



1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Seville Condominium 11, Inc. (Seville Condominium 11)

Location: Largo, Florida

Reference: 141450

Property Basics: Seville Condominium 11, Inc. is a condominium style development which consists of 52 units in one building. The building was built in 1971.

Reserve Components Identified:

- 11 *Structural Integrity* Reserve Components
- 16 *General* Reserve Components

Inspection Date: August 15, 2023

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. The component method does not allow for a threshold funding goal which is one of the reasons most communities use the cash flow methodology.

- *Structural Integrity:* Our recommended Funding Plan recognizes multiple threshold funding years due to coatings and repairs to the balconies, breezeways and exterior walls and replacement of the common windows and doors and foam roof.
- *General:* Our recommended Funding Plan recognizes these threshold funding years in 2025 due to the replacement of the subsurface utilities pipes and in 2035 due to the modernization of the hydraulic elevators. In addition, the Reserve Funding Plan recommends 2053 year end accumulated reserves of approximately \$301,800. We judge this amount of accumulated reserves in 2053 necessary to fund the likely modernization of the hydraulic elevators after 2053. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2053 year end reserves.

Methodology:

Component Method - Also known as the straight line method, this methodology calculates the reserve funding requirements necessary to fund the portion of the unfunded balance of a component relative to its remaining useful life. The overall funding recommendations is the sum of the required funding item for each individual component.

Cash Flow Method - We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 2.0% anticipated annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs



Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Structural Integrity - Pipes, Riser Sections, Domestic Water and Waste
- Structural Integrity - Electrical System, Panels
- Structural Integrity - Structural Members, Inspection, Milestone
- Structural Integrity - Balconies and Breezeways, Concrete, Repairs and Waterproof Coating Applications
- Structural Integrity - Walls, Stucco, Paint Finishes and Capital Repairs
- General - Carports, Roofs, Clay Tiles
- General - Air Handling and Condensing Units, Split Systems
- General - Pipes, Subsurface Utilities
- General - Asphalt Pavement, Mill and Overlay, Parking Areas
- General - Lobbies, Renovation

Unaudited Cash Status of Reserve Fund:

- \$160,562 as of May 31, 2023
- \$51,387 in budgeted 2023 reserve contributions (\$29,976 remaining)
- \$68,900 in estimated remaining 2023 reserve expenses
- We project a 2023 Reserve End Balance of \$121,638.

Component Method Funding

The Association currently uses component methodology to calculate their reserve requirements. Component reserve funds are restricted to be used only on the specific reserve component(s).

Structural Component Funding Analysis: Under this methodology, the required total annual funding for 2024 is \$555,674. This initial adjustment recommends an increase of 175.3% in the operating budget or an average monthly increase of \$808.15 per unit owner.

General Component Funding Analysis: Under this methodology, the required total annual funding for 2024 is \$169,373. This initial adjustment recommends an increase of 41.0% in the operating budget or an average monthly increase of \$189.08 per unit owner.

The Component Method does not incorporate inflation or interest on reserves. Estimates of appropriate reserve contributions must be updated annually to account for market changes in the common elements from year to year. Changes in market conditions and other inherent factors of the Component Method can result in significant volatility in the reserve contribution from year to year. Florida Statute 718.112 prohibits waiving or reducing reserves for Structural Integrity items

Cash Flow Method Funding

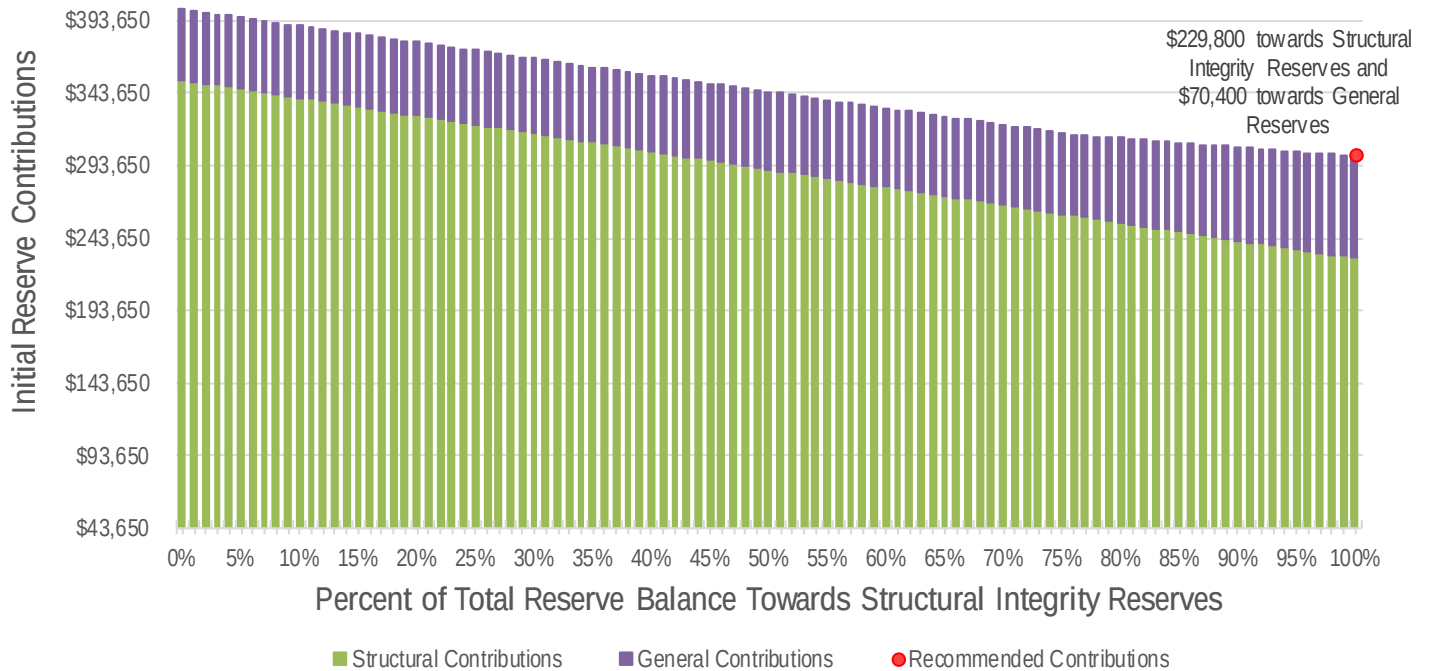
As previously stated, the Association currently uses component methodology to calculate their reserve requirements. Reserve Advisors goal is to provide recommendations that maintain reserves above an adequate reserve balance. The difference in the Component Method and Cash Flow Method leads us to our recommendation of Cash Flow Method.

As part of our Cash Flow Method, we analyzed future expenditures and identified the reserve balance split to produce the lowest overall required contributions. Starting in 2024, we recommend the Association contribute \$121,638 or 100% of this balance to the Structural Integrity Reserve Plan to minimize the required reserve contributions. The following chart depicts the



analysis of future expenditures and the reserve balance split to produce the lowest overall required contributions.

Starting Cash Flow - Optimized Reserve Balance Split



Cash Flow - Existing Reserve Balance and Contribution Split					
Seville Condominium 11, Inc. Largo, Florida		FY2023		Plan Types	
			2024	Structural 2024	General 2024
Reserves at Beginning of Year	(Note 1)	160,562	121,638	121,638	0
Recommended Reserve Contributions		29,976	0	229,800	70,400
Percent to Structural Integrity Reserves				100%	
Percent to General Reserves				0%	
Total Recommended Reserve Contributions	(Note 2)	29,976	0	229,800	70,400
Anticipated Interest Rate		0.00%	0.00%		
Estimated Interest Earned, During Year	(Note 3)	0	0		
Anticipated Structural Expenditures, By Year		0	(307,020)		
Anticipated General Expenditures, By Year		(68,900)	(21,735)		
Anticipated Reserves at Year End		<u>\$121,638</u>	<u>\$0</u>		



Structural Integrity

Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

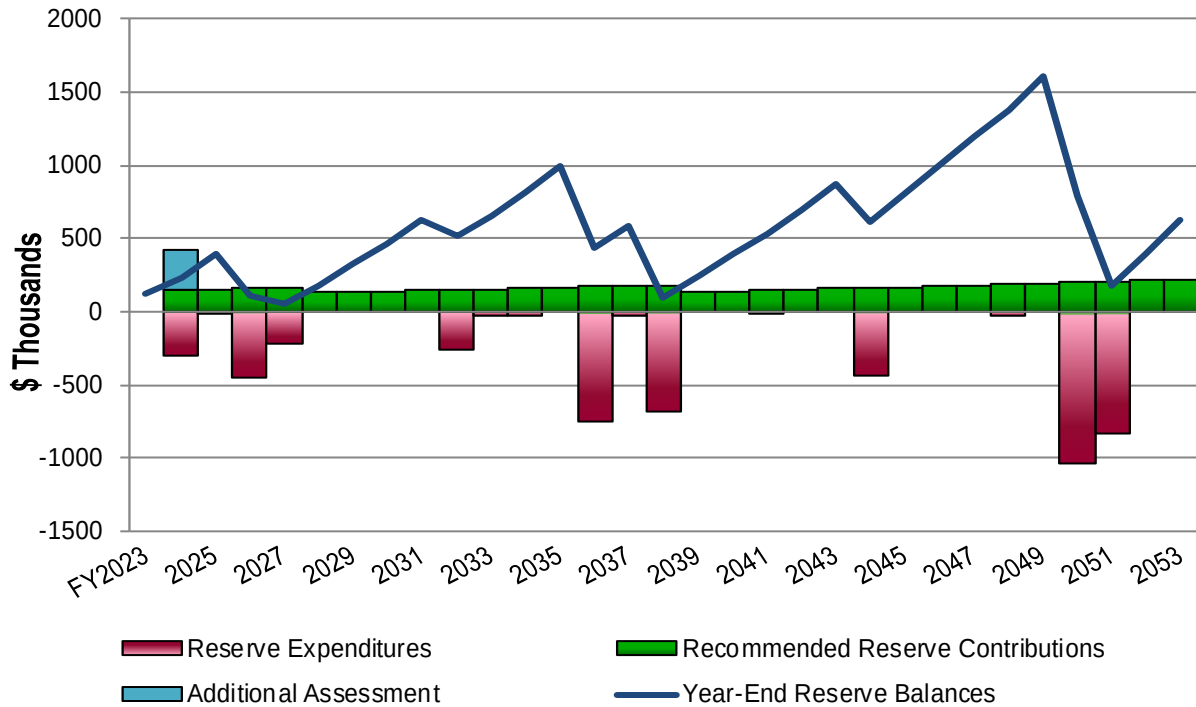
- Increase to \$149,200 in 2024
- An additional annual assessment of \$269,100 in 2024 to fund replacement of the domestic water and waste interior building pipes
- Inflationary increases from 2025 through 2027
- Decrease to \$129,500 by 2028 due to fully funding for replacement of the common windows and doors
- Inflationary increases from 2029 through 2038
- Decrease to \$137,000 by 2039 due to fully funding for coatings and repairs to the balconies, breezeways and exterior walls
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis
- Initial adjustment of \$149,200 is equivalent to an increase of \$239.10 in the monthly contributions per unit owner.
- Florida Statute 718.112 prohibits waiving or reducing reserves for Structural Integrity items

The reclassification of existing component funds as cash flow (aka pooled) reserves would not be allowed unless approved by a majority vote of the Unit Owners at a duly called meeting of the Association. In lieu of obtaining a vote of the Unit Owners, a Board may vote to fund future reserves based on a pooled analysis. The Association then simply spends the funds in their existing segregated accounts on the initial repair or replacement project for that component. When all of the existing segregated funds in an account are expended, the account is eliminated, thus eliminating the need to get a vote to reallocate.

The restrictions on reserve funds do not apply to Homeowners Associations without statutory reserves. In Florida, Homeowners Association reserves are considered statutory if they were approved by a vote of a majority of the voting interest or otherwise required by their governing documents.

Structural Integrity Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2024	149,200	236,464	2034	159,200	810,863	2044	162,700	615,994
2025	154,400	391,186	2035	164,800	993,528	2045	168,400	798,398
2026	159,800	108,006	2036	170,600	429,078	2046	174,300	990,409
2027	165,400	50,346	2037	176,600	588,232	2047	180,400	1,192,421
2028	129,500	182,148	2038	182,800	101,015	2048	186,700	1,380,968
2029	134,000	321,131	2039	137,000	241,405	2049	193,200	1,603,719
2030	138,700	467,641	2040	141,800	389,451	2050	200,000	790,750
2031	143,600	622,030	2041	146,800	535,190	2051	207,000	171,442
2032	148,600	515,446	2042	151,900	699,313	2052	214,200	391,213
2033	153,800	659,010	2043	157,200	872,071	2053	221,700	622,954





General

Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Increase to \$70,300 in 2024
- Inflationary increase in 2025
- Decrease to \$59,600 by 2026 due to fully funding for replacement of the subsurface utilities pipes
- Inflationary increases from 2027 through 2035
- Decrease to \$45,000 by 2036 due to fully funding for modernization of the hydraulic elevators
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis
- 2024 Reserve Contribution of \$70,300 is equivalent to an average monthly contribution of \$112.66 per unit owner.
- The Association may ascribe the actual contributions and assessments per owner based upon percent ownership, as defined by the Association's governing documents.

The reclassification of existing component funds as cash flow (aka pooled) reserves would not be allowed unless approved by a majority vote of the Unit Owners at a duly called meeting of the Association. In lieu of obtaining a vote of the Unit Owners, a Board may vote to fund future reserves based on a pooled analysis. The Association then simply spends the funds in their existing segregated accounts on the initial repair or replacement project for that component. When all of the existing segregated funds in an account are expended, the account is eliminated, thus eliminating the need to get a vote to reallocate.

The restrictions on reserve funds do not apply to Homeowners Associations without statutory reserves. In Florida, Homeowners Association reserves are considered statutory if they were approved by a vote of a majority of the voting interest or otherwise required by their governing documents.

General Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2024	70,300	49,051	2034	78,600	447,636	2044	59,200	452,480
2025	72,800	16,000	2035	81,400	69,922	2045	61,300	321,076
2026	59,600	76,516	2036	45,000	116,770	2046	63,400	391,532
2027	61,700	125,065	2037	46,600	163,228	2047	65,600	430,565
2028	63,900	55,954	2038	48,200	152,567	2048	67,900	216,556
2029	66,100	115,143	2039	49,900	197,261	2049	70,300	279,538
2030	68,400	177,502	2040	51,600	214,849	2050	72,800	345,297
2031	70,800	229,286	2041	53,400	273,080	2051	75,300	423,493
2032	73,300	285,881	2042	55,300	334,395	2052	77,900	510,642
2033	75,900	368,258	2043	57,200	398,855	2053	80,600	301,766

