizing the site and the surroundings, not to give a necessarily accurate dimensional representation of the site. Conclusions drawn from the results of this reserve study are limited by the methods used as agreed upon with the Client and do not represent a warranty, guarantee, insurance policy, or substitute for exhaustive testing and analysis of any component.

**EXHIBIT I**

**FLORIDA STATUTES /  
FLORIDA ADMINISTRATIVE CODE**

## **Florida Statutes**

**Condominiums: 718.112 (1) (f) 2 & 3**

**Cooperatives: 719.106 (1) (j) 2 & 3**

(f) *Annual budget.*--

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 an adopted budget in which the members of an association have determined, by a majority vote at a duly called meeting of the association, to provide no reserves or less reserve 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 fiscal years of the association's operation, beginning with the fiscal year in which the initial declaration is recorded, after which time reserves may be waived or reduced only upon the vote of a majority of all non-developer 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 whether to waive or reduce the funding of reserves, and no such result is achieved or a quorum is not attained, the reserves as included in the budget shall go into effect. After the turnover, the developer may vote its voting interest to waive or reduce the funding of reserves.

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 majority vote 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 non-developer voting interests, voting in person or by limited proxy at a duly called meeting of the association.

# **Florida Administrative Code – Summary of Rule Amendments**

## **Chapter 61B – 22**

### **61B-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 any 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; or
  - (c) The addition to an asset that 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.

### **61B-22.003 Budgets.**

- (1) Required elements for estimated operating budgets. The budget for each association shall:
  - (a) State the estimated common expenses or expenditures on at least an annual basis;
  - (b) Disclose the beginning and ending dates of the period covered by the budget;
  - (c) Show the total assessment for each unit type according to proportion of ownership on a monthly basis, or for any other period for which assessments will be due;
  - (d) Include all estimated common expenses or expenditures of the association including the categories set forth in Section 718.504(21)(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) Record keeping requirements for budgets. The minutes of the association shall reflect the adoption of the budget and a copy of the proposed and adopted budgets shall be maintained as part of the financial records of the association.

(4) Multicondominium associations. Multicondominium 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. Multicondominium 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. Multicondominium 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 condominium'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.

4. The budgets of multicondominium associations created after June 30, 2000 or of multicondominium 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.

#### **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 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 that are not required by statute. Reserves that 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 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.

(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 multicondominium 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 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 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 multicondominium 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 multicondominium 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 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.

**EXHIBIT II**

**DEFINITIONS**

## 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 developing a reserve funding plan in which contributions to the reserve fund offset the variable annual expenditures from it. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.
- **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:** An individual line item in a reserve study, developed or updated in the physical analysis. Components are the building blocks on which the reserve study is built.
- **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 can be accomplished through on-site visual observations, review of association design and organizational documents, review of established association precedents, and discussion with the appropriate association representative(s).
- **Component method:** A method of developing a reserve funding plan in which the total contribution is based on the sum of contributions for individual components. See "Cash flow method."
- **Condition assessment:** The task of evaluating the current condition of the component based on observed or 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 because some components age irregularly. Used primarily in computations.
- **Financial analysis:** The portion of a reserve study in which the current status of 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:** 100 percent funded; when the actual (or projected) reserve balance is equal to the fully funded balance.
- **Fully funded balance (FFB):** 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 "used" life of the current repair or replacement cost. This number is calculated for each component, and these sums are added together for an association total.

**Funding goals:** independent of methodology utilized, the following represent the basic categories of funding plan goals:

- *Full funding.* Setting a reserve funding goal of attaining and maintaining reserves at or near 100 percent funded.
- *Baseline funding.* Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- *Statutory funding.* Establishing a reserve funding goal of setting aside the specific minimum amount of reserves 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 full 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

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

**Life and valuation estimates:** The task of estimating useful life, remaining useful life, and repair or replacement costs for reserve components.

**Percent funded:** The ratio at a particular point in time (typically the beginning of the fiscal year) of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

**Physical analysis:** The portion of the reserve study in which 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); Remaining life (RL):** The estimated time, in years, for which a reserve component can be expected to continue to serve its intended function. Components of projects planned for 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 at a given point in time identified by the association to defray the future repair or replacement costs of those major components the association is obliged to maintain. Also known as "reserves", "reserve accounts," or "cash reserves".

**Reserve provider:** An individual that prepares Reserve Studies.

**Reserve study:** A budget planning tool that identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common-area expenditures. The reserve study consists of two parts: the physical analysis and the financial analysis.

**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; except 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 association members in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

**Surplus:** An actual (or projected) reserve balance greater than the fully-funded balance. See "Deficit".

**Useful life (UL):** The estimated time, in years, for which a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

**RESERVE STUDY**  
**-Draft-**

**Property Located at:**

**Riviera Dunes  
Master Association, Inc.  
Palmetto, Florida**