

RESERVE STUDY

South Shore Harbour Community Association, Inc.



League City, Texas
November 29, 2021



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South Shore Harbour Community Association, Inc.
League City, Texas

Dear Board of Directors of South Shore Harbour Community Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of South Shore Harbour Community Association, Inc. in League City, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 29, 2021.

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 three-years. We look forward to continuing to help South Shore Harbour 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 December 22, 2021 by

Reserve Advisors, LLC

Visual Inspection and Report by: Casey M. Lewis, RS¹

Review by: Nicole L. Lowery, RS, PRA², Associate 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>.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: South Shore Harbour Community Association, Inc. (South Shore Harbour)

Location: League City, Texas

Reference: 071502

Property Basics: South Shore Harbour Community Association, Inc. is a homeowners association which is responsible for the common elements shared by 776 single family homes. The community was built in 1982.

Reserve Components Identified: 38 Reserve Components.

Inspection Date: November 29, 2021. We conducted previous inspections in 2007 and 2012.

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 does not recognize a critical year. Rather, the Reserve Funding Plan recommends 2051 year end accumulated reserves of approximately \$1,258,600. We judge this amount of accumulated reserves in 2051 necessary to fund the likely replacement of the concrete streets after 2051. Future replacement costs beyond the next 30 years for the replacement of the concrete streets are likely to more than double the current cost of replacement. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2051 year end reserves.

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
- 0.7% anticipated annual rate of return on invested reserves
- 3.5% 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.

Unaudited Cash Status of Reserve Fund:

- \$883,910 as of July 31, 2021
- 2021 budgeted Reserve Contributions of \$180,000
- 2022 budgeted Reserve Contributions of \$185,000
- A potential deficit in reserves might occur by 2028 based upon continuation of the most recent annual reserve contribution of \$185,000 and the identified Reserve Expenditures.

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:

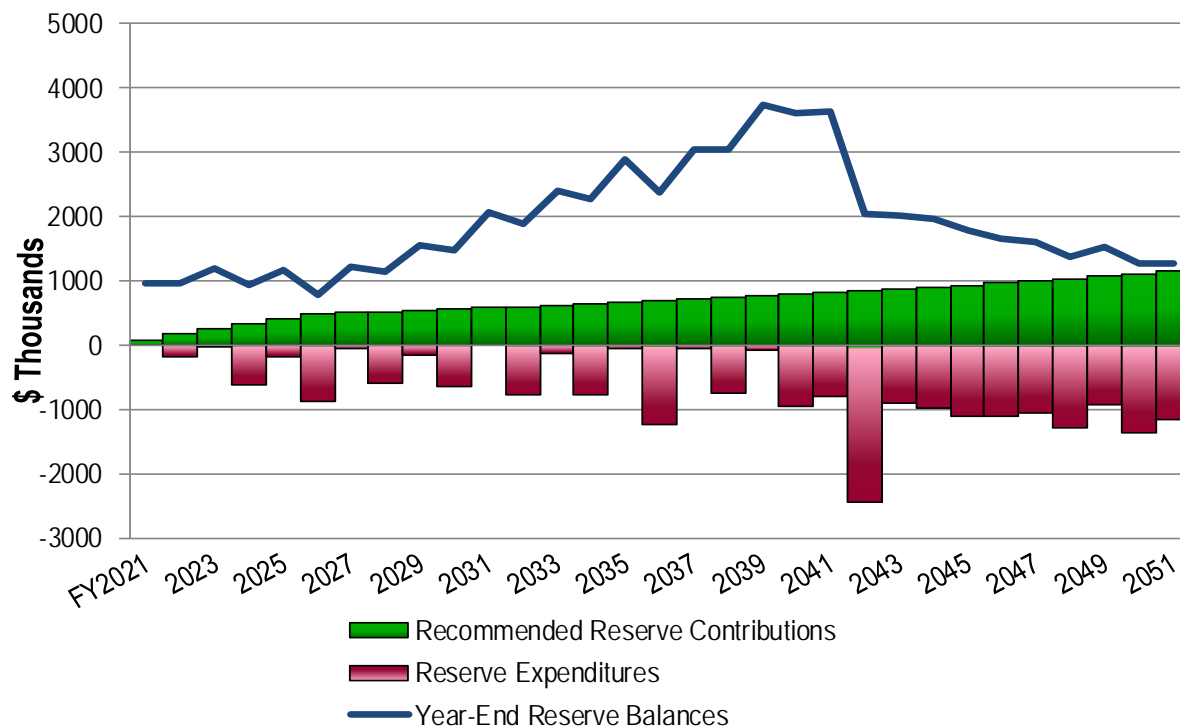
- Partial replacement of the concrete sidewalks due to noted conditions and to maintain a safe pedestrian surface
- Paint applications to the steel fences to maximize the remaining useful life

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

- Phased increases of approximately \$75,000 from 2023 through 2026
- Inflationary increases through 2051, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$75,000 represents an average monthly increase of \$8.05 per homeowner and about a seven percent (6.8%) adjustment in the 2022 total Operating Budget of \$1,109,575.

South Shore Harbour Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2022	185,000 (Budgeted)	969,521	2032	596,300	1,887,681	2042	841,400	2,051,595
2023	260,000	1,203,893	2033	617,200	2,398,492	2043	870,800	2,026,933
2024	335,000	936,468	2034	638,800	2,278,751	2044	901,300	1,958,018
2025	410,000	1,164,236	2035	661,200	2,892,430	2045	932,800	1,793,291
2026	485,000	777,274	2036	684,300	2,367,707	2046	965,400	1,666,355
2027	502,000	1,219,860	2037	708,300	3,048,443	2047	999,200	1,610,570
2028	519,600	1,151,916	2038	733,100	3,042,410	2048	1,034,200	1,367,385
2029	537,800	1,541,805	2039	758,800	3,740,724	2049	1,070,400	1,522,419
2030	556,600	1,468,090	2040	785,400	3,599,194	2050	1,107,900	1,262,220
2031	576,100	2,056,483	2041	812,900	3,627,056	2051	1,146,700	1,258,604





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

South Shore Harbour Community Association, Inc.

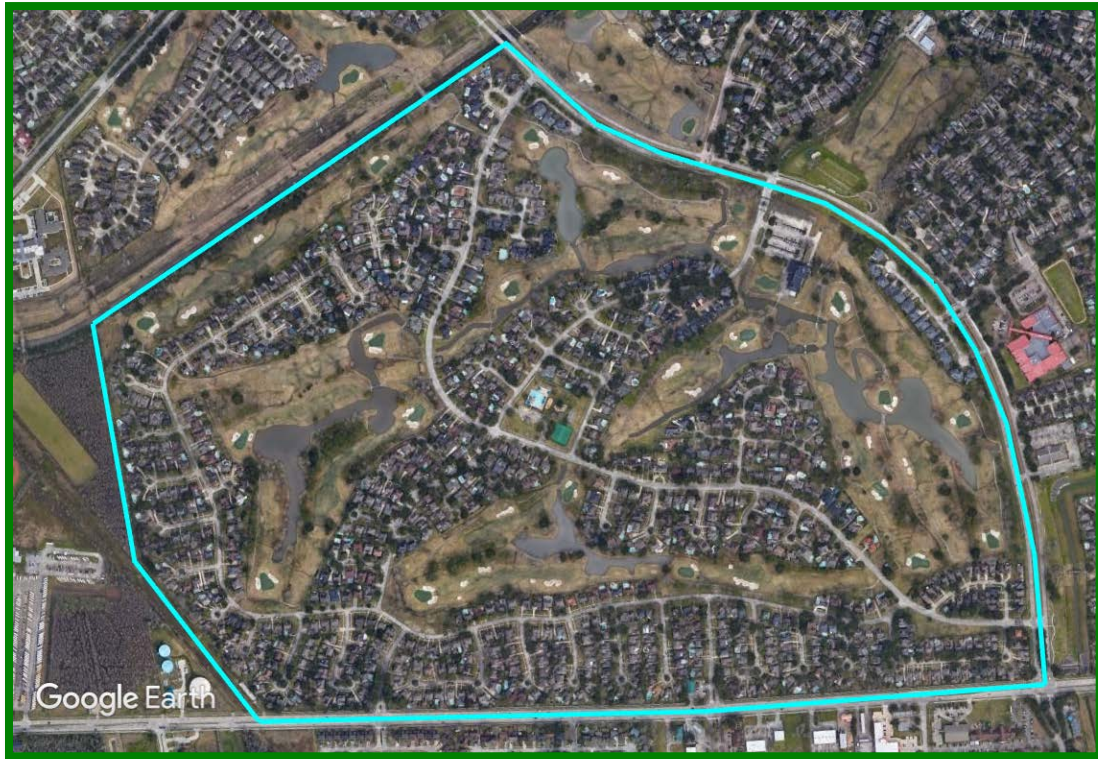
League City, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 29, 2021. We conducted previous inspections in 2007 and 2012.

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:

- South Shore Harbour 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 the 30-year Reserve Expenditures at this time:

- Electrical Systems, Common
- Foundations, Common
- Pipes, Interior Building, Water and Sewer, Common
- Structural Frames, Common
- Walls, Siding, Fiber Cement, Replacement, Common Buildings (2006)

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 \$8,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Basketball Goals
- Bollards
- Catch Basins, Landscape
- Concrete Masonry Unit Block Wall, Admiral Drive, Stucco and Paint Applications
- Drinking Fountains
- Fences, Wood, Common
- Flagpoles
- Guard House
- Irrigation System, Controls and Maintenance
- Landscape
- Light Post and Fixtures, Entrances
- Mailbox Kiosk, Gutters and Downspouts
- Paint Finishes, Touch Up
- Signage, Traffic and Street Identification
- Site Furnishings
- Windows and Doors, Common Buildings
- 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:

- Homes and Lots

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

Country Club

- Cart Paths
- Golf Course
- Ponds

Municipality

- Curb Inlets
- Light Poles and Fixtures, Streets
- Sound Wall

Municipal Utility District

- Lift Stations

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
- 2021 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Percentage of future expenditures 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
- Predicted reserves based on current funding level

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***.

RESERVE EXPENDITURES

South Shore Harbour
Community Association, Inc.
League City, Texas

Explanatory Notes:

- 1) 3.5% is the estimated Inflation Rate for estimating Future Replacement Costs.
2) FY2021 is Fiscal Year beginning January 1, 2021 and ending December 31, 2021.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031	11 2032	12 2033	13 2034	14 2035	15 2036	
						Useful	Remaining	Unit (2021)	Per Phase (2021)	Total (2021)																		
Property Site Elements																												
4.051	4	4 Each		Basketball Court, Light Poles and Fixtures	2049	to 30	28	2,500.00	10,000	10,000	0.1%																	
4.055	2,790	2,790 Square Feet		Basketball Court, Surface Replacement	2025	to 40	4	11.00	30,690	30,690	0.2%					35,217												
4.140	192,500	5,135 Square Feet		Concrete Sidewalks, Partial	2022	to 65	1 to 30+	11.00	56,485	2,117,500	6.9%		58,462		62,626		67,086		71,865		76,983		82,466		88,340		94,632	
4.180	1,320,000	26,400 Square Feet		Concrete Streets, Partial	2024	to 65	3 to 30+	13.00	343,200	17,160,000	63.5%				380,512		407,614		436,646		467,746		501,062		536,750		574,980	
4.240	3,760	3,760 Linear Feet		Fences, Steel, 2003, Paint Finishes	2022	6 to 8	1	16.00	60,160	60,160	2.0%		62,266							79,219								
4.241	3,760	3,760 Linear Feet		Fences, Steel, 2003, Replacement	2036	to 35	15	55.00	206,800	206,800	1.6%																346,462	
4.242	920	920 Linear Feet		Fences, Steel, Original, Paint Finishes	2022	6 to 8	1	16.00	14,720	14,720	0.5%		15,235														24,661	
4.243	920	920 Linear Feet		Fences, Steel, Original, Replacement	2029	to 35	8	55.00	50,600	50,600	0.3%									66,631								
4.310	11	11 Each		Gate Entry System, SmartPass Readers and Cameras	2026	10 to 15	5	5,000.00	55,000	55,000	0.8%						65,323											
4.320	24	8 Each		Gate Operators, Swing Arm, Phased	2022	to 10	1 to 7	3,000.00	24,000	72,000	1.7%		24,840			27,541			30,535				35,039			38,849		
4.420	151	30 Zones		Irrigation System, Phased	2027	to 40+	6 to 18	1,500.00	45,300	226,500	1.6%							55,685			61,739			68,451			75,893	
4.560	5	5 Each		Light Poles and Fixtures	2026	to 25	5	2,500.00	12,500	12,500	0.2%						14,846											
4.630	1	1 Each		Pavilion	2023	to 25	2	22,000.00	22,000	22,000	0.4%			23,567														
4.640	32,200	32,200 Square Feet		Perimeter Pillars and Walls, Masonry, Inspections and Capital Repairs	2024	8 to 12	3	1.00	32,200	32,200	0.7%				35,701										50,359			
4.660	1	1 Allowance		Playground Equipment	2025	15 to 20	4	94,000.00	94,000	94,000	1.5%					107,867												
4.800	2	1 Allowance		Signage, Renovation, Phased	2028	15 to 20	7 to 16	14,000.00	14,000	28,000	0.4%								17,812									
4.830	12,790	12,790 Square Feet		Tennis Court, Color Coat	2022	4 to 6	1	1.00	12,790	12,790	0.5%		13,238										18,673					
4.840	430	430 Linear Feet		Tennis Court, Fence	2026	to 25	5	36.50	15,695	15,695	0.3%						18,641											
4.850	9	9 Each		Tennis Court, Light Poles and Fixtures	2026	to 30	5	4,000.00	36,000	36,000	0.2%						42,757											
4.860	12,790	12,790 Square Feet		Tennis Court, Surface Replacement	2026	to 40	5	11.00	140,690	140,690	0.8%						167,096											
Building Elements																												
5.400	776	776 Each		Mailboxes	2040	to 30	19	90.00	69,840	69,840	0.6%																	
5.401	48	48 Each		Mailboxes, Parcel Lockers	2051	to 30	30	450.00	21,600	21,600	0.3%																	
5.500	2	2 Each		Rest Rooms, Renovations	2024	to 25	3	14,000.00	28,000	28,000	0.5%					31,044												
5.600	20	20 Squares		Roofs, Asphalt Shingles	2032	15 to 20	11	400.00	8,000	8,000	0.2%													11,680				
5.800	1	1 Allowance		Walls, Paint Finishes and Repairs	2023	8 to 10	2	9,000.00	9,000	9,000	0.3%			9,641										13,140				
Pool Elements																												
6.200	6,800	6,800 Square Feet		Concrete Deck, Textured Coating, Partial Replacements and Repairs	2026	8 to 12	5	4.50	30,600	30,600	0.4%						36,343										51,266	
6.305	1	1 Each		Diving Board	2026	to 20	5	5,500.00	5,500	5,500	0.1%						6,532											
6.400	590	590 Linear Feet		Fences, Steel, Paint Finishes (2028 & 2051 Partial)	2022	6 to 8	1	16.00	9,440	9,440	0.4%		9,770						5,496						14,764			
6.401	270	270 Linear Feet		Fences, Steel, 2017-2020. Replacement	2051	to 35	30	55.00	14,850	14,850	0.2%																	
6.402	320	320 Linear Feet		Fences, Steel, Original, Replacement	2028	to 35	7	55.00	17,600	17,600	0.1%								22,392									
6.500	1	1 Allowance		Furniture	2026	to 10	5	35,500.00	35,500	35,500	0.9%						42,163										59,475	
6.600	3	1 Allowance		Mechanical Equipment, Phased	2025	to 15	4 to 14	16,500.00	16,500	49,500	0.9%					18,934					22,488					26,708		
6.800	4,920	4,920 Square Feet		Pool Finishes, Plaster	2024	8 to 12	3	11.00	54,120	54,120	0.7%					60,004									84,641			
6.801	820	820 Linear Feet		Pool Finishes, Tile and Coping	2024	15 to 25	3	44.00	36,080	36,080	0.2%					40,003												
6.870	5	1 Each		Shade Structures, Phased	2026	15 to 20	5 to 9	8,700.00	8,700	43,500	0.7%						10,333	10,695	11,069	11,456	11,857							
6.900	4,920	4,920 Square Feet		Structures and Deck, Total Replacement	2042	to 60	21	150.00	738,000	738,000	7.1%																	
6.950	1	1 Allowance		Water Feature, Splash Pad, Sprayers and Partial Concrete Replacements	2032	to 15	11	80,000.00	80,000	80,000	1.5%													116,798				
6.980	1	1 Each		Water Slide	2033	15 to 20	12	35,000.00	35,000	35,000	0.7%													52,887				
Anticipated Expenditures, By Year (\$21,339,271 over 30 years)												0	183,811	33,208	609,890	189,559	878,734	66,380	595,815	157,306	640,813	0	778,858	121,338	774,854	65,557	1,227,369	

RESERVE EXPENDITURES

South Shore Harbour
Community Association, Inc.
League City, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2037	17 2038	18 2039	19 2040	20 2041	21 2042	22 2043	23 2044	24 2045	25 2046	26 2047	27 2048	28 2049	29 2050	30 2051	
						Useful	Remaining	Unit (2021)	Per Phase (2021)	Total (2021)																	
Property Site Elements																											
4.051	4	4 Each		Basketball Court, Light Poles and Fixtures	2049	to 30	28	2,500.00	10,000	10,000	0.1%													26,202			
4.055	2,790	2,790 Square Feet		Basketball Court, Surface Replacement	2025	to 40	4	11.00	30,690	30,690	0.2%																
4.140	192,500	5,135 Square Feet		Concrete Sidewalks, Partial	2022	to 65	1 to 30+	11.00	56,485	2,117,500	6.9%		101,372		108,592		116,327		124,612		133,488		142,996		153,180		
4.180	1,320,000	26,400 Square Feet		Concrete Streets, Partial	2024	to 65	3 to 30+	13.00	343,200	17,160,000	63.5%		615,933		659,802	682,896	706,797	731,535	757,138	783,638	811,066	839,453	868,834	899,243	930,717	963,292	
4.240	3,760	3,760 Linear Feet		Fences, Steel, 2003, Paint Finishes	2022	6 to 8	1	16.00	60,160	60,160	2.0%							128,232							163,147		
4.241	3,760	3,760 Linear Feet		Fences, Steel, 2003, Replacement	2036	to 35	15	55.00	206,800	206,800	1.6%																
4.242	920	920 Linear Feet		Fences, Steel, Original, Paint Finishes	2022	6 to 8	1	16.00	14,720	14,720	0.5%							31,376							39,919		
4.243	920	920 Linear Feet		Fences, Steel, Original, Replacement	2029	to 35	8	55.00	50,600	50,600	0.3%																
4.310	11	11 Each		Gate Entry System, SmartPass Readers and Cameras	2026	10 to 15	5	5,000.00	55,000	55,000	0.8%					109,438											
4.320	24	8 Each		Gate Operators, Swing Arm, Phased	2022	to 10	1 to 7	3,000.00	24,000	72,000	1.7%		43,072				49,426		54,800				60,758				
4.420	151	30 Zones		Irrigation System, Phased	2027	to 40+	6 to 18	1,500.00	45,300	226,500	1.6%			84,144													
4.560	5	5 Each		Light Poles and Fixtures	2026	to 25	5	2,500.00	12,500	12,500	0.2%														35,085		
4.630	1	1 Each		Pavilion	2023	to 25	2	22,000.00	22,000	22,000	0.4%												55,694				
4.640	32,200	32,200 Square Feet		Perimeter Pillars and Walls, Masonry, Inspections and Capital Repairs	2024	8 to 12	3	1.00	32,200	32,200	0.7%							71,037									
4.660	1	1 Allowance		Playground Equipment	2025	15 to 20	4	94,000.00	94,000	94,000	1.5%								214,633								
4.800	2	1 Allowance		Signage, Renovation, Phased	2028	15 to 20	7 to 16	14,000.00	14,000	28,000	0.4%	24,276								33,085							
4.830	12,790	12,790 Square Feet		Tennis Court, Color Coat	2022	4 to 6	1	1.00	12,790	12,790	0.5%	22,178					26,340					31,284					
4.840	430	430 Linear Feet		Tennis Court, Fence	2026	to 25	5	36.50	15,695	15,695	0.3%														44,053		
4.850	9	9 Each		Tennis Court, Light Poles and Fixtures	2026	to 30	5	4,000.00	36,000	36,000	0.2%																
4.860	12,790	12,790 Square Feet		Tennis Court, Surface Replacement	2026	to 40	5	11.00	140,690	140,690	0.8%																
Building Elements																											
5.400	776	776 Each		Mailboxes	2040	to 30	19	90.00	69,840	69,840	0.6%				134,267												
5.401	48	48 Each		Mailboxes, Parcel Lockers	2051	to 30	30	450.00	21,600	21,600	0.3%														60,627		
5.500	2	2 Each		Rest Rooms, Renovations	2024	to 25	3	14,000.00	28,000	28,000	0.5%												70,884				
5.600	20	20 Squares		Roofs, Asphalt Shingles	2032	15 to 20	11	400.00	8,000	8,000	0.2%													21,695			
5.800	1	1 Allowance		Walls, Paint Finishes and Repairs	2023	8 to 10	2	9,000.00	9,000	9,000	0.3%					17,908								24,407			
Pool Elements																											
6.200	6,800	6,800 Square Feet		Concrete Deck, Textured Coating, Partial Replacements and Repairs	2026	8 to 12	5	4.50	30,600	30,600	0.4%																
6.305	1	1 Each		Diving Board	2026	to 20	5	5,500.00	5,500	5,500	0.1%							12,134									
6.400	590	590 Linear Feet		Fences, Steel, Paint Finishes (2028 & 2051 Partial)	2022	6 to 8	1	16.00	9,440	9,440	0.4%				18,148					22,309					14,371		
6.401	270	270 Linear Feet		Fences, Steel, 2017-2020. Replacement	2051	to 35	30	55.00	14,850	14,850	0.2%														41,681		
6.402	320	320 Linear Feet		Fences, Steel, Original, Replacement	2028	to 35	7	55.00	17,600	17,600	0.1%																
6.500	1	1 Allowance		Furniture	2026	to 10	5	35,500.00	35,500	35,500	0.9%										83,895						
6.600	3	1 Allowance		Mechanical Equipment, Phased	2025	to 15	4 to 14	16,500.00	16,500	49,500	0.9%				31,721				37,675					44,746			
6.800	4,920	4,920 Square Feet		Pool Finishes, Plaster	2024	8 to 12	3	11.00	54,120	54,120	0.7%																
6.801	820	820 Linear Feet		Pool Finishes, Tile and Coping	2024	15 to 25	3	44.00	36,080	36,080	0.2%																
6.870	5	1 Each		Shade Structures, Phased	2026	15 to 20	5 to 9	8,700.00	8,700	43,500	0.7%						17,917	18,544	19,193	19,865	20,560						
6.900	4,920	4,920 Square Feet		Structures and Deck, Total Replacement	2042	to 60	21	150.00	738,000	738,000	7.1%					1,519,860											
6.950	1	1 Allowance		Water Feature, Splash Pad, Sprayers and Partial Concrete Replacements	2032	to 15	11	80,000.00	80,000	80,000	1.5%										195,677						
6.980	1	1 Each		Water Slide	2033	15 to 20	12	35,000.00	35,000	35,000	0.7%												88,605				
Anticipated Expenditures, By Year (\$21,339,271 over 30 years)												46,454	760,377	84,144	952,530	810,242	2,436,667	909,687	984,114	1,110,611	1,104,403	1,066,414	1,287,771	925,445	1,377,811	1,159,109	

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS		Individual Reserve Budgets & Cash Flows for the Next 30 Years																
South Shore Harbour Community Association, Inc.		FY2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
League City, Texas																		
Reserves at Beginning of Year	(Note 1)	883,910	961,597	969,521	1,203,893	936,468	1,164,236	777,274	1,219,860	1,151,916	1,541,805	1,468,090	2,056,483	1,887,681	2,398,492	2,278,751	2,892,430	
Total Recommended Reserve Contributions	(Note 2)	75,000	185,000	260,000	335,000	410,000	485,000	502,000	519,600	537,800	556,600	576,100	596,300	617,200	638,800	661,200	684,300	
Estimated Interest Earned, During Year	(Note 3)	2,687	6,735	7,580	7,465	7,327	6,772	6,966	8,272	9,395	10,498	12,293	13,756	14,949	16,313	18,036	18,346	
Anticipated Expenditures, By Year		0	(183,811)	(33,208)	(609,890)	(189,559)	(878,734)	(66,380)	(595,815)	(157,306)	(640,813)	0	(778,858)	(121,338)	(774,854)	(65,557)	(1,227,369)	
Anticipated Reserves at Year End		<u>\$961,597</u>	<u>\$969,521</u>	<u>\$1,203,893</u>	<u>\$936,468</u>	<u>\$1,164,236</u>	<u>\$777,274</u>	<u>\$1,219,860</u>	<u>\$1,151,916</u>	<u>\$1,541,805</u>	<u>\$1,468,090</u>	<u>\$2,056,483</u>	<u>\$1,887,681</u>	<u>\$2,398,492</u>	<u>\$2,278,751</u>	<u>\$2,892,430</u>	<u>\$2,367,707</u>	
Predicted Reserves based on 2022 funding level of:	\$185,000	961,597	969,521	1,128,631	710,154	710,550	19,362	138,533	(272,751)	(246,869)								

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Reserves at Beginning of Year		2,367,707	3,048,443	3,042,410	3,740,724	3,599,194	3,627,056	2,051,595	2,026,933	1,958,018	1,793,291	1,666,355	1,610,570	1,367,385	1,522,419	1,262,220
Total Recommended Reserve Contributions		708,300	733,100	758,800	785,400	812,900	841,400	870,800	901,300	932,800	965,400	999,200	1,034,200	1,070,400	1,107,900	1,146,700
Estimated Interest Earned, During Year		18,890	21,244	23,658	25,600	25,204	19,806	14,225	13,899	13,084	12,067	11,429	10,386	10,079	9,712	8,792
Anticipated Expenditures, By Year		(46,454)	(760,377)	(84,144)	(952,530)	(810,242)	(2,436,667)	(909,687)	(984,114)	(1,110,611)	(1,104,403)	(1,066,414)	(1,287,771)	(925,445)	(1,377,811)	(1,159,109)
Anticipated Reserves at Year End		<u>\$3,048,443</u>	<u>\$3,042,410</u>	<u>\$3,740,724</u>	<u>\$3,599,194</u>	<u>\$3,627,056</u>	<u>\$2,051,595</u>	<u>\$2,026,933</u>	<u>\$1,958,018</u>	<u>\$1,793,291</u>	<u>\$1,666,355</u>	<u>\$1,610,570</u>	<u>\$1,367,385</u>	<u>\$1,522,419</u>	<u>\$1,262,220</u>	<u>\$1,258,604</u>
																(NOTE 4)

Explanatory Notes:

- 1) Year 2021 starting reserves are as of July 31, 2021; FY2021 starts January 1, 2021 and ends December 31, 2021.
- 2) Reserve Contributions for 2021 are the remaining budgeted 5 months; 2022 is budgeted; 2023 is the first year of recommended contributions.
- 3) 0.7% is the estimated annual rate of return on invested reserves; 2021 is a partial year of interest earned.
- 4) Accumulated year 2051 ending reserves consider the need to fund for continued partial replacement of the concrete streets shortly after 2051, and the age, size, overall condition and complexity of the property.

FIVE-YEAR OUTLOOK**South Shore Harbour
Community Association, Inc.**
League City, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026
<u>Property Site Elements</u>							
4.055	Basketball Court, Surface Replacement					35,217	
4.140	Concrete Sidewalks, Partial		58,462		62,626		67,086
4.180	Concrete Streets, Partial				380,512		407,614
4.240	Fences, Steel, 2003, Paint Finishes		62,266				
4.242	Fences, Steel, Original, Paint Finishes		15,235				
4.310	Gate Entry System, SmartPass Readers and Cameras						65,323
4.320	Gate Operators, Swing Arm, Phased		24,840			27,541	
4.560	Light Poles and Fixtures						14,846
4.630	Pavilion			23,567			
4.640	Perimeter Pillars and Walls, Masonry, Inspections and Capital Repairs				35,701		
4.660	Playground Equipment					107,867	
4.830	Tennis Court, Color Coat		13,238				
4.840	Tennis Court, Fence						18,641
4.850	Tennis Court, Light Poles and Fixtures						42,757
4.860	Tennis Court, Surface Replacement						167,096
<u>Building Elements</u>							
5.500	Rest Rooms, Renovations				31,044		
5.800	Walls, Paint Finishes and Repairs			9,641			
<u>Pool Elements</u>							
6.200	Concrete Deck, Textured Coating, Partial Replacements and Repairs						36,343
6.305	Diving Board						6,532
6.400	Fences, Steel, Paint Finishes (2028 & 2051 Partial)		9,770				
6.500	Furniture						42,163
6.600	Mechanical Equipment, Phased					18,934	
6.800	Pool Finishes, Plaster				60,004		
6.801	Pool Finishes, Tile and Coping				40,003		
6.870	Shade Structures, Phased						10,333
Anticipated Expenditures, By Year (\$21,339,271 over 30 years)		0	183,811	33,208	609,890	189,559	878,734

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Reserve 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

Basketball Court, Light Poles and Fixtures

Line Item: 4.051

Quantity: Four each

History: Installed in 2019

Condition: Good overall condition



Light pole and fixture

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

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

Basketball Court, Surface Replacement

Line Item: 4.055

Quantity: Approximately 2,790 square feet of concrete

History: Original

Condition: Fair overall with cracks evident



Basketball court



Concrete cracks



Concrete cracks

Useful Life: Up to 40 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair large cracks, trip hazards and possibly safety hazards

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 Sidewalks

Line Item: 4.140

Quantity: Approximately 192,500 square feet throughout the community

Condition: Fair overall condition with trip hazards throughout the community



Sidewalk overview



Recently installed sidewalk at pool



Trip hazard



Trip hazards and settlement



Recent trip hazard repair

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair major cracks, spalls and trip hazards
 - Mark with orange safety paint prior to replacement or repair
 - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

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 77,025 square feet of concrete sidewalks, or forty percent (40%) of the total, will require replacement during the next 30 years.

Concrete Streets

Line Item: 4.180

Quantity: Approximately 1,320,000 square feet throughout the community including the pool parking area and stamped concrete pavers at the entrances

Condition: Good to fair overall condition with typical cracks and spalls evident



Street overview



Pool parking area



Typical cracks



Concrete spall



Stamped concrete pavers



Cracks and settlement at Pebble Beach Drive



Recently replaced concrete at Admiral Drive



Cracks at Admiral Drive



Concrete street overview



Concrete spall near main entrance

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair failed or deteriorated joint sealant as needed
 - Inspect and repair major cracks, spalls and trip hazards
 - Mark with orange safety paint prior to replacement or repair

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 660,000 square feet of concrete streets, or fifty percent (50%) of the total, will require replacement during the next 30 years.

Fences, Steel

Line Items: 4.240 through 4.243

Quantity, History: Approximately 3,760 linear feet line the north and east perimeters of the property and were installed in 2003. Additionally, approximately 920 linear feet line portions of the east and south perimeters and are likely original.

Condition: The 2003 fences are in good to fair overall condition and the original fences are in fair to poor condition



Original fence



Rust at original fence



Original fence with vegetation growth



2003 fence at east perimeter



North perimeter fence overview



Isolated leaning section at north perimeter fence

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair loose fasteners or sections, finish deterioration, and damage
 - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Per Board discretion

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

Gate Entry System, SmartPass Readers and Cameras

Line Item: 4.310

Quantity: Eleven *SmartPass* readers at the community entrances

History: Installed in 2011

Condition: Reported satisfactory



SmartPass readers

Useful Life: 10- to 15-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
 - Inspect panel for damage and ensure the panel is mounted securely, tighten or replace any loose or damaged fasteners.
- Annually:
 - Check power connections, and if applicable, functionality of battery power supply systems

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 replacement of the cameras.

Gate Operators, Swing Arm

Line Item: 4.320

Quantity: 24 swing arm operators

History: The Association replaces the swing arm operators as needed

Condition: Reported satisfactory overall



Swing arm operators

Useful Life: Up to 10 years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Ensure operators operate freely
 - Inspect for any wear, rust and loose fasteners
 - Check for no oil leakage at the gear box
 - Check the control board for water damage. Clean and remove insects and other pests as needed.
 - Check all wiring for insulation damage and loose connections. If applicable, check functionality of battery power supply systems

Priority/Criticality: Not recommended to defer

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

Irrigation System

Line Item: 4.420

Quantity: Approximately 151 zones

History: Primarily original and various portions of the system have been updated as needed. We excluded the system from the 2012 Reserve Study at the request of Management.

Condition: Good to fair overall and Management and the Board do not report any significant 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
- Valves

South Shore Harbour 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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs

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. It is unlikely for the entire system to fail in a single event. Therefore, we depict replacement in a phased manner.

Light Poles and Fixtures

Line Item: 4.560

Quantity: Five concrete poles with light fixtures at the amenity area

History: Unknown

Condition: Good overall



Light pole and fixture

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
 - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
 - Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

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

Pavilion

Line Item: 4.630

Quantity: One pavilion at the park with and asphalt shingle roof

History: Unknown age

Condition: Fair to poor condition with roof leaks and wood rot evident



Pavilion



Roof sag and leaks



Wood rot due to leaks

Useful Life: Up to 25 years with periodic maintenance

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect for wood deterioration, and loose or missing fasteners
- As needed:
 - Paint applications and partial repairs to the wood components

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 budget for paint applications and repairs through the operating budget.

Perimeter Pillars and Walls, Masonry

Line Item: 4.640

Quantity: Approximately 32,200 square feet of masonry pillars and perimeter walls throughout the community. This quantity includes both sides of the walls.

History: Unknown history of repairs

Condition: Good to fair overall condition with minor efflorescence evident



Perimeter wall



Perimeter pillar



Perimeter wall with minor efflorescence

Useful Life: Indefinitely long with periodic inspections and repairs every 8- to 12-years to forestall deterioration.

Component Detail Notes: Common types of masonry deterioration include efflorescence, spalling and cracking. Repointing is a process of raking and cutting out defective mortar and replacing it with new mortar.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
 - Inspect for significant brick damage or spalling, numerous locations of mortar deterioration and excessive efflorescence. If these conditions exist, perform near term repairs and remediation, utilizing reserve funds if project scope warrants.
 - Ensure irrigation heads are directed away from the walls

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost includes an inspection and repointing of up to five percent (5%), or about 1,610 square feet of masonry.

Playground Equipment

Line Item: 4.660

Quantity: Playground equipment includes the following elements:

- Swing sets
- Playsets
- Surfaces, Mulch
- Borders, Plastic
- Benches
- Trash receptacles

History: The equipment primarily dates to 1999. Various components have been replaced in recent years and the mulch was replaced in 2019.

Condition: Fair overall



Playground equipment



Finish deterioration



Swing sets

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair loose connections and fasteners or damaged elements
 - Inspect for safety hazards and adequate coverage of ground surface cover

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 include an allowance in the unit cost for replacement of the safety surface and border.

Signage

Line Item: 4.800

Quantity: Five property identification signs. The signage includes the following elements:

- Light fixtures
- Composite signage
- Letters
- Masonry

History: Various ages

Condition: Good to fair overall



Entrance monument

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair damage, vandalism and loose components
 - Verify lighting is working properly

- Touch-up paint finish applications if applicable

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 and replacement of the remaining components listed above. We depict renovations in a phased manner.

Tennis Courts, Color Coat

Line Item: 4.830

Quantity: 12,790 square feet comprising two tennis courts

History: Unknown age

Condition: Poor overall



Color coat deterioration



Color coat deterioration



Color coat deterioration

Useful Life: Four- to six-years

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, Fence

Line Item: 4.840

Quantity: Approximately 430 linear feet

History: Original

Condition: Fair to poor overall with coating deterioration, rust and detached crossbars evident



Rust



Fence overview



Detached crossbars

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.

Tennis Courts, Light Poles and Fixtures

Line Item: 4.850

Quantity: Nine each

History: The fixtures were retrofitted with LEDs in recent years

Condition: Poor condition with rust at the pole bases



Light pole and fixture



Rust at pole base



Rust at pole base

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

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

Tennis Courts, Surface

Line Item: 4.860

Quantity: Approximately 12,790 square feet of concrete comprising two tennis courts

History: Original

Condition: The playing surfaces are in good to fair overall condition. We note cracks and settlement at the west side of the courts, however it is outside the playing area.



Tennis court



Cracks and settlement

Useful Life: Up to 40 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair large cracks, trip hazards and possibly safety hazards
 - Verify gate and fencing is secure
 - Verify lighting is working properly if applicable
 - Inspect and repair standards and windscreens 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.

Building Elements

Mailboxes

Line Items: 5.400, 5.401

Quantity: Approximately 776 mailboxes and 48 parcel lockers

History: The mailboxes were replaced in 2010 and the parcel boxes were replaced in 2021

Condition: Good overall condition



Mailboxes

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.

Rest Rooms, Renovations

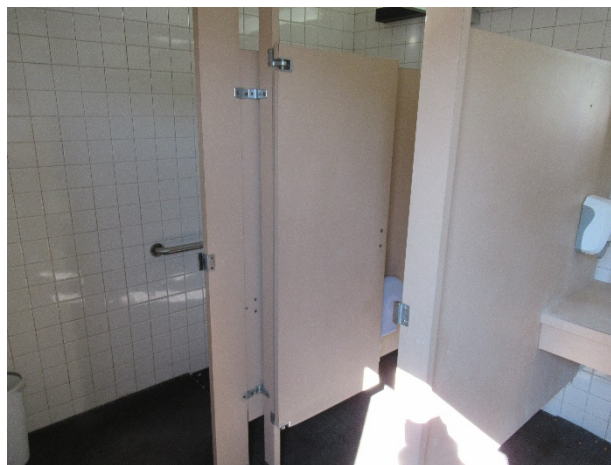
Line Item: 5.500

Quantity: The components of the rest rooms include:

- Concrete floors with rubber floor coverings
- Tile wall coverings
- Paint finishes on the ceilings
- Plumbing fixtures
- Partitions
- Light fixtures

History: Unknown age

Condition: Fair overall condition



Rest room

Useful Life: Complete renovation every 25 years.

Priority/Criticality: Per Board discretion

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

Roof, Asphalt Shingles

Line Item: 5.600

Quantity: Approximately 20 squares¹ at the pool house, mail building and guard house

History: The roofs date approximately to 2015

Condition: Good overall condition



Pool house roof



Mail building roof



Guard house roof

Useful Life: 15- to 20-years

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

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

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

Walls, Paint Finishes and Repairs

Line Item: 5.800

Quantity: The common building exteriors comprise fiber cement siding and wood trim

History: The fiber cement siding was replaced in 2006 and the paint finishes are unknown in age

Condition: The paint finishes are in fair overall condition and the wood trim exhibits isolated rot



Siding overview



Paint finish deterioration



Wood trim rot

Useful Life: 8- to 10-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 Elements



Pool overview

Concrete Deck

Line Item: 6.200

Quantity: 6,800 square feet

History: A coating was last applied in 2017

Condition: Good to fair overall condition with typical cracks evident



Deck overview



Concrete crack

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 in conjunction with coating replacements.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Inspect and repair large cracks, trip hazards, and possible safety hazards
 - Inspect and repair pool coping for cracks, settlement, heaves or sealant deterioration
 - Conduct coating repairs in areas with delamination and concrete spalling
 - Schedule periodic pressure cleanings 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 the following per event:

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

Diving Board

Line Item: 6.305

Quantity: One each

History: Unknown age

Condition: Good to fair overall



Diving board

Useful Life: Up 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.

Fences, Steel

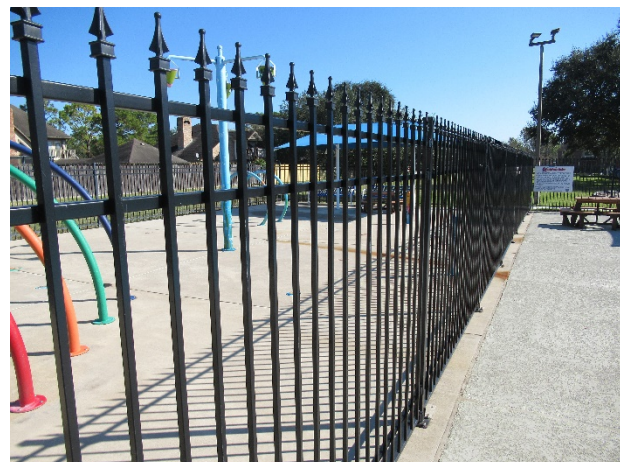
Line Items: 6.400 through 6.402

Quantity, History: Approximately 270 linear feet installed from 2017 to 2020 and 320 linear feet of the fences are original

Condition: The new fences are in good condition and the original fences are in fair overall condition. We note typical rust.



Peeled paint at original fence



New fence overview



Peeled paint at original fence



Significant rust at original fence

Useful Life: Up to 35 years for replacement with paint finishes every six- to eight-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair loose fasteners or sections, and damage
 - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our 2028 and 2051 paint expenditures exclude the fences being replaced in the same fiscal year.

Furniture

Line Item: 6.500

Quantity: The pool furniture includes the following:

- Chairs (22)
- Lounges (20)
- Picnic tables (15)
- Umbrellas (11)
- Benches (5)
- Lifeguard chair (2)
- Ladders and life safety equipment

History: The furniture dates to approximately 2016

Condition: Fair overall



Furniture

Useful Life: Up to 10 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: The mechanical equipment includes the following:

- Automatic chlorinators
- Controls
- Filters
- Interconnected pipe, fittings and valves
- Pumps
- Electrical panel
- Exhaust fans

History: The equipment varies in age

Condition: Reported satisfactory



Pumps and filters



Splash pad controllers

Useful Life: Up to 15 years

Preventative Maintenance Notes: We recommend the Association maintain a maintenance contract with a qualified professional and follow the manufacturer's specific recommended maintenance and local, state and/or federal inspection guidelines.

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 thirty-three percent (33%) 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: 4,920 square feet of plaster based on the horizontal surface area and approximately 820 linear feet of tile. Our cost for the tile includes the 150 linear feet of coping.

History: The plaster finish dates to 2014 and the tile and coping is unknown in age.

Condition: Good to fair overall with no significant deterioration evident



Perimeter tile and coping



Pool overview



Step tile and plaster



Wading pool

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
 - Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
 - Test handrails and safety features for proper operation

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 and coping replacement every other plaster replacement event. Removal and replacement of the finish 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

Shade Structure

Line Item: 6.870

Quantity: Five each

History: The shade structures were installed from 2011 to 2018

Condition: Good to fair overall condition with rust evident at the 2011 structures



Shade structures



Rust at fasteners



Shade structure at wading pool

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Due to the varied ages of the structures, we depict replacement in a phased manner.

Structures and Deck

Line Item: 6.900

Quantity: 4,920 square feet of horizontal surface area

History: Original

Conditions: Visually appear in good condition. The concrete floors and walls have a plaster finish. This finish makes it difficult to thoroughly inspect the concrete structures during a noninvasive visual inspection.

Useful Life: Up to 60 years

Component Detail Notes: The need to replace a pool structure depends on the condition of the concrete structure, the condition of the embedded or concealed water circulation piping, possible long term uneven settlement of the structure, and the increasing cost of repair and maintenance. Deterioration of any one of these component systems could result in complete replacement of the pool. For example, deferral of a deteriorated piping system could result in settlement and cracks in the pool structure. This mode of failure is more common as the system ages and deterioration of the piping system goes undetected. For reserve budgeting purposes, we recommend South Shore Harbour plan to replace the following components:

- Concrete deck

- Pool structures
- Subsurface piping

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.

Water Feature, Splash Pad

Line Item: 6.950

Quantity: The splash pad comprises approximately 2,700 square feet of concrete and 18 water features with associated piping

History: Installed in 2017

Conditions: Good overall condition



Splash pad

Useful Life: Up to 15 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Drain all lines
 - Inspect and repair loose connections and fasteners or damaged elements. Check feature accessories for excessive wear.
 - Clean periodically
 - Verify drains are working properly

Priority/Criticality: Not recommended to defer

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

Water Slide

Line Item: 6.980

Quantity: One each

History: Replaced in 2018

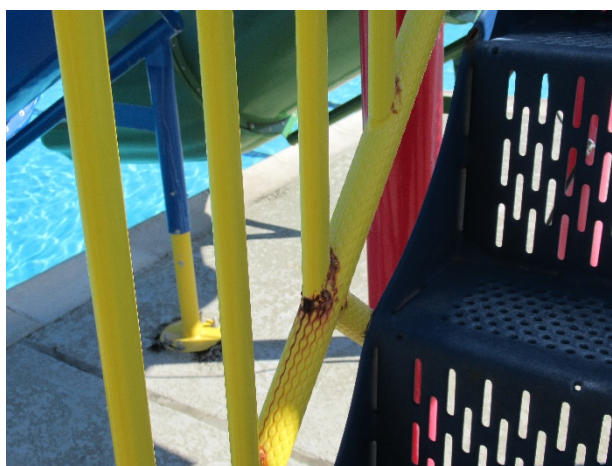
Conditions: Good to fair overall condition



Water slide



Rust at fasteners



Rust at railing

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining the water slide. We recommend an annual inspection of the water slide to identify and repair as normal

maintenance loose connections and fasteners or damaged elements. We recommend the use of a specialist for the design or replacement of the water slide environment.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Weekly:
 - Inspect and repair loose connections and fasteners or damaged elements. Check handrails for stability.
 - Inspect for safety hazards
- Annually:
 - Drain all lines
 - Clean with non-abrasive cleaner and wax as needed
 - Reseal joints 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.

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.

South Shore Harbour 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
3. Level monthly 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 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 League City, Texas at an annual inflation rate³. Isolated or regional markets of greater

¹ Identified 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.

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

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of South Shore Harbour 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.

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors 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 founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders 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 a 2,600,000-square foot 98-story highrise. 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.

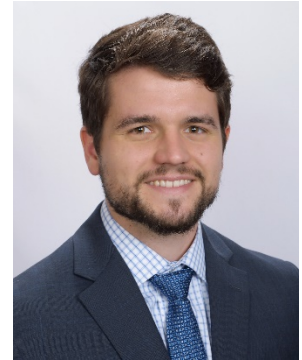
OLD TO NEW

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.

CASEY M. LEWIS, RS
Responsible Advisor

CURRENT CLIENT SERVICES

Casey M. Lewis, an engineer, is an advisor for Reserve Advisors. Mr. Lewis is responsible for the inspection and analysis of the condition of clients' property, 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 Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowners associations.



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

Lakeside Cove Community Association, Inc. A gated, Mediterranean style townhome development in Spring, Texas that features views of the surrounding lake and golf course. The three story townhomes consist of wood and stucco exteriors with clay tile roofs. The community includes private concrete streets, sidewalks, stucco perimeter walls and metal fencing.

Waterside Estates Homeowners Association, Inc. This single family home community contains over 1,400 residential homes and is located in Richmond, Texas. Features of this community include swimming pools, water slides, multiple playgrounds, walking trails, panelized masonry perimeter walls, wood fences, and two tennis courts.

Silver Oaks Condominium Association, Inc. A townhome community in Cedar Park, Texas containing 82 units in 22 buildings. The townhomes consist of stone masonry, stucco siding and asphalt shingle roofs. The features of this community include private asphalt streets, masonry retaining walls, concrete flatwork, wood balconies and metal fences.

Barton Creek South Property Owners Association, Inc. A gated community of 99 single family homes in Austin, Texas. Features of this community include several miles of private asphalt streets and masonry pavers.

Wintergreen Trail Townhomes A townhome style community of 51 units in 12 buildings located in The Woodlands, Texas. The townhomes comprise of fiber cement siding, wood trim and asphalt roofs. Features of the property include concrete flatwork and wood fences surrounding the property.

Camp John Marc A special needs summer camp in Meridian, Texas that comprises over 100 acres that includes 22 cabins, numerous multipurpose use structures, extensive site infrastructure, maintenance buildings and equipment, animal storage structures and a packaged sewer treatment facility.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Lewis completed his bachelor's degree in industrial engineering at Texas Tech University. During his summers, he worked in the homebuilding industry where he oversaw and managed the construction of single family homes in the Houston, Texas area. Following the completion of his studies, he worked as an industrial engineer in the space launch industry.

EDUCATION

Texas Tech University - B.S. Industrial Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

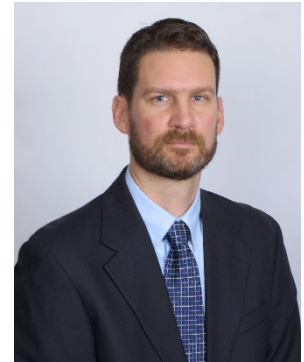
Reserve Specialist (RS) - Community Associations Institute

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

NICOLE L. LOWERY, PRA, RS
Associate Director of Quality Assurance

CURRENT CLIENT SERVICES

Nicole L. Lowery, a Civil Engineer, is an Associate Director of Quality Assurance for Reserve Advisors. Ms. Lowery is responsible for the management, review and quality assurance of reserve studies. In this role, she assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Ms. Lowery has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.



Amelia Surf & Racquet Club This oceanfront condominium community comprises 156 units in three mid rise buildings. This Fernandina Beach, Florida development contains amenities such as clay tennis courts, two pools and boardwalks.

Ten Museum Park This boutique, luxury 50-story high rise building in downtown Miami, Florida consists of 200 condominium units. The amenities comprise six pools including resistance and plunge pools, a full-service spa and a state-of-the-art fitness center. The property also contains a multi-level parking garage.

3 Chisolm Street Homeowners Association This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction with asphalt shingle and modified bitumen roofs. The unique buildings were originally the Murray Vocational School. The buildings were transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

Lakes of Pine Run Condominium Association This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

Rivertowne on the Wando Homeowners Association This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes several private docks along the Wando River, a pool and tennis courts for use by its residents.

Biltmore Estates Homeowners Association This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

Bellavista at Miromar Lakes Condominium Association Located in the residential waterfront resort community of Miromar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve studies and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

EDUCATION

West Virginia University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute

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

RESOURCES

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

Association of Construction Inspectors, (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.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (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 actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (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.

Marshall & Swift / Boeckh, (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' 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 South Shore Harbour 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) South Shore Harbour 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.

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (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.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.