RESERVE STUDY

The Villages of Wellington Community Association, Inc.



Little Rock, Arkansas April 23, 2019



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Long-term thinking. Everyday commitment.

The Villages of Wellington Community Association, Inc. Little Rock, Arkansas

Dear Board of Directors of The Villages of Wellington Community Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of The Villages of Wellington Community Association, Inc. in Little Rock, Arkansas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 23, 2019.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level II Reserve Study Update."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to threeyears. We look forward to continuing to help The Villages of Wellington Community Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on May 24, 2019 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Jaison T. Thomas Review by: Alan M. Ebert, RS, PRA², Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at http://www.apra-usa.com.







Long-term thinking. Everyday commitment.



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1.RESERVE STUDY EXECUTIVE SUMMARY

Client: The Villages of Wellington Community Association, Inc. (The Villages of Wellington) **Location:** Little Rock, Arkansas **Reference:** 142596

Property Basics: The Villages of Wellington Community Association, Inc. is a homeowners association. The community includes a total of 613 lots. The development was built in 1997.

Reserve Components Identified: 35 Reserve Components.

Inspection Date: April 23, 2019. We conducted the original inspection on April 14, 2015.

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. Our recommended Funding Plan recognizes this threshold funding year in 2042 due to replacement of pool plaster and tile finishes.

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
- 1.7% anticipated annual rate of return on invested reserves
- 2.6% future Inflation Rate for estimating Future Replacement Costs

Sources for *Local* **Costs of Replacement**: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$158,432 as of March 31, 2019
- 2019 budgeted Reserve Contributions of \$52,920

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:

- Replacement of playground equipment as proposed by Management and the Board
- Color coat application and repairs to the tennis courts to extend useful life of structure and to maintain a safe surface
- Resurfacing of the pool to extend useful life of structure

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

- Increase to \$58,200 in 2020
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$5,280 represents an average quarterly increase of \$2.15 per homeowner and about a two percent (2.0%) adjustment in the 2019 total Operating Budget of \$270,200.



The Villages of Wellington

Recommended Reserve	Funding Ta	ble and Graph
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	Reserve	Reserve		Reserve	Reserve		Reserve	Reserve
Year	Contributions (\$)	Balances (\$)	Year	Contributions (\$)	Balances (\$)	Year	Contributions (\$)	Balances (\$)
2020	58,200	184,322	2030	75,300	127,033	2040	97,400	307,885
2021	59,700	86,976	2031	77,300	141,418	2041	99,900	132,101
2022	61,300	87,863	2032	79,300	70,764	2042	102,500	44,509
2023	62,900	87,125	2033	81,400	154,059	2043	105,200	123,910
2024	64,500	114,063	2034	83,500	234,834	2044	107,900	191,670
2025	66,200	102,710	2035	85,700	318,868	2045	110,700	306,569
2026	67,900	128,274	2036	87,900	356,722	2046	113,600	331,558
2027	69,700	64,568	2037	90,200	334,945	2047	116,600	331,752
2028	71,500	109,147	2038	92,500	293,091	2048	119,600	346,095
2029	73,400	64,442	2039	94,900	307,166	2049	122,700	445,227





2.RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of

The Villages of Wellington Community Association, Inc.

Little Rock, Arkansas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 23, 2019. We conducted the original inspection on April 14, 2015.

We present our findings and recommendations in the following report sections and spreadsheets:

- Identification of Property Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- Reserve Funding Plan Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- Five-Year Outlook Identifies reserve components and anticipated reserve expenditures during the first five years
- Reserve Component Detail Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** Describes Assumptions and Professional Service Conditions
- Credentials and Resources



IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:



- The Villages of Wellington responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Bridge, Pre-Cast Concrete, Walking Path
- Foundations, Common
- Pipes, Interior Building, Domestic Water and Sanitary Waste, Common
- Pipes, Subsurface, Storm Drainage, Common
- Pool Structure and Deck
- Structural Frames, Common

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$4,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Back Flow Valves, Irrigation
- Breaker Boxes, Pool Mechanical Equipment
- Cedar Shake Siding, Pool House and Storage Building
- Decorative Wind Vane, Pool House
- Diving Board, Pool
- Doors, Interim Replacement
- Foot Bridge, Finishes and Interim Repairs
- Gates, Parking Lot
- Heating, Ventilating and Air Conditioning (HVAC) Units, Pool House
- Irrigation System, Controllers
- Irrigation System, Maintenance
- Irrigation System, Pump, Pool Area
- Ladders, Pool
- Landscape
- Light Fixtures, Interior
- Light Fixtures, Exterior
- Light Fixture, Pool Fence



- Outdoor Exercise Stations
- Paint Finishes, Touch Up
- Play Surface, Playgrounds, Maintenance
- Pool Furniture, Interim Repairs
- Signage, Parking Lot
- Tennis Court Backboards, Standards and Wind Screens
- Walls, Masonry, Pool House and Along Pool Fence, Inspections and Repairs
- Water Feature, Inspections and Repairs
- Water Heaters, Common
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Concrete Streets, Adjacent to Lots
- Concrete Street Curbs and Gutters, Adjacent to Lots
- Driveways
- Homes and Lots
- Fences, Lots

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by the Municipality relates to:

- Asphalt Street System
- Catch Basins, Asphalt Streets
- Catch Basins, Concrete Streets
- Curbs and Gutters, Asphalt Streets
- Light Poles and Fixtures
- Pipes, Subsurface Utilities
- Signage, Street and Traffic



3.RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2019 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of **Reserve Expenditures** and **Reserve Funding Plan**.

The Villages of Wellington Community Association, Inc.

Explanatory Notes:

					- Estimated	l ife A	nalvsis		Cost	\$ \$																	
Line	Total	Per Phase			1st Year of	<u> </u>	ears	Unit	Per Phase	Total	30-Year Total	RUL = 0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2019)	(2019)	(2019)	(Inflated)	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
				Property Site Elements																							
4.020	3,000	3,000 Sq	uare Yards	Asphalt Pavement, Patch, Parking Lot (Incl. Curbs and Gutters)	2023	3 to 5	4	1.40	4,200	4,200	45,271					4,654				5,157				5,715			
4.040	3,000	3,000 Sq	uare Yards	Asphalt Pavement, Mill and Overlay, Parking Lot (Incl. Repairs to Concrete Entry)	2038	15 to 20	19	24.75	74,250	74,250	120,919																
4.080	720	720 Sq	uare Yards	Asphalt Pavement, Total Replacement, Walking Paths	2023	10 to 15	4	20.50	14,760	14,760	42,317					16,356											
4.140	45,500	1,950 Sq	uare Feet	Concrete Flatwork, Common, Partial (Incl. Concrete Drives)	2024	to 65	5 to 30+	9.50	18,525	432,250	204,870						21,062				23,339				25,863		
4.141	4,450	4,450 Sq	uare Feet	Concrete Flatwork, Stamped, Staining Applications (2109 is Budgeted)	2019	to 5	0	0.90	4,005	4,005	48,401	4,110					4,553				5,046				5,591		
4.420	80,000	40,000 Sq	uare Feet	Irrigation System, Phased	2037	to 40	18 to 23	0.75	30,000	60,000	101,757																
4.550	28	28 Ea	ch	Light Bollards, Walking Path	2040	to 25	21	680.00	19,040	19,040	32,641																
4.560	19	19 Ea	ch	Light Poles and Fixtures, Recreation Area	2025	to 25	6	1,800.00	34,200	34,200	39,894							39,894									
4.660	1	1 Alle	owance	Playground Equipment	2021	15 to 20	2	140,000.00	140,000	140,000	393,621			147,375													
4.710	1	1 Alle	owance	Pond, Erosion Control, Partial	2025	to 15	6	7,000.00	7,000	7,000	20,165							8,165									
4.730	1	1 Alle	owance	Pond, Sediment Removal, Partial	2029	to 30	10	80,000.00	80,000	80,000	103,410											103,410					
4.740	3,100	3,100 Sq	uare Feet	Retaining Walls, Inspection and Capital Repairs	2025	10 to 15	6	3.50	10,850	10,850	31,257							12,657									
4.800	1	1 Alle	owance	Signage, Entrance Monuments, Renovation	2024	15 to 20	5	12,000.00	12,000	12,000	35,299						13,643										
4.820	2	1 Alle	owance	Site Furniture, Phased (2019 is Budgeted)	2019	15 to 25	0 to 10	8,000.00	8,000	16,000	43,987	3,000										10,341					
4.830	1,420	1, 420 Sq	uare Yards	Tennis Courts, Color Coat	2021	4 to 6	2	8.00	11,360	11,360	89,658			11,958											15,860		
4.835	1	1 Allo	owance	Tennis Courts, Drainage Improvement	2019	N/A	0	8,500.00	8,500	8,500	8,500	8,500															
4.840	450	450 Lin	near Feet	Tennis Courts, Fence	2023	to 25	4	34.00	15,300	15,300	49,162					16,954											
4.850	9	9 Ea	ch	Tennis Courts, Light Poles and Fixtures	2027	to 35	8	2,500.00	22,500	22,500	27,629									27,629							
4.860	1,420	1, 420 Sq	uare Yards	Tennis Courts, Surface Replacement	2027	to 30	8	34.00	48,280	48,280	59,285									59,285							
				Pool House and Storage Building Elements																							
5.500	1	1 Alle	owance	Interior, Renovation, Complete	2026	to 20	7	37,000.00	37,000	37,000	118,274								44,283								
5.510	1	1 Ea	ch	Interior, Renovation, Partial	2036	to 10	17	9,000.00	9,000	9,000	13,923																
5.600	30	30 Sq	uares	Roof Assemblies, Asphalt Shingles	2030	15 to 20	11	360.00	10,800	10,800	37,058												14,323				
5.720	2	1 Alle	owance	Security System. Phased	2022	to 15	3 to 10	4,500.00	4,500	9,000	25,971				4,860							5,817					
5.810	2,600	2,600 Sq	uare Feet	Walls, Composite Hardboard Siding (Replace with Fiber Cement)	2031	to 30	12	9.50	24,700	24,700	33,610													33,610			
5.815	1	1 Alle	owance	Walls and Trim, Exterior, Paint Finishes and Repairs	2019	6 to 8	0	16,200.00	16,200	16,200	96,399	16,200								19,893							
5.980	320	320 Sq	uares	Windows and Doors, Aluminum Frames	2037	to 40	18	38.00	12,160	12,160	19,301																

1) 2.6% is the estimated Inflation Rate for estimating Future Replacement Costs. 2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

The Villages of Wellington Community Association, Inc. Little Rock, Arkansas

				Estimated	I Life A	nalysis,		Costs	5,\$								
Line	Total P	er Phase	Decense Component Inventory	1st Year o	f <u>Y</u>	ears	Unit	Per Phase	Total	30-Year Total	16 2025	17 2026	18 2027	19 2028	20 2020	21 2040	2
				Eveni			(2019)	(2019)	(2019)	(initiated)	2035	2030		2030	2037	2040	20
			Property Site Elements														
4.020	3,000	3,000 Square Yards	s Asphalt Pavement, Patch, Parking Lot (Incl. Curbs and Gutters)	2023	3 to 5	4	1.40	4,200	4,200	45,271	6,333				7,018		
4.040	3,000	3,000 Square Yards	s Asphalt Pavement, Mill and Overlay, Parking Lot (Incl. Repairs to Concrete Entry)	2038	15 to 20	19	24.75	74,250	74,250	120,919				120,919			
4.080	720	720 Square Yards	s Asphalt Pavement, Total Replacement, Walking Paths	2023	10 to 15	4	20.50	14,760	14,760	42,317							25,
4.140	45,500	1,950 Square Feet	Concrete Flatwork, Common, Partial (Incl. Concrete Drives)	2024	to 65	5 to 30+	9.50	18,525	432,250	204,870		28,659				31,758	
4.141	4,450	4,450 Square Feet	Concrete Flatwork, Stamped, Staining Applications (2109 is Budgeted)	2019	to 5	0	0.90	4,005	4,005	48,401		6,196				6,866	
4.420	80,000	40,000 Square Feet	Irrigation System, Phased	2037	to 40	18 to 23	0.75	30,000	60,000	101,757			47,618				
4.550	28	28 Each	Light Bollards, Walking Path	2040	to 25	21	680.00	19,040	19,040	32,641						32,641	
4.560	19	19 Each	Light Poles and Fixtures, Recreation Area	2025	to 25	6	1,800.00	34,200	34,200	39,894							
4.660	1	1 Allowance	Playground Equipment	2021	15 to 20	2	140,000.00	140,000	140,000	393,621							246
4.710	1	1 Allowance	Pond, Erosion Control, Partial	2025	to 15	6	7,000.00	7,000	7,000	20,165						12,000	
4.730	1	1 Allowance	Pond, Sediment Removal, Partial	2029	to 30	10	80,000.00	80,000	80,000	103,410							
4.740	3,100	3,100 Square Feet	Retaining Walls, Inspection and Capital Repairs	2025	10 to 15	6	3.50	10,850	10,850	31,257						18,600	
4.800	1	1 Allowance	Signage, Entrance Monuments, Renovation	2024	15 to 20	5	12,000.00	12,000	12,000	35,299							
4.820	2	1 Allowance	Site Furniture, Phased (2019 is Budgeted)	2019	15 to 25	0 to 10	8,000.00	8,000	16,000	43,987					13,367		
4.830	1,420	1,420 Square Yards	s Tennis Courts, Color Coat	2021	4 to 6	2	8.00	11,360	11,360	89,658			18,031				
4.835	1	1 Allowance	Tennis Courts, Drainage Improvement	2019	N/A	0	8,500.00	8,500	8,500	8,500							
4.840	450	450 Linear Feet	Tennis Courts, Fence	2023	to 25	4	34.00	15,300	15,300	49,162							
4.850	9	9 Each	Tennis Courts, Light Poles and Fixtures	2027	to 35	8	2,500.00	22,500	22,500	27,629							
4.860	1,420	1,420 Square Yards	s Tennis Courts, Surface Replacement	2027	to 30	8	34.00	48,280	48,280	59,285							
			Pool House and Storage Building Elements														
5.500	1	1 Allowance	Interior, Renovation, Complete	2026	to 20	7	37,000.00	37,000	37,000	118,274							
5.510	1	1 Each	Interior, Renovation, Partial	2036	to 10	17	9,000.00	9,000	9,000	13,923		13,923					
5.600	30	30 Squares	Roof Assemblies, Asphalt Shingles	2030	15 to 20	11	360.00	10,800	10,800	37,058							
5.720	2	1 Allowance	Security System. Phased	2022	to 15	3 to 10	4,500.00	4,500	9,000	25,971		6,962					
5.810	2,600	2,600 Square Feet	Walls, Composite Hardboard Siding (Replace with Fiber Cement)	2031	to 30	12	9.50	24,700	24,700	33,610							
5.815	1	1 Allowance	Walls and Trim, Exterior, Paint Finishes and Repairs	2019	6 to 8	0	16,200.00	16,200	16,200	96,399					27,068		
5.980	320	320 Squares	Windows and Doors, Aluminum Frames	2037	to 40	18	38.00	12,160	12,160	19,301			19,301				



The Villages of Wellington Community Association, Inc.

Explanatory Notes:

				Lille Rock, Arkansas																							
					Estimated	Life A	nalysis,		Cost	s, \$																	
Line	Total	Per Phase			1st Year of	Y	ears	Unit	Per Phase	Total	30-Year Total	RUL = 0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2019)	(2019)	(2019)	(Inflated)	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
				Pool Elements																							
6.200	4,900	4,900 Sq	uare Feet	Concrete Deck, Inspections, Coating Appilications and Repairs	2027	8 to 12	8	3.00	14,700	14,700) 71,545									18,051							
6.300	1	1 Allo	owance	Covers, Vinyl (Incl. Water Feature Cover)	2023	6 to 8	4	13,000.00	13,000	13,000	80,490					14,406								17,689			
6.400	430	430 Lin	near Feet	Fences, Steel, Paint Finishes (Incl. Bridge and Sidewalk Handrails)	2020	6 to 8	1	9.50	4,085	4,085	30,994		4,191							5,016							6,003
6.420	430	430 Lin	near Feet	Fences, Steel, Replacement (Incl. Bridge and Sidewalk Handrails)	2032	to 35	13	60.00	25,800	25,800	36,019														36,019		
6.500	2	1 Allo	owance	Furniture, Phased (2019 is Budgeted)	2019	to 12	0 to 6	6,000.00	6,000	12,000	52,105	3,350						6,999						8,164			
6.600	2	1 Allo	owance	Mechanical Equipment, Phased	2025	to 15	6 to 13	10,000.00	10,000	20,000	62,333							11,665							13,961		
6.800	3,000	3,000 Sq	uare Feet	Pool Finish, Plaster	2022	8 to 12	3	13.00	39,000	39,000) 166,951				42,122										54,448		
6.801	400	400 Lin	near Feet	Pool Finish, Tile	2022	15 to 25	3	34.50	13,800	13,800	39,809				14,905												
6.950	1	1 Allo	owance	Water Feature	2023	to 15	4	11,500.00	11,500	11,500) 31,471					12,743											
				Anticipated Expenditures, By Year							\$2,414,296	35,160	4,191	159,333	61,887	65,113	39,258	79,380	44,283	135,031	28,385	119,568	14,323	65,178	151,742	0	6,003

1) 2.6% is the estimated Inflation Rate for estimating Future Replacement Costs. 2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

The Villages of Wellington Community Association, Inc.

Little Rock, Arkansas

					Estimated	Life A	nalysis,		Costs	s, \$								
Line	Total	Per Phase			1st Year of	Ye	ears	Unit	Per Phase	Total	30-Year Total	16	17	18	19	20	21	22
Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2019)	(2019)	(2019)	(Inflated)	2035	2036	2037	2038	2039	2040	204
				Pool Elements														
6.200	4,900	4,900 Sc	quare Feet	Concrete Deck, Inspections, Coating Appilications and Repairs	2027	8 to 12	8	3.00	14,700	14,700	71,545			23,333				
6.300	1	1 AI	llowance	Covers, Vinyl (Incl. Water Feature Cover)	2023	6 to 8	4	13,000.00	13,000	13,000	80,490					21,722		
6.400	430	430 Li	near Feet	Fences, Steel, Paint Finishes (Incl. Bridge and Sidewalk Handrails)	2020	6 to 8	1	9.50	4,085	4,085	30,994							7,1
6.420	430	430 Li	near Feet	Fences, Steel, Replacement (Incl. Bridge and Sidewalk Handrails)	2032	to 35	13	60.00	25,800	25,800	36,019							
6.500	2	1 AI	llowance	Furniture, Phased (2019 is Budgeted)	2019	to 12	0 to 6	6,000.00	6,000	12,000	52,105			9,524				
6.600	2	1 AI	llowance	Mechanical Equipment, Phased	2025	to 15	6 to 13	10,000.00	10,000	20,000	62,333					16,709		
6.800	3,000	3,000 So	quare Feet	Pool Finish, Plaster	2022	8 to 12	3	13.00	39,000	39,000	166,951							
6.801	400	400 Li	near Feet	Pool Finish, Tile	2022	15 to 25	3	34.50	13,800	13,800	39,809							
6.950	1	1 AI	llowance	Water Feature	2023	to 15	4	11,500.00	11,500	11,500	31,471				18,728			

Anticipated Expenditures, By Year



RESERVE FUNDING PLAN

CASH FLOW ANALYSIS																
The Villages of Wellington																
Community Association, Inc.	<u> </u>	ndividual Res	erve Budgets	& Cash Flows	s for the Next	30 Years										
Little Rock, Arkansas	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserves at Beginning of Year (Note 1)	158,432	127,683	184,322	86,976	87,863	87,125	114,063	102,710	128,274	64,568	109,147	64,442	127,033	141,418	70,764	154,059
Total Recommended Reserve Contributions (Note 2)	2,000	58,200	59,700	61,300	62,900	64,500	66,200	67,900	69,700	71,500	73,400	75,300	77,300	79,300	81,400	83,500
Plus Estimated Interest Earned, During Year (Note 3)	2,411	2,630	2,287	1,474	1,475	1,696	1,827	1,947	1,625	1,464	1,463	1,614	2,263	1,788	1,895	3,278
Less Anticipated Expenditures, By Year	(35,160)	(4,191)	(159,333)	(61,887)	(65,113)	(39,258)	(79,380)	(44,283)	(135,031)	(28,385)	(119,568)	(14,323)	(65,178)	(151,742)	0	(6,003)
Anticipated Reserves at Year End	<u>\$127,683</u>	<u>\$184,322</u>	<u>\$86,976</u>	<u>\$87,863</u>	<u>\$87,125</u>	<u>\$114,063</u>	<u>\$102,710</u>	<u>\$128,274</u>	<u>\$64,568</u>	<u>\$109,147</u>	<u>\$64,442</u>	<u>\$127,033</u>	<u>\$141,418</u>	<u>\$70,764</u>	<u>\$154,059</u>	<u>\$234,834</u>

	(continued)	Individual Res	erve Budgets	& Cash Flow	s for the Next	30 Years, Co	ntinued									
		2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	Reserves at Beginning of Year	234,834	318,868	356,722	334,945	293,091	307,166	307,885	132,101	44,509	123,910	191,670	306,569	331,558	331,752	346,095
	Total Recommended Reserve Contributions	85,700	87,900	90,200	92,500	94,900	97,400	99,900	102,500	105,200	107,900	110,700	113,600	116,600	119,600	122,700
Plus	Estimated Interest Earned, During Year	4,667	5,694	5,830	5,293	5,059	5,184	3,708	1,489	1,419	2,660	4,199	5,378	5,591	5,713	6,670
Less	Anticipated Expenditures, By Year	(6,333)	(55,740)	(117,807)	(139,647)	(85,884)	(101,865)	(279,392)	(191,581)	(27,218)	(42,800)	0	(93,989)	(121,997)	(110,970)	(30,238)
	Anticipated Reserves at Year End	<u>\$318,868</u>	<u>\$356,722</u>	<u>\$334,945</u>	<u>\$293,091</u>	<u>\$307,166</u>	<u>\$307,885</u>	<u>\$132,101</u>	<u>\$44,509</u>	<u>\$123,910</u>	<u>\$191,670</u>	<u>\$306,569</u>	<u>\$331,558</u>	<u>\$331,752</u>	<u>\$346,095</u>	<u>\$445,227</u>
									(NOTE 5)							(NOTE 4)

Explanatory Notes:

1) Year 2019 starting reserves are as of March 31, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.

2) Reserve Contributions for 2019 is the remaining budgeted amount; 2020 is the first year of recommended contributions.

3) 1.7% is the estimated annual rate of return on invested reserves; 2019 is a partial year of interest earned.

4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.

5) Threshold Funding Year (reserve balance at critical point).

FIVE-YEAR OUTLOOK

The Villages of Wellington Community Association, Inc.

Little Rock, Arkansas

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
	Property Site Elements						
4.020	Asphalt Pavement, Patch, Parking Lot (Incl. Curbs and Gutters)					4,654	
4.080	Asphalt Pavement, Total Replacement, Walking Paths					16,356	
4.140	Concrete Flatwork, Common, Partial (Incl. Concrete Drives)						21,062
4.141	Concrete Flatwork, Stamped, Staining Applications (2109 is Budgeted)	4,110					4,553
4.660	Playground Equipment			147,375			
4.800	Signage, Entrance Monuments, Renovation						13,643
4.820	Site Furniture, Phased (2019 is Budgeted)	3,000					
4.830	Tennis Courts, Color Coat			11,958			
4.835	Tennis Courts, Drainage Improvement	8,500					
4.840	Tennis Courts, Fence					16,954	
	Pool House and Storage Building Elements						
5.720	Security System. Phased				4,860		
5.815	Walls and Trim, Exterior, Paint Finishes and Repairs	16,200					
	Pool Elements						
6.300	Covers, Vinyl (Incl. Water Feature Cover)					14,406	
6.400	Fences, Steel, Paint Finishes (Incl. Bridge and Sidewalk Handrails)		4,191				
6.500	Furniture, Phased (2019 is Budgeted)	3,350					
6.800	Pool Finish, Plaster				42,122		
6.801	Pool Finish, Tile				14,905		
6.950	Water Feature					12,743	
	Anticipated Expenditures, By Year	35,160	4,191	159,333	61,887	65,113	39,258



4.RESERVE COMPONENT DETAIL

Reserve Component Detail of this Reserve The Study includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. However, the Report in whole or part is not and should not be used as a design specification or design engineering service.

Property Site Elements

Asphalt Pavement, Patch, Parking Lot

Line Item: 4.020

Quantity: Approximately 3,000 square yards of asphalt pavement comprising the parking lot at the recreation area

History: Repaved in 2018

Condition: Good overall

Useful Life: Three- to five-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for patching of up to two percent (2%) of the pavement. We also include an allowance for repairs to the concrete curbs and gutters.

Asphalt Pavement, Parking Lot, Repaving

Line Item: 4.040

Quantity: Approximately 3,000 square yards of asphalt pavement comprising the parking lot at the recreation area

History: Repaved in 2018

Condition: Good overall





Asphalt pavement

Asphalt pavement



Asphalt pavement

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at The Villages of Wellington:





ASPHALT DIAGRAM

Sealcoat or Wearing Surface Asphalt Overlay Not to Exceed 1.5 inch Thickness per Lift or Layer

Original Pavement Inspected and milled until sound pavement is found, usually comprised of two layers

Compacted Crushed Stone or Aggregate Base

Subbase of Undisturbed Native Soils Compacted to 95% dry density

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The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the mill and overlay method of repaving at The Villages of Wellington.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The estimate of cost is based on historical information provided by Management and the Board. The cost also includes repairs to the concrete entry.

Asphalt Pavement, Total Replacement, Walking Paths

Line Item: 4.080

Quantity: The Association maintains approximately 720 square yards of asphalt walking paths along the pond



History: Original

Condition: Good to fair overall with pavement deterioration, edge deterioration and pavement cracks evident



Asphalt walking path

Pavement deterioration



Edge deterioration

Pavement cracks





Pavement cracks

Useful Life: The need to maintain a safe pedestrian surface results in a useful life of 10- to 15-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Concrete Flatwork

Line Items: 4.140 and 4.141

Quantity: Approximately 45,500 square feet of concrete comprising sidewalks, site furniture pads, stamped and colored sidewalks and slabs, and concrete drives along common areas. The common concrete drives are located by Wellington Village Road and by Wellington Colony Court and. The Association plans to conduct staining applications to the stamped concrete sections at the recreation area in 2019 for \$4,110.

Condition: Good overall with concrete cracks evident







Concrete sidewalk at parking lot

Stamped concrete at parking lot



Common concrete drive



Concrete cracks at sidewalk



Concrete cracks at sidewalk

Useful Life: Up to 65 years although interim deterioration of areas is common. We depict staining applications to the stamped concrete up to every five years.



Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 13,635 square feet of concrete flatwork, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Irrigation System

Line Item: 4.420

Quantity: An irrigation system waters approximately 80,000 square feet of common landscape throughout the community. The irrigation system at the recreation area utilizes a pump. We recommend funding replacement and repairs to the pump through the operating budget.

History: Original

Condition: Good overall and Management and the Board does not report any deficiencies

Useful Life: Up to 40 years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Pump
- Valves

The Villages of Wellington should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. We depict replacement in a phased manner.

Light Bollards, Walking Path

Line Item: 4.550



Quantity: 28 each

History: Installed in 2015

Condition: Good overall



Light bollards

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Light Poles and Fixtures

Line Item: 4.560

Quantity: 19 light poles and fixtures at the recreation area

History: Original

Condition: Good overall





Light pole and fixture

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Playground Equipment

Line Item: 4.660

Quantity: The Association maintains playground equipment at the recreation area

History: Original. The Association plans to replace the playground equipment in the near-term for approximately \$140,000.

Condition: Good to fair overall with rust evident



Playset overview

Playset overview





Rust at playset

Rust at swingset

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The estimate of cost is based on information provided by Management and the Boar.

Pond, Erosion Control

Line Item: 4.710

Quantity: Approximately 2,200 linear feet of vegetation comprising the shoreline of the pond

Condition: Good overall with minor shoreline erosion evident





Shoreline overview (Note minor erosion)

Minor erosion

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 15 years.

Component Detail Notes: The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the pond shoreline will help maintain an attractive appearance and prevent soil erosion.

Shoreline plantings are referred to as buffer zones. Buffer zones provide the following advantages:

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat
- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan to install plantings pond along 220 linear feet, or approximately ten percent (10%), of the shoreline per event.

Pond, Sediment Removal

Line Item: 4.730

Quantity: Approximately 25,800 square yards of water surface area



Condition: Good overall based on our visual inspection



Pond overview

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove pond sediment up to every 30 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve** *Expenditures* table in Section 3. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately twenty-five percent (25%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend The Villages of Wellington contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.



Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Retaining Walls, Inspections and Repairs

Line Item: 4.740

Quantity: The Association maintains three retaining walls which comprise approximately 3,100 square feet of masonry, concrete and dry-set stone at the recreation area

History: The retaining walls are original

Condition: Good overall



Masonry retaining wall



Dry-set stone retaining wall





Concrete retaining wall

Useful Life: Masonry retaining walls have indeterminate useful lives. However, we recommend the Association plan for inspections and capital repairs every 10- to 15-years to forestall deterioration.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. Our cost includes the following:

- Partial masonry repointing and repairs of up to three percent (3%)
- Partial concrete replacement of up to three percent (3%)
- Partial stone replacement of up to three percent (3%)

Signage, Entrance Monuments

Line Item: 4.800

Quantity: The Association maintains six property identification signs throughout the community

History: Original

Condition: Good overall





Property identification sign

Property identification sign



Property identification sign

Useful Life: 15- to 20-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary. The signage includes the following elements:

- Light fixtures
- Fences
- Masonry, Brick
- Signage, Concrete
- Signage, Metal

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. Our cost for renovation includes repointing and



repairs to the masonry, paint finishes to the concrete and metal components and replacement of the remaining components listed above.

Site Furniture

Line Item: 4.820

Quantity: The Association maintains the following site furniture and fixtures:

- Benches
- Grills
- Picnic tables
- Trash receptacles

History: Original. The Association plans to rebuild five park benches in 2019 for approximately \$3,000.

Condition: Good overall



Picnic table and trash receptacle

Bench





Bench

Useful Life: 15- to 25-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. We depict replacement in a phased manner.

Tennis Courts, Color Coat

Line Item: 4.830

Quantity: Approximately 1,420 square yards of asphalt comprising two tennis courts

History: The tennis courts were last color coated in approximately 2013

Condition: Good to fair overall with color coat deterioration evident



Tennis courts overview

Color coat deterioration





Color coat deterioration

Useful Life: Four- to six-years

Component Detail Notes: Prior to the application of the color coat, the Association should require the contractor to rout and fill all cracks with hot emulsion. This deters water infiltration and further deterioration of the asphalt playing surface.

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Tennis Courts, Drainage Improvement

Line Item: 4.835

History: Management informs us the Association plans to spend \$8,500 to improve drainage around the tennis courts in order to allow water to flow around the courts rather than on the courts. We include expenditures in 2019 at the request of Management. We recommend the Association fund future repairs and improvements to the drainage system through the operating budget as needed.

Useful Life: N/A

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.



Tennis Courts, Fence

Line Item: 4.840

Quantity: Approximately 450 linear feet of chain link fences around the tennis courts

History: Original

Condition: Good to fair overall with finish deterioration, rust and leaning section evident



Chain link fence overview



Finish deterioration



Rust at fence railing



Rust at tennis court gate





Leaning section

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association fund for paint finishes and repairs to the chain link fence through the operating budget.

Tennis Courts, Light Poles and Fixtures

Line Item: 4.850

Quantity: Nine each

History: Original

Condition: Good to fair overall with rust evident at light poles





Light pole and fixtures

Rust at light pole

Useful Life: Up to 35 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association fund paint finishes to the light poles through the operating budget.

Tennis Courts Surface

Line Item: 4.860

Quantity: Approximately 1,420 square yards of asphalt comprising two tennis courts

History: Original

Condition: Good to fair overall with surface cracks evident



Tennis courts overview

Surface cracks





Surface cracks

Surface cracks

Useful Life: Up to 30 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.



Pool House and Storage Building Elements

Interior Renovations

Line Items: 5.500 and 5.510

History: Original. The Association replaced the office room carpet in 2015

Condition: Good overall



Office room

Rest room



Kitchen equipment

Useful Life: Complete interior renovation every 20 years and partial interior renovations every 10 years

Component Detail Notes: The clubhouse interior comprises approximately 1,275 square feet of finished area which includes:

- Carpet, tile and panted concrete floor coverings
- Paint finishes on the walls and ceilings



- Tile wall coverings
- Plumbing fixtures
- Kitchen cabinets and countertops
- Furnishings including benches, chairs, desks and lockers
- Various appliances including a refrigerator and icemaker

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The complete renovation should include replacement of all the interior components listed above and the partial renovations should include the following:

- Application of paint finish to all surfaces
- Replacement of the carpet
- Replacement of up to fifty percent (50%) of the appliances and furnishings

Roof Assemblies, Asphalt Shingles

Line Item: 5.600

Quantity: Approximately 30 *squares* ¹ of asphalt shingles comprising the roofing assemblies at the pool house and storage building

History: Replaced in 2012

Condition: Good overall based on our visual inspection from the ground.



Pool house roof overview

Storage building roof overview

¹ We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Useful Life: 15- to 20-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Security System

Line Item: 5.720

Quantity: The Villages of Wellington utilizes the following security system components at the pool house and tennis courts:

- Automated card reading system (3 access points)
- Cameras (6)
- Recorder (1)

History: Installed in approximately 2013

Condition: Reported satisfactory



Surveillance camera

Useful Life: Up to 15 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate replacement of up to fifty percent (50%) of the security system components per event.

Walls, Composite Hardboard Siding

Line Item: 5.810



Quantity: Approximately 2,600 square feet of the exterior walls of the pool house and storage building

History: Original

Condition: Good overall



Composite hardboard siding overview

Composite hardboard siding at storage building

Useful Life: Up to 30 years. However, failure to conduct paint applications and repairs in a timely manner will reduce the remaining useful life of the siding.

Component Detail Notes: Composite siding consists of compressed wood chips held together with a glue binder and finished with a factory applied color coated hard wax surface that resists the penetration of water. Delamination and rotting of this type of siding are common problems as the siding ages, but generally are not uniform.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend The Villages of Wellington consider fiber cement siding as a replacement material. This type of siding requires less frequent paint applications than composite siding and has a longer useful life.

Walls and Trim, Exterior, Paint Finishes and Repairs

Line Item: 5.815

Quantity: The pool house and storage building include paint finishes and repairs to approximately 5,000 square feet comprising the following surfaces:

- Columns
- Doors
- Siding
- Soffit and fascia



Trim

History: The paint finish application and repair project was ongoing during the time of our inspection

Condition: Good overall



Exterior wall finish overview

Trim and column overview

Useful Life: Paint finishes every six- to eight-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The estimate of cost is based on historical cost and includes the following:

- Power washing the exteriors and inside of entry way
- Paint finish applications
- Partial replacements and repairs of siding, fascia, trim and drip edge (The exact amount of material in need of replacement will depend on the actual future conditions and desired appearance. We recommend replacement wherever holes, cracks and deterioration impair the ability of the material to prevent water infiltration.)
- Repairs to windows
- Installation and replacement of window screens as needed
- Caulking as needed

Windows and Doors

Line Item: 5.980

Quantity: Approximately 320 square feet of windows and doors at the pool house and storage building. Repairs to the windows were being conducted at the time of our inspection.



History: Original

Condition: Good overall with isolated weather strip deterioration evident at window. The Association is conducting repairs to the windows and doors as needed in 2019.





Weather strip deterioration at window

Useful Life: Up to 40 years

Component Detail Notes: Construction of the windows and doors at the clubhouse includes the following:

- Aluminum frame
- Single pane glass
- Double hung windows with screens
- Hinged doors

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.



Pool Elements

Concrete Deck

Line Item: 6.200

Quantity: Approximately 4,900 square feet of coated concrete deck around the pool

History: The pool deck was coated and repaired in 2017

Condition: Good overall



Concrete deck overview

Concrete cracks



Concrete cracks

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years.

Component Detail Notes: We recommend the Association budget for the following:



- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement
- Coating replacement

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. The estimate of cost is based on historical cost.

Cover, Vinyl

Line Item: 6.300

Quantity: The Association maintains two vinyl covers to protect the pool and water feature

History: Replaced in 2013

Condition: Good condition



Pool and water feature covers

Useful Life: Six- to eight-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Fences, Steel



Line Items: 6.400 and 6.420

Quantity: Approximately 430 linear feet of steel fences around the pool. This quantity also includes the steel handrails at the walking path bridge and the recreation area sidewalk.

History: The fences are original

Condition: Good to fair overall with rust and finish deterioration evident at the pool fence





Pool fence overview

Rust at pool fence



Rust at pool fence



Finish deterioration at pool fence





Handrail at bridge by walking path

Handrail at sidewalk by recreation area

Useful Life: Six- to eight-years for paint finishes and up to 35 years for replacement

Component Detail Notes: Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3.

Furniture

Line Item: 6.500

Quantity: The Association maintains the following pool furniture and fixtures

- Chairs
- Lifeguard chairs
- Lounges
- Tables
- Umbrellas
- Ladders and life safety equipment

History: A major portion of the pool furniture was replaced in 2018. The Association plans to replace the remaining pool furniture in 2019 for approximately \$3,350

Condition: Good overall





Useful Life: Up to 12 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing, and other repairs to the furniture as normal maintenance to maximize its useful life.

Mechanical Equipment

Line Item: 6.600

Quantity:

- Automatic chlorinators
- Calcium hypochlorite feed system
- Controls
- Filters
- Interconnected pipe, fittings and valves
- Pumps
- Electric panels
- Exhaust fan

History: Portions of the pool mechanical equipment have been replaced over the years. The water feature pump was replaced in 2017

Condition: Reported satisfactory





Pool mechanical equipment

Useful Life: Up to 15 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to fifty percent (50%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: 3,000 square feet of plaster based on the horizontal surface area and approximately 400 linear feet of tile

History: The pool plaster finish was replaced in 2012

Condition: Good to fair overall with isolated cracks at pool plaster finish and staining at pool tile finish evident





Pool overview

Pool plater finish



Cracks at pool plaster finish

Staining at pool tile finish

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event. The estimate of cost for pool plaster finish replacement is based on historical cost.



Water Feature

Line Item: 6.950

History: Original. The pump was replaced in 2017

Conditions: Reported in good condition



Water feature overview

Useful Life: Up to 15 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association fund refinishing and repairs to the water feature through the operating budget.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements



Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.



5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

The Villages of Wellington can fund capital repairs and replacements in any combination of the following:

- 1. Increases in the operating budget during years when the shortages occur
- 2. Loans using borrowed capital for major replacement projects
- Level quarterly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
- 4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level II Reserve Study Update." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Little Rock,

¹Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for additional information on our use of published sources of cost data.



Arkansas at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of The Villages of Wellington and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



6.CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.



QUALIFICATIONS THEODORE J. SALGADO Principal Owner

CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



PRIOR RELEVANT EXPERIENCE

Before founding Reserve Advisors with John P. Poehlmann in 1991, Mr. Salgado, a professional engineer registered in the State of Wisconsin, served clients for over 15 years through American Appraisal Associates, the world's largest full service valuation firm. Mr. Salgado conducted facilities analyses of hospitals, steel mills and various other large manufacturing and petrochemical facilities and casinos.

He has served clients throughout the United States and in foreign countries, and frequently acted as project manager on complex valuation, and federal and state tax planning assignments. His valuation studies led to negotiated settlements on property tax disputes between municipalities and property owners.

Mr. Salgado has authored articles on the topic of reserve studies and facilities maintenance. He also co-authored Reserves, an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and maintaining appropriate reserves. Mr. Salgado has also written in-house computer applications manuals and taught techniques relating to valuation studies.

EXPERT WITNESS

Mr. Salgado has testified successfully before the Butler County Board of Tax Revisions in Ohio. His depositions in pretrial discovery proceedings relating to reserve studies of Crestview Estates Condominium Association in Wauconda, Illinois, Rivers Point Row Property Owners Association, Inc. in Charleston, South Carolina and the North Shore Club Associations in South Bend, Indiana have successfully assisted the parties in arriving at out of court settlements.

EDUCATION - Milwaukee School of Engineering - B.S. Architectural Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section Association of Construction Inspectors - Certified Construction Inspector Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA) Community Associations Institute - Member and Volunteer Leader of multiple chapters Concordia Seminary, St. Louis - Member, National Steering Committee Milwaukee School of Engineering - Member, Corporation Board Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.



JOHN P. POEHLMANN, RS Principal

John P. Poehlmann is a co-founder of Reserve Advisors, Inc. He is responsible for the finance, accounting, marketing, and overall administration of Reserve Advisors, Inc. He also regularly participates in internal Quality Control Team Reviews of Reserve Study reports.

Mr. Poehlmann directs corporate marketing, including business development, advertising, press releases, conference and trade show exhibiting, and electronic marketing campaigns. He frequently speaks throughout the country at seminars and workshops on the benefits of future planning and budgeting for capital repairs and replacements of building components and other assets.



PRIOR RELEVANT EXPERIENCE

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

INDUSTRY SERVICE AWARDS

CAI Wisconsin Chapter Award CAI National Rising Star Award CAI Michigan Chapter Award

EDUCATION

University of Wisconsin-Milwaukee - Master of Science Management University of Wisconsin - Bachelor of Business Administration

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee; former member of National Board of Trustees; Reserve Specialist (RS) designation; Member of multiple chapters

Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) – member



JAISON T. THOMAS Responsible Advisor

CURRENT CLIENT SERVICES

Jaison T. Thomas, a Mechanical Engineer, is an advisor for Reserve Advisors. Mr. Thomas is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowner associations.

The following is a partial list of clients served by Jaison Thomas demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

- **Foresters Pond Condominiums -** This condominium association in Houston, Texas containing 118 units in 14 buildings was constructed in the early 1960's. The exteriors of the condominiums comprise of a combination of masonry walls and wood siding construction, asphalt shingle roofs, wood framed balconies with concrete thinset toppings and staircases. The community includes a clubhouse, pool, asphalt parking areas, carports, domestic hot water boiler, masonry retaining walls and perimeter walls.
- Seven Meadow's Community Association, Inc. This single family home community contains over 2,000 residential homes and is located in Katy, Texas. Features of this community include two pools, two pool houses, a combination of panelized concrete and masonry perimeter walls, two tennis courts, ponds, playgrounds and a clubhouse including conference rooms, a fitness room and a theater room.
- **Easton Park Townhomes Owners Association, Inc.** A townhome community in Charlotte, North Carolina containing 33 units in 11 buildings. The townhomes comprise of a combination of brick walls and fiber cement siding. Features of this property include retention ponds, lift station, asphalt streets, street pavers, masonry perimeter walls and masonry retaining walls.
- Villages of Northpointe Community Association, Inc. Located in Tomball, Texas, Villages of Northpointe comprises 919 single family homes. The community includes a main amenity center with a clubhouse, pool, playground equipment and outdoor exercise stations. Throughout the site, the Association maintains numerous fences, perimeter walls, and landscaped and irrigated areas. The community also includes a gated section which utilizes a separate expenditures and funding plan.
- **Skyecroft Homeowners Association, Inc.** This single family home community contains 208 residential homes and is located in Waxhaw, North Carolina. The community includes a pool, tennis courts, playground equipment, large quantities of asphalt streets and a clubhouse including a meeting room, library and a bar room. The community also includes an extensive drainage system which utilizes 22 ponds throughout the community.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Thomas successfully completed the bachelors program in Mechanical Engineering from the University of Houston. Following the completion of his studies, he worked as a field engineer where he conducted air quality testing in refineries and power plants and also as a design engineer where he designed heat tracing circuits for piping in refineries, chemical plants and power plants.

EDUCATION

University of Houston – B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS

Engineer in Training (E.I.T.) – State of Texas



ALAN M. EBERT, P.E., PRA, RS Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

- **Brownsville Winter Haven** Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.
- **Rosemont Condominiums** This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.
- Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.
- **Birchfield Community Services Association** This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.
- **Oakridge Manor Condominium Association** Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.
- **Memorial Lofts Homeowners Association** This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado Reserve Specialist (RS) - Community Associations Institute Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts



RESOURCES

Reserve Advisors, Inc. utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

<u>Association of Construction Inspectors</u>, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org. Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

<u>American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc.</u>, (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors, Inc. actively participates in its local chapter and holds individual memberships.

<u>Community Associations Institute</u>, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

<u>Marshall & Swift / Boeckh</u>, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors, Inc., library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.



7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

- **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 Method** A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.
- **Current Cost of Replacement** That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials, labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.
- **Fully Funded Balance** The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.
- **Funding Goal (Threshold)** The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.
- **Future Cost of Replacement** *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.
- **Long-Lived Property Component** Property component of The Villages of Wellington responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.
- **Percent Funded** The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
- **Remaining Useful Life** The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.
- **Reserve Component** Property elements with: 1) The Villages of Wellington responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.
- **Reserve Component Inventory** Line Items in **Reserve Expenditures** that identify a *Reserve Component*.
- **Reserve Contribution** An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.
- **Reserve Expenditure** Future Cost of Replacement of a Reserve Component.
- **Reserve Fund Status** The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.
- **Reserve Funding Plan** The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.
- **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.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.

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8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part *is not and cannot be used* as a design specification for design engineering purposes or as an appraisal. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and *shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA.*

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

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