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**Sea Coast Management No. 2., Inc.**

# **RESERVE STUDY UPDATE REPORT**



**For 30-Year Projection Period Beginning January 1, 2018**

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## UPDATE EXECUTIVE SUMMARY

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This Reserve Study Update Report is intended to append the original or previous Custom Reserves, LLC Reserve Study Report inspected on May 13, 2015. The most current site visit was conducted on April 12, 2018. There were 43 common area components identified that require reserve funding during the noninvasive, visual inspection of the community. Supplemental information to the physical inspection typically includes the following sources:

1. Association board members, management and staff
2. Client's vendors
3. Declaration
4. Maintenance records of the reserve components where available
5. Project plans where available

Sea Coast Management No. 2., Inc. (Sea Coast No. 2) is an apartment style development located in New Smyrna Beach, Florida and is responsible for the common elements shared by 85 homes within one building. Sea Coast No. 2 was established in 1971. The development contains clubhouse, exterior building, pool and property site components. Sea Coast No. 2 evenly shares the costs of the clubhouse, pool and some of the property site components with Sea Coast Management No. 3., Inc.

The intention of the Reserve Study Update is to forecast the Association's ability to repair or replace major components as they wear out in future years. This Reserve Study complies with or exceeds the standards set by Community Associations Institute (CAI) and the Association of Professional Reserve Analysis (APRA) of a Reserve Study Update with Site Visit.

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## FINANCIAL ANALYSIS

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This Reserve Study Update provides the 30-year cash flow analysis or pooling method to project and illustrate the reserve funding plan. The unaudited cash status of the reserve fund, as of May 31, 2018, as reported by Management and the Board is \$409,689.08 excluding the insurance deductible. Sea Coast No. 2 budgeted \$140,200 for Reserves in the fiscal year FY<sup>1</sup> 2018.

The updated cash flow recommended reserve contributions are phased increases of \$63,700 in 2019 and 2020. The reason for the increase is mainly due to inflation. The Association can continue this budgeted amount of \$267,600 until the next Reserve Study Update.

The funding goal of the cash flow analysis is to keep the reserve balance above a sufficient, not excessive threshold when reserves are needed the most due to one or more years of significant expenses. This threshold or risk year falls beyond the next 30 years. The age and long-lived components of the property are considered in the accumulated year 2048 ending reserves.

External market factors incorporated in this Reserve Study Update are an inflation rate of 2.8% based on the Consumer Price Index published by the Bureau of Labor Statistics and interest rate of 1.7%. The original forecast for inflation and interest was 0.2% and 0.5% respectively. Most community association bylaws provide that Association funds shall be held in a bank, with FDIC or similar insurance to cover all funds.

The actual timing of the events depicted may not occur exactly as projected. However, items that are within a high degree of accuracy are measurements, pricing and interest on reserves. Internal changes such as deferred or accelerated projects, interest and inflation rates are likely. Updates to the Reserve Study incorporate these changes. To ensure equity in the

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<sup>1</sup> FY 2018 starts January 1, 2018 and ends December 31, 2018.



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adopted funding plan, ongoing annual Board reviews and an update of this Reserve Study with an on-site visit is recommended anywhere from two- to three-years depending on the complexity of the community and changes in external market factors. It is recommended by the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

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## PROPERTY COMPONENT INVENTORY

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The analysis began by separating the property components into specific areas of responsibility for replacement and repair. These classes of property are as follows:

1. Reserve Components are defined by the following:
  - Association responsibility
  - Limited useful life expectancies
  - Predictable remaining useful life expectancies
  - Replacement cost above a minimum threshold
  
2. Long-Lived Components are defined as those items without predictable remaining useful life expectancies:
  - Foundations
  - Structural Frames
  
3. Operating Budget Components or money provided for repairs and replacements relating but not limited to:
  - General maintenance to the common elements
  - Expenses less than \$4,000
  - Benches
  - Bike Racks
  - Curbing, Concrete
  - Exhaust Fans
  - Fire Extinguishers
  - Flag Pole
  - Floors, Clubhouse, Laminate
  - Infrequent Replacements
  - Irrigation System
  - Pipes, Subsurface Utilities, Domestic Sewer and Water
  - Security System
  - Shuffleboard Courts, Color Coat
  - Signage
  - Split Systems, Clubhouse
  - Trash Cans
  - Other Repairs normally funded through the Operating Budget

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A contingency is intended to provide a hedge for unforeseen events. There is no set rule for the amount of contingency to be set aside other than the use of common sense based on experience.

#### 4. Home Owner Components:

- Doors
- Heating, Ventilating and Air Conditioning (HVAC) Equipment
- Interiors
- Shutters, Hurricane
- Windows

#### 5. Other Property Components:

- Light Poles (City)

The following 11X17 spreadsheets depict the reserve components, quantities, useful lives projected costs and estimated times of replacements for the next 30 years in Appendix A with a narrative condition assessment of the changes to follow.



**RESERVE EXPENSES**

Sea Coast Management No. 2., Inc.

Projected Inflation Rate 2.8%

Line Item	Reserve Component	Total Cycle Quantity	Per Phase Quantity	Units	1st Year of Replacement	Useful Life Years	Remaining Life Years	2018 Unit Cost	Percentage Ownership	Current Cost of Replacement per Phase	Total 30 Year Future Costs of Replacement	Fiscal Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027																																	
<b>Building Services Components</b>																																																						
											\$1,675,547																																											
1	Electrical Systems, Partial	1	1	Allowance	2026	to 10	8	\$10,000.00	100%	\$10,000	\$50,579	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,472	\$0																																
2	Elevators, Cab and Doors, Phased	2	1	Each	2031	to 20	13	\$12,500.00	100%	\$12,500	\$37,888	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0															
3	Elevators, Cylinders and Pumps	2	2	Each	2046	to 35	28	\$69,000.00	100%	\$138,000	\$299,010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0															
4	Elevators, Controls	2	2	Each	2018	to 35	31	\$7,500.00	100%	\$15,000	\$15,000	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0														
5	Laundry Equipment	10	10	Each	2025	5 to 10	7	\$2,000.00	100%	\$20,000	\$132,757	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,265	\$0	\$0																															
6	Life Safety System	1	1	Allowance	2036	to 25	18	\$20,000.00	100%	\$20,000	\$32,878	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0															
7	Light Fixtures	236	236	Each	2035	to 25	17	\$80.00	100%	\$18,880	\$30,192	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0														
8	Mailboxes	85	85	Each	2019	to 35	1	\$90.00	100%	\$7,650	\$7,864	\$0	\$7,864	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0														
9	Pipes, Interior, Sewer and Water	1	1	Allowance	2023	to 75	5	\$240,000.00	100%	\$240,000	\$955,035	\$0	\$0	\$0	\$0	\$0	\$0	\$275,535	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0														
10	Trash Chute and Doors	5	5	Floors	2026	to 55	8	\$13,750.00	100%	\$68,750	\$85,747	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$85,747	\$0																																
11	Water Heaters	11	11	Each	2027	to 10	9	\$500.00	100%	\$5,500	\$28,597	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,052														
<b>Exterior Building Components</b>																																																						
											\$6,100,671																																											
12	Doors, Common, Phased	45	9	Each	2019	to 25	1	\$1,300.00	100%	\$11,700	\$104,773	\$0	\$12,028	\$0	\$0	\$0	\$0	\$0	\$13,808	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0													
13	Paint Finish Applications	134,000	134,000	Square Feet	2018	5 to 7	7	\$1.35	100%	\$180,900	\$1,381,692	\$180,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,478	\$0	\$0																																
14	Patios, Pavers	1,800	1,800	Square Feet	2033	20 to 30	15	\$5.50	100%	\$9,900	\$14,981	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0													
15	Railings, Aluminum	3,690	3,690	Linear Feet	2044	to 35	26	\$35.00	100%	\$129,150	\$264,798	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0													
16	Restoration Project, Partial	1	1	Allowance	2018	to 40	27	\$400,000.00	100%	\$400,000	\$3,556,663	\$40,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0												
17	Roof, Flat	262	262	Squares	2038	15 to 20	20	\$1,500.00	100%	\$393,000	\$682,739	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0												
18	Windows and Glass Doors, Common	830	830	Square Feet	2048	to 45	30	\$50.00	100%	\$41,500	\$95,026	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0												
<b>Clubhouse Components</b>																																																						
											\$80,353																																											
19	Floor, Tile	1,635	1,635	Square Feet	2033	to 25	15	\$8.00	50%	\$6,540	\$9,896	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0												
20	Furniture, Phased	1	1	Allowance	2026	to 20	8	\$5,500.00	50%	\$2,750	\$13,909	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0										
21	Rest Rooms, Renovations, Phased	4	2	Each	2019	to 25	1	\$2,500.00	50%	\$2,500	\$12,286	\$0	\$2,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0											
22	Roof, Flat	8	8	Squares	2025	12 to 18	7	\$1,150.00	50%	\$4,600	\$14,026	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0										
23	Roofs, Tile	41	41	Squares	2029	to 25	11	\$800.00	50%	\$16,400	\$22,221	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0										
24	Soffits (Includes Gutters and Downspouts)	1	1	Allowance	2048	to 50	30	\$7,000.00	50%	\$3,500	\$8,014	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0										



**RESERVE EXPENSES**

**Sea Coast  
Management No. 2., Inc.**

Line Item	Reserve Component	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
		<b>Building Services Components</b>																				
1	Electrical Systems, Partial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,439	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,667	\$0	\$0
2	Elevators, Cab and Doors, Phased	\$0	\$0	\$0	\$17,899	\$0	\$0	\$0	\$19,989	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Elevators, Cylinders and Pumps	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$299,010	\$0	\$0
4	Elevators, Controls	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Laundry Equipment	\$0	\$0	\$0	\$0	\$29,440	\$0	\$0	\$0	\$0	\$0	\$0	\$35,718	\$0	\$0	\$0	\$0	\$0	\$0	\$43,335	\$0	\$0
6	Life Safety System	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$32,878	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Light Fixtures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,192	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Mailboxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Pipes, Interior, Sewer and Water	\$316,331	\$0	\$0	\$0	\$0	\$363,168	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Trash Chute and Doors	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Water Heaters	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,295	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,251	\$0
<b>Exterior Building Components</b>																						
12	Doors, Common, Phased	\$0	\$15,853	\$0	\$0	\$0	\$0	\$18,200	\$0	\$0	\$0	\$0	\$20,895	\$0	\$0	\$0	\$0	\$23,989	\$0	\$0	\$0	\$0
13	Paint Finish Applications	\$0	\$0	\$0	\$0	\$266,282	\$0	\$0	\$0	\$0	\$0	\$0	\$323,068	\$0	\$0	\$0	\$0	\$0	\$0	\$391,964	\$0	\$0
14	Patios, Pavers	\$0	\$0	\$0	\$0	\$0	\$14,981	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Railings, Aluminum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$264,798	\$0	\$0	\$0	\$0
16	Restoration Project, Partial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$843,090	\$866,697	\$890,964	\$915,911
17	Roof, Flat	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$682,739	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Windows and Glass Doors, Common	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,026
<b>Clubhouse Components</b>																						
19	Floor, Tile	\$0	\$0	\$0	\$0	\$0	\$9,896	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Furniture, Phased	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,521	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,959	\$0	\$0
21	Rest Rooms, Renovations, Phased	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,590	\$0	\$0	\$0	\$5,126	\$0	\$0	\$0	\$0
22	Roof, Flat	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,445	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Roofs, Tile	\$0	\$22,221	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	Soffits (Includes Gutters and Downspouts)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,014

Line Item	Reserve Component	Total Cycle Quantity	Per Phase Quantity	Units	1st Year of Replacement	Useful Life Years	Remaining Life Years	2018 Unit Cost	Percentage Ownership	Current Cost of Replacement per Phase	Total 30 Year Future Costs of Replacement	Fiscal Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
<b>Pool Components</b>																						
25	Deck, Pavers (Includes Sidewalks)	16,785	16,785	Square Feet	2023	20 to 30	5	\$5.50	50%	\$46,159	\$158,686	\$0	\$0	\$0	\$0	\$0	\$52,993	\$0	\$0	\$0	\$0	
26	Furniture, Phased	1	1	Allowance	2021	5 to 10	3	\$10,000.00	50%	\$5,000	\$47,317	\$0	\$0	\$0	\$5,432	\$0	\$0	\$0	\$0	\$6,236	\$0	
27	Mechanical Equipment, Phased	1	1	Allowance	2021	5 to 10	3	\$5,000.00	50%	\$2,500	\$47,980	\$0	\$0	\$0	\$2,716	\$2,792	\$0	\$0	\$0	\$3,118	\$3,205	
28	Pool Finishes, North	2,035	2,035	Square Feet	2018	8 to 12	10	\$15.00	50%	\$15,263	\$70,327	\$15,263	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
29	Pool Finishes, South	2,035	2,035	Square Feet	2018	8 to 12	10	\$15.00	50%	\$15,263	\$70,327	\$15,263	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
30	Pool Structures, North	2,035	2,035	Square Feet	2038	to 65	20	\$60.00	50%	\$61,050	\$106,059	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
31	Pool Structures, South	2,035	2,035	Square Feet	2038	to 65	20	\$60.00	50%	\$61,050	\$106,059	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
32	Solar Panels	1	1	Allowance	2038	to 20	20	\$20,000.00	50%	\$10,000	\$17,372	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
33	Wind Screen, Glass	1	1	Allowance	2046	to 40	28	\$12,000.00	50%	\$6,000	\$13,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Property Site Components</b>																						
34	Asphalt Pavement, Mill and Overlay	4,555	4,555	Square Yards	2033	15 to 25	15	\$11.00	100%	\$50,105	\$75,819	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
35	Asphalt Pavement, Preservation	4,555	4,555	Square Yards	2019	5 to 8	1	\$1.30	100%	\$5,922	\$46,185	\$0	\$6,087	\$0	\$0	\$0	\$0	\$0	\$7,184	\$0	\$0	
36	Deck, Wood	2,370	2,370	Square Feet	2030	15 to 20	12	\$15.00	50%	\$17,775	\$62,223	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
37	Fences, Wood	1	1	Allowance	2028	15 to 20	10	\$4,000.00	100%	\$4,000	\$13,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
38	Landscaping	1	1	Allowance	2020	to 5	2	\$4,000.00	100%	\$4,000	\$36,823	\$0	\$0	\$4,227	\$0	\$0	\$0	\$0	\$4,853	\$0	\$0	
39	Light Bollards	22	22	Each	2025	to 20	7	\$300.00	50%	\$3,300	\$10,959	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,004	\$0	\$0	
40	Railings, Aluminum	980	980	Linear Feet	2041	to 35	23	\$25.00	50%	\$12,250	\$23,119	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
41	Sea Wall, Partial Repairs	550	550	Linear Feet	2020	to 50	2	\$90.00	50%	\$24,750	\$65,734	\$0	\$0	\$26,155	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
42	Shuffleboard Courts	2,150	2,150	Square Feet	2026	to 55	8	\$7.00	50%	\$7,525	\$9,385	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,385	\$0	
43	Storm Water System, Partial	1	1	Allowance	2019	to 65	1	\$10,000.00	100%	\$10,000	\$25,412	\$0	\$10,280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Reserve Study Update	1	1	Allowance	2020	2 to 3	2	\$1,500.00	100%	\$1,500	\$1,500			\$1,500								
<b>Total Expenses</b>											\$8,864,109	\$266,425	\$38,829	\$31,883	\$8,148	\$2,792	\$328,528	\$13,808	\$265,365	\$120,388	\$10,257	

Line Item	Reserve Component	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
		<b>Pool Components</b>																				
25	Deck, Pavers (Includes Sidewalks)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$105,693
26	Furniture, Phased	\$0	\$0	\$0	\$7,159	\$0	\$0	\$0	\$0	\$8,220	\$0	\$0	\$0	\$0	\$9,437	\$0	\$0	\$0	\$0	\$10,834	\$0	\$0
27	Mechanical Equipment, Phased	\$0	\$0	\$0	\$3,580	\$3,680	\$0	\$0	\$0	\$4,110	\$4,225	\$0	\$0	\$0	\$4,718	\$4,850	\$0	\$0	\$0	\$5,417	\$5,569	\$0
28	Pool Finishes, North	\$20,117	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,948
29	Pool Finishes, South	\$20,117	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,948
30	Pool Structures, North	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$106,059	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31	Pool Structures, South	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$106,059	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
32	Solar Panels	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,372	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33	Wind Screen, Glass	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,000	\$0	\$0
<b>Property Site Components</b>																						
34	Asphalt Pavement, Mill and Overlay	\$0	\$0	\$0	\$0	\$0	\$75,819	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	Asphalt Pavement, Preservation	\$0	\$0	\$0	\$0	\$0	\$0	\$9,211	\$0	\$0	\$0	\$0	\$0	\$10,871	\$0	\$0	\$0	\$0	\$0	\$12,830	\$0	\$0
36	Deck, Wood	\$0	\$0	\$24,759	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,465	\$0	\$0
37	Fences, Wood	\$5,272	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,978	\$0	\$0	\$0	\$0	\$0
38	Landscaping	\$0	\$0	\$5,572	\$0	\$0	\$0	\$0	\$6,397	\$0	\$0	\$0	\$0	\$7,344	\$0	\$0	\$0	\$0	\$8,431	\$0	\$0	\$0
39	Light Bollards	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,955	\$0	\$0
40	Railings, Aluminum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,119	\$0	\$0	\$0	\$0	\$0	\$0	\$0
41	Sea Wall, Partial Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39,578	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
42	Shuffleboard Courts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43	Storm Water System, Partial	\$0	\$0	\$0	\$0	\$0	\$15,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Reserve Study Update																					
<b>Total Expenses</b>		<b>\$361,837</b>	<b>\$38,074</b>	<b>\$30,330</b>	<b>\$28,638</b>	<b>\$299,402</b>	<b>\$478,996</b>	<b>\$27,411</b>	<b>\$96,156</b>	<b>\$66,167</b>	<b>\$13,519</b>	<b>\$912,230</b>	<b>\$379,681</b>	<b>\$31,250</b>	<b>\$37,274</b>	<b>\$4,850</b>	<b>\$7,978</b>	<b>\$293,913</b>	<b>\$895,942</b>	<b>\$1,670,713</b>	<b>\$908,784</b>	<b>\$1,194,540</b>

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## ADDITIONS/CHANGES AND DELETIONS

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There were eight additions, 10 Line Item changes and one deletion to this Site Visit Reserve Study Update.

### **Additions**

**Electrical Systems** – The Association maintains common electrical systems. Electrical systems have a long useful life of up to 75 years and beyond. However, periodic repairs and partial replacements are likely as the system ages. The Association should budget for this activity by 2026 and every 10 years thereafter in conjunction with the life safety system and elevator equipment. The estimates of costs are noted on Line Item 1 of Appendix A.

**Elevators, Cylinders and Pumps** – The previous Reserve Study excluded the elevator cylinders and pumps because they estimated replacement year fell beyond the 30 year analysis. The two elevator cylinders and pumps are in good reported condition overall at approximate ages of five years. The elevator cylinders and pumps have a useful life of up to 35 years. Sea Coast No. 2 should budget for replacements by 2046. The estimates of costs are noted on Line Item 3 of Appendix A.

**Laundry Equipment** – The Association took over responsibility of the laundry machines since the last Reserve Study. The laundry machines are in good condition at an age of less than one year. The laundry machines have a useful life from 5- to 10-years. Sea Coast No. 2 should budget for replacements by 2025 and every seven years thereafter. The estimates of costs are noted on Line Item 5 of Appendix A.

**Water Heaters** – The Association maintains 11 water heaters that serve the building's laundry room and rest room. The water heaters are in good condition at an age of one year. Water heaters of this type have a useful life of up to 10 years. Sea Coast No. 2 should budget for replacements by 2027 and every 10 years thereafter. The estimates of costs are noted on Line Item 11 of Appendix A.



**Windows and Glass Doors, Common** – The common windows and glass doors comprise 830 square feet. These windows and glass doors are in good condition at an approximate age of eight years. Windows and glass doors of this type have a long useful life of up to 45 years. Sea Coast No. 2 should budget for replacement of the windows and doors by 2048. The windows should meet the Florida Building Code for impact resistance. The estimate of cost includes an allowance for engineering fees. The estimates of costs are noted on Line Item 19 of Appendix A.

**Pool Structures** – The concrete pool structures are original. The finish makes it difficult to thoroughly inspect during a noninvasive visual inspection. The structure has a long useful life of up to 65 years. The need to replace a pool structure depends on factors such as the condition of the structure, concealed water piping and settlement. Sea Coast No. 2 should budget for replacements by 2038.

**Wind Screen, Glass** – The last Reserve Study had replacement of the pool wind screen beyond the 30 year analysis. The wind screen is in good condition at an age of 12 years. Glass wind screens have a useful life of up to 40 years. Sea Coast No. 2 should budget for replacement of the wind screen by 2046. The estimates of costs are noted on Line Item 32 of Appendix A.

## Changes

**Elevators, Controls** – The previous Reserve Study recommended elevator control replacements in 2016. Management reports that the Association did not replace the elevator controls since the last Reserve Study. Therefore, a timing adjustment to 2018 is included in this Reserve Study Update.

**Pipes, Interior, Sewer and Water** – The Board has concerns with the cast iron piping. Piping systems are failing at an alarming rate across the country as infrastructure ages. Communities often fail to account for the plumbing system because it is out of sight. The previous Reserve Study included partial repairs of up to thirty-three percent (33%) of the pipe system every 10 years beginning by 2024. After conversations with the Board, a more aggressive repair plan

of the same quantity is included in this Reserve Study Update beginning by 2023 and every five years thereafter.

**Doors, Common** – Management reports that the Association repaired some common doors since the last Reserve Study. Therefore, a timing adjustment from 2016 to 2019 is included in this Reserve Study Update.

**Restoration Project** – Management and the Board report that the top floor is experiencing significant spalling. Page 3 of Appendix B depicts this condition in Figures 15 and 16. Sea Coast No. 2 should budget for a near term restoration project in 2018. The estimate of cost will vary.

**Roof, Flat (Resident Building)** – Management and the Board report that the Association plans to replace the roof in 2018 due to hurricane damage back in 2017. The current replacement project is covered through insurance. A subsequent replacement is likely by 2038.

**Rest Rooms, Renovations** – The previous Reserve Study included phased rest room renovations in 2018. However, based on the current project priority, Sea Coast No. 2 should budget for renovations of the remaining two rest rooms in 2019. A subsequent phased renovation is likely beginning by 2040 and concluding by 2044.

**Mechanical Equipment (Pool)** – The Board reports that the Association replaced the two pool heaters at the north pool since the last Reserve Study. The previous Reserve Study included the mechanical equipment as a whole replacement every 10 years beginning in 2016. Sea Coast No. 2 should budget for phased replacements beginning by 2021 and concluding by 2022.

**Pool Finishes** – Management reports that the pool finish is in poor condition. Reserve Study. The previous Reserve Study included the pool finishes in 2016. Sea Coast No. 2 should plan for pool refinishing in 2018 and every 10 years thereafter. In August of 2015, the Florida Building Commission ruled that a building permit be required to resurface a commercial

swimming pool. Typically minor upgrades will be needed to bring the pool up to current code. The Association should ensure that bidding contractors have an active license with a “CPC” designation.

**Solar Panels** – Management and the Board report that the Association plans to replace the solar panels in 2018 due to hurricane damage back in 2017. The current replacement project is covered through insurance. A subsequent replacement is likely by 2038.

**Fences, Wood** –The previous Reserve Study included the wood fence located along the north perimeter. The Board reports that the Association is not responsible for the new fence installed. However, Sea Coast No. 2 should budget for replacement of the trash enclosure wood fences by 2028 and again by 2043.

**Storm Water System** – The Board reports that the Association has been having issues with the storm water system since the last Reserve Study. The previous Reserve Study included partial storm water system repairs in conjunction with repaving. Sea Coast No. 2 should also budget for near term repairs in 2019. The estimate of cost will vary.

## Deletion

**Light Poles and Fixtures** – The Board reports that the city maintains the light poles and fixtures. Therefore, the light poles and fixtures are removed from this Reserve Study Update.

The following Appendix B pictures depict the reserve components and specific conditions noted in the condition assessment.

Figure 1 Common Door



Figure 4 Elevator Cab Finishes

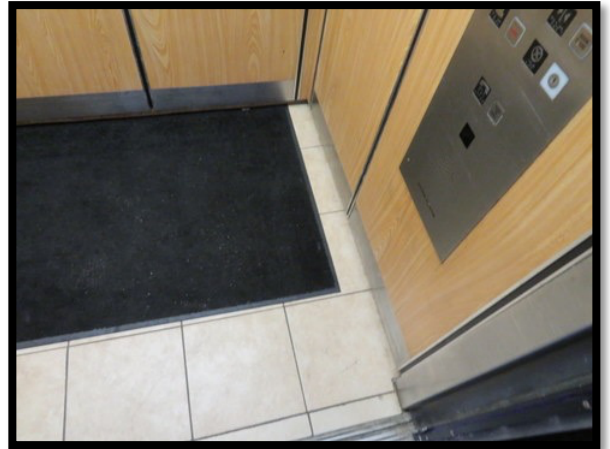


Figure 2 Electrical Systems



Figure 5 Elevator Mechanical Equipment



Figure 3 Elevator Cab Finishes



Figure 6 Laundry Equipment





Figure 7 Life Safety Control Panel



Figure 10 Mailboxes



Figure 8 Life Safety Devices



Figure 11 Deteriorated Window Sealant



Figure 9 Wall Light Fixture



Figure 12 Patio Pavers



Figure 13 Balcony Railings



Figure 16 Top Breezeway Ceiling Bubbling



Figure 14 Breezeway Railings

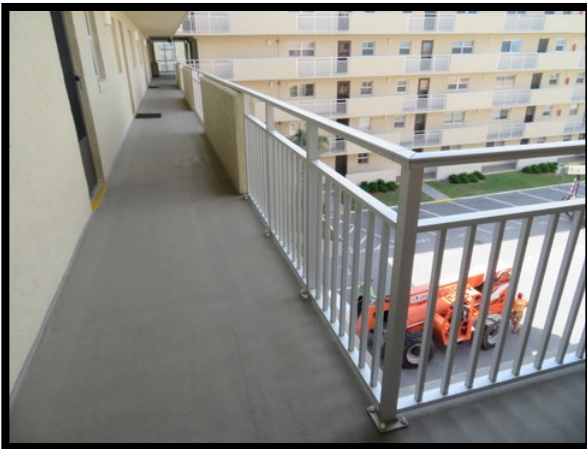


Figure 17 Window Sill Crack



Figure 15 Top Breezeway Ceiling Bubbling



Figure 18 Flat Roof Overview





Figure 19 Solar Panels



Figure 20 Trash Chute



Figure 21 Trash Chute Door



Figure 22 Common Windows and Door



Figure 23 Clubhouse Tile



Figure 24 Clubhouse Furniture



Figure 25 Clubhouse Rest Room



Figure 28 Paver Sidewalk

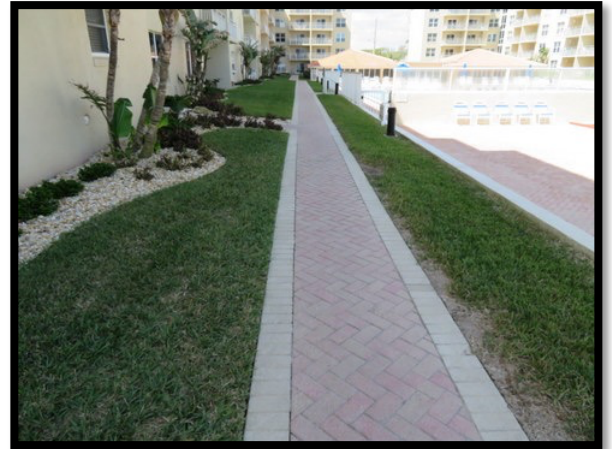


Figure 26 Clubhouse Roof



Figure 29 Pool Furniture



Figure 27 Pool Deck



Figure 30 Pool Equipment





Figure 31 Pool Filters



Figure 32 North Pool



Figure 33 North Spa



Figure 34 Glass Wind Screen



Figure 35 Asphalt Pavement



Figure 36 Wood Deck

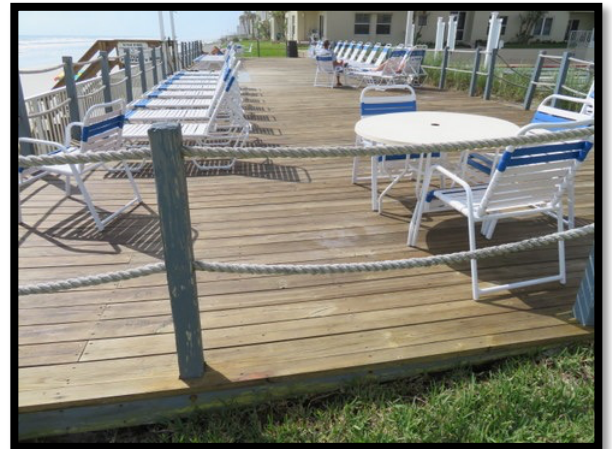




Figure 37 Light Bollard



Figure 38 Pool Wall Railing



Figure 39 Sea Wall Railing

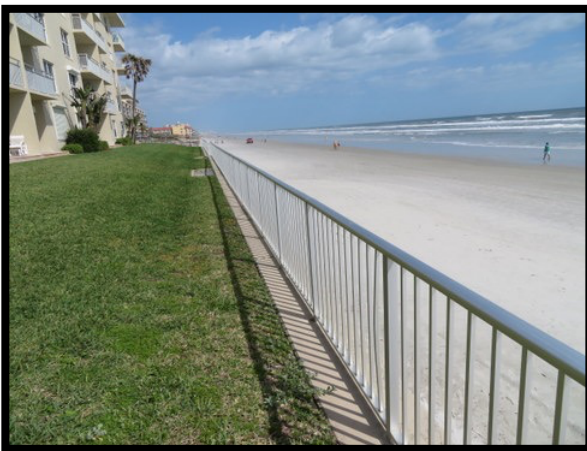


Figure 40 Sea Wall



Figure 41 Shuffleboard Courts

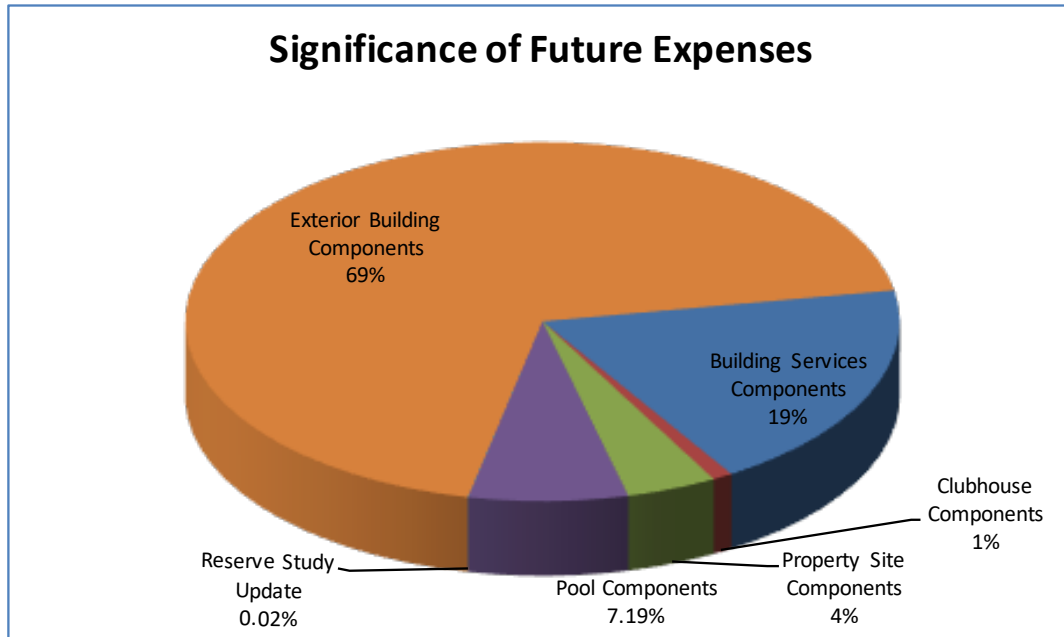


Figure 42 Storm Water Catch Basin

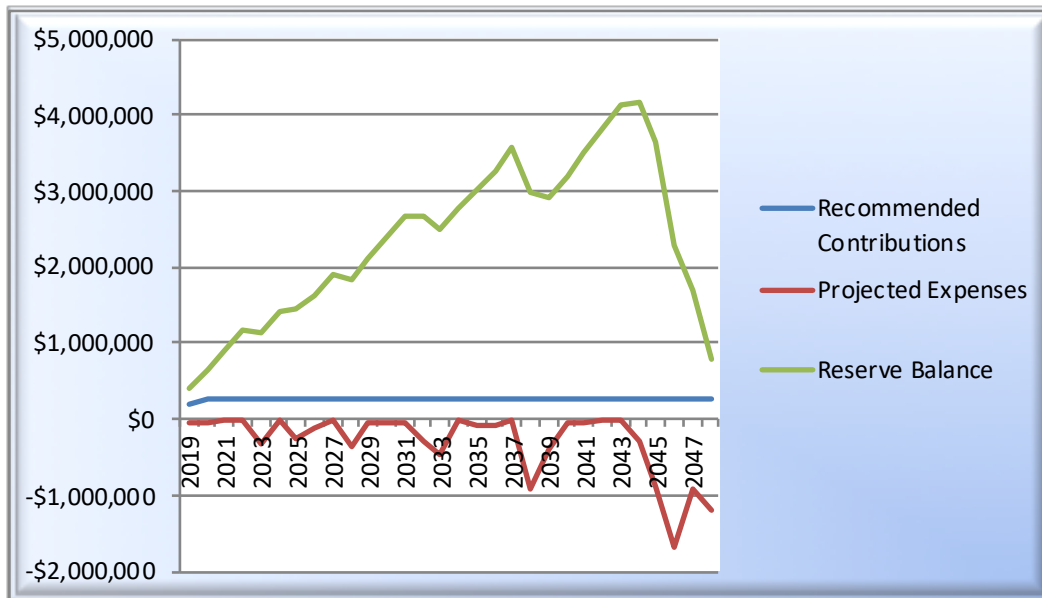


## EXPENSE CHART AND COMPARISON GRAPH

The Reserve Expenses reflect current and future local costs of replacements with anticipated inflation. The following chart illustrates the relative importance of the Reserve Expenses.



The following graph depicts the next 30 years of Projected Expenses, Reserve Balances and cash flow Recommended Contributions:





Cash Flow Funding Plan or Pooling Method

Sea Coast  
Management No. 2., Inc.

	FY	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Beginning of Year Reserves</b>		\$408,689	\$228,100	\$397,049	\$639,517	\$909,841	\$1,190,116	\$1,149,420	\$1,422,751	\$1,449,174	\$1,621,021	\$1,905,921	\$1,844,085	\$2,104,960	\$2,378,014	\$2,657,402	\$2,670,776
<b>Recommended Reserve Contributions</b>		81,783	<b>203,900</b>	<b>267,600</b>	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600
<b>Anticipated Interest Earned</b>	1.7%	4,053	3,878	6,750	10,872	15,467	20,232	19,540	24,187	24,636	27,557	32,401	31,349	35,784	40,426	45,176	45,403
<b>Projected Expenses</b>		266,425	38,829	31,883	8,148	2,792	328,528	13,808	265,365	120,388	10,257	361,837	38,074	30,330	28,638	299,402	478,996
<b>Projected Year End Reserves</b>		\$228,100	\$397,049	\$639,517	\$909,841	\$1,190,116	\$1,149,420	\$1,422,751	\$1,449,174	\$1,621,021	\$1,905,921	\$1,844,085	\$2,104,960	\$2,378,014	\$2,657,402	\$2,670,776	\$2,504,782

		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
<b>Beginning of Year Reserves</b>		\$2,504,782	\$2,787,552	\$3,006,384	\$3,258,926	\$3,568,409	\$2,984,442	\$2,923,097	\$3,209,140	\$3,494,021	\$3,816,169	\$4,140,666	\$4,184,744	\$3,627,544	\$2,286,098	\$1,683,779
<b>Recommended Reserve Contributions</b>		267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600	267,600
<b>Anticipated Interest Earned</b>	1.7%	42,581	47,388	51,109	55,402	60,663	50,736	49,693	54,555	59,398	64,875	70,391	71,141	61,668	38,864	28,624
<b>Projected Expenses</b>		27,411	96,156	66,167	13,519	912,230	379,681	31,250	37,274	4,850	7,978	293,913	895,942	1,670,713	908,784	1,194,540
<b>Projected Year End Reserves</b>		\$2,787,552	\$3,006,384	\$3,258,926	\$3,568,409	\$2,984,442	\$2,923,097	\$3,209,140	\$3,494,021	\$3,816,169	\$4,140,666	\$4,184,744	\$3,627,544	\$2,286,098	\$1,683,779	\$785,463

Notes:

- 1) FY 2018 Begins January 1, 2018 and Ends December 31, 2018
- 2) FY 2018 Beginning Reserve Balance and Remaining Contributions are as of: 5/31/18
- 3) Interest Earned is compounded on the Beginning Year Reserve Balance, the first year is a partial amount earned
- 4) Taxes on the interest earned are considered negligible

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## TERMS AND DEFINITIONS

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**Cash Flow Method** - A method of calculating Reserve contributions 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.

**Component** - An individual line item in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**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 onsite visual observations, based on Level of Service selected by the client.

**Component Inventory** - The task of selecting and quantifying Reserve Components. This task is accomplished through onsite visual observations, review of association design and organizational documents, and a review of established association precedents.

**Component Method** - A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

**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 computation.

**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. The Financial Analysis is one of the two parts of a Reserve Study.

**Fully Funded** - 100% 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. In essence, it is the Reserve balance that is proportional to the current Repair/replacement cost and the fraction of life “used up”. This number is calculated for each component, then summed together for an association total. 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.

**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.

**Fully Funding** - Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

**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 “Fully Funded”.

**Funding Plan** - An Association’s plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

**Minimum Balance** - A minimum Reserve balance established by the client.

**Physical Analysis** - The portion of the Reserve Study where the Component inventory, Condition Assessment and Life Adjustment and Valuation 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. Replacements anticipated to occur in the initial or base year have “zero” Remaining Useful Life.

**Reserve Assessments** - The portion of assessments contributed to the Reserve Fund.

**Reserve Balance** - Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves.

**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.

**Straight Line** - A formula used to calculate the annual reserve fund contribution for a specific component. Projected replacement cost divided by the useful life equals the annual payment.

**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 in its present application or installation.

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## DISCLOSURES AND LIMITATIONS

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No destructive testing was performed. Latent defects in design or construction are excluded from this report. There are no material issues to our knowledge that have not been disclosed to the client that would affect the integrity of this Reserve Study report. Custom Reserves has no interests with the client other than this Reserve Study.

Component quantities and estimates of costs indicated in this Report were developed by Custom Reserves unless otherwise noted in our “Condition Assessment” comments. The sources for the costs outlined in the study include experience, historical information and R.S. Means, Incorporated. This report should be used for budget and planning purposes only.

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## CREDENTIALS

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**PAUL GRIFONI** – Licensed Home Inspector

**EDUCATION** - University of Massachusetts - Bachelor of Science in Engineering

### PROFESSIONAL AFFILIATIONS / DESIGNATIONS

**Reserve Specialist (RS)** - Community Associations Institute



**Professional Reserves Analyst (PRA)** - Association of Professional Reserve Analysts

