

RESERVE FUND STUDY UPDATE

**GLENABBY CONDOMINIUM
WESTERVILLE, OHIO**

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1.0 INTRODUCTION

The Glenabby Condominium Association and Case Bowen Company authorized Criterium-Liskay Engineers to conduct a Building Evaluation and Reserve Fund Study Update for The Glenabby Condominium located in Westerville, Ohio.

Studies of this nature are important to ensure that a community has sufficient funds for long-term, periodic capital expenditure requirements. Anticipating large expenditures over an extended period of time through a structured analysis and scheduling process assists the Association in meeting financial requirements without increasing the service fees above permitted maximums, borrowing the funds, or levying special financial assessments to the owners.

This report is designed to analyze components of the community for which the Association is responsible and to assess a useful expected life and useful remaining life to those components. The anticipated scheduled repair or replacement of the component and the anticipated expense for the activity are then analyzed in conjunction with the current capital reserves funding program for the community.

This study should be considered as a "Full inspection" since the entire site was inspected by an on site inspection. This is an update to a previous inspection conducted by Criterium-Liskay Engineers in June 2011.

The present amount of funds in the reserve account was not audited but is based on information provided by Dave Smith, Treasurer Glenabby Condominiums and has not been audited by Criterium-Liskay Engineers..

Typically, a community association has two broad cash requirements: the general operating reserves and the capital repair and replacement reserves. In this report, we will focus on those items falling under the capital repair and replacement reserve criteria. We have projected a capital repair and replacement reserve for 20 years. The first 10 years are the most reliable. Such a study should be updated every five years.

This report is intended to be used as a tool to determine reserve fund allocation requirements for the community, to manage future Association obligations, and to inform the community of future financial needs in general. The report that follows has been prepared from the perspective of what an owner of this property would benefit from knowing. Some items, beyond those of immediate concern, may be discussed, because without including these issues could cause a distortion of the association's situation. Therefore, the report should be read in its entirety in order to fully understand all of the information that has been obtained.

2.0 EXECUTIVE SUMMARY

The community currently consists of 16 buildings with a total of 64 units and a clubhouse. There is an attached garage for each unit.

The development began construction about 2005 and construction is complete. The units are a mix of two stories and ranch buildings.

The exteriors are covered with a combination of vinyl siding and manufactured stone veneer with fiberboard trim. Foundations are constructed of poured concrete slabs. The roofs are constructed with wooden trusses and are covered with three tab asphalt shingles.

The buildings occupy an estimated 13 acre parcel of ground that is generally flat but the storm drains flow to a pond on the east side of the community. The entrance into the community is off Hamilton Road. The roads and drives are constructed of asphalt. There are concrete walks between the drives and front porches.

The buildings and grounds are generally in good condition. However based on our evaluation, the current level of funding of the reserves for this project is not adequate. A more detailed analysis of the reserve fund has been provided in Appendix A

Based on our observations, the following immediate concerns were noted:

- Missing kick out flashing was found on many buildings.

There are several capital expenditures to be expected over the next 10 to 20 years. For your convenience, we have prepared the following summary of the condition of the major systems of the property.

SUMMARY OF ACTIVITY			
SYSTEM	CONDITION	ACTIVITY REQUIRED	ANTICIPATED YEAR OF ACTIVITY
SITE			
Road	G	Seal, repair & mill & fill	2017-2035
Storm drain	G-P	Repairs/replacement	2020-2032
Site drainage	G-F	Improve	2017-2033
BUILDING EXTERIOR			
Roofs	G	Reroof	2022-2032
Trim	G-F	Paint	2017-2035
Wood fences	G	Repair/replace	2023-2031
Sidewalks	G-F	Repair/replace	2018-2028
Vinyl siding	G	Replace	2035
BUILDING INTERIOR			
Clubhouse	G	Redecorate	2022-2032
MECHANICAL			
Furnaces and air conditioners	G	Replace	2024-2029
AMENITIES			
Signs	G	Replace/repair	2026
OTHER			
Reserve Study	G	Update	2021-2031

Table 2.1: Summary

3.0 PURPOSE & SCOPE

3.1 Purpose

The purpose of this study is to perform a reserve fund analysis update and to develop a capital needs plan. It is intended to be used as a tool for Glenabby Condominium Association in determining the allocation requirements into the reserve fund in order to meet future anticipated capital expenditures for the community.

This report forecasts obligations for the community 20 years into the future. It should be noted that events might occur that could have an effect on the underlying component or system useful life assumptions used in this study. Likewise, inevitable market fluctuations can have an impact on component or system replacement and repair costs. Therefore, a study such as this should be updated from time to time, usually on a five-year cycle, in order to reflect the most accurate needs and obligations of the community.

3.2 Scope

This study has been performed according to the scope as generally defined by the Glenabby Condominium Association, Criterium-Liskay Engineers and the standards of the Community Associations Institute. The findings and recommendations are based on interviews with the community's management personnel and an investigation of the buildings and site.

The guidelines used to determine which physical components within the community are to be included in the component inventory are based on the following general criteria:

1. The component must be a common element, or otherwise noted to be the responsibility of the Association to replace.

2. The funding for replacement should be from one source only, not funded from another area of the budget or through a maintenance contract.
3. The cost of replacement should be high enough to make it financially unsound to fund it from the operating budget.
4. Components, such as day to day painting, which are considered deferred maintenance, are most appropriately funded from the Operating Budget instead of Reserves.

Our reserve study analysis included evaluating the following association property:

- **Site and Grounds:** The community currently consists of 16 structures with a total of 64 living units and a clubhouse.

The buildings occupy an estimated 13 acre parcel of ground that is generally flat. There are asphalt areas at the clubhouse that are used for visitor parking.

- **Private Streets, Sidewalks and Curbs:** The roads and drives are covered with asphalt. There are concrete sidewalks between the drives and front porches. There are also sidewalks along one side of the main circular road.
- **Building Common Elements:** The common elements generally consist of the roofs, gutters and downspouts, exterior wall covering, furnace flues, attic framing, porches, slabs, framing and common elements of the electrical and plumbing systems.
- **Amenities:** There is a clubhouse near the entrance of the community. Inside the clubhouse there is an open meeting area, kitchenette, utility room for the clubhouse and restrooms.

None of the attics were inspected.

This study estimates the funding levels required for maintaining the long term viability of the facility. Our approach involves:

1. Examining association managed equipment, buildings and site facilities.
2. Predicting their remaining service life and, approximating how frequently they will require repair or replacement.
3. Estimating repair or replacement costs (in 2015 dollars) for each capital item and applying a 3.0% inflation rate.
4. Using data developed in Steps 1, 2 and 3 to project Capital Reserve balances for Years 1 through 20.

The statements in this report are opinions about the present condition of

3.3 Sources of Information

the subject community. They are based on visual evidence available during a diligent investigation of all reasonably accessible areas falling under the responsibility of the Association. We did not remove any surface materials, perform any destructive testing, or move any furnishings. This study is not an exhaustive technical evaluation. Such an evaluation would entail a significantly larger scope than this effort.

On-site inspections of the property occurred on the following dates:

- October 8, 2015

The following people were communicated with:

- Len Pavuk, Board President
- Donald Kraemer, Board Secretary
- David Smith, Board Treasurer
- Sharon McDevitt, At Large Board Member
- John Orr, At Large Board Member

Neither the Articles of Incorporation nor the construction drawings were reviewed.

We based our cost estimates on some or all of the following:

- Some costs and schedule information from our historical files
- R.S. Means
- Local contractors

3.4 Standards of Reference

For your reference, the following definitions may be helpful:

Excellent: Component or system is in "as new" condition, requiring no rehabilitation and should perform in accordance with expected performance.

Good: Component or system is sound and performing its function, although it may show signs of normal wear and tear. Some minor rehabilitation work may be required.

Fair: Component or system falls into one or more of the following categories: a) Evidence of previous repairs not in compliance with commonly accepted practice, b) Workmanship not in compliance with commonly accepted standards, c) Component or system is obsolete, d) Component or system approaching end of expected performance. Repair or replacement is required to prevent further deterioration or to prolong expected life.

Poor: Component or system has either failed or cannot be relied upon to continue performing its original function as a result of having exceeded its expected performance, excessive deferred maintenance, or state of disrepair. Present condition could contribute to or cause the deterioration of other adjoining elements or systems. Repair or replacement is required.

Adequate: A component or system is of a capacity that is defined as enough for what is required, sufficient, suitable, and/or conforms to

standard construction practices.

All ratings are determined by comparison to other buildings of similar age and construction type. Further, some details of workmanship and materials will be examined more closely in higher quality buildings where such details typically become more relevant.

All directions (left, right, rear, etc.), when used, are taken from the viewpoint of an observer standing in front of a building and facing it.

Repair/Replacement Reserves - Non-annual maintenance items that will require significant expenditure over the life of the buildings. Included are items that will reach the end of their estimated useful life during the course of this forecast, or, in the opinion of the investigator, will require attention during that time.

4.0 DESCRIPTION

The construction of the community started about 2005 and construction is complete. The community consists of 16 buildings with 64 units, a clubhouse and pond.

The buildings are constructed on concrete slabs. The exteriors are covered with vinyl siding and manufactured stone veneer with fiberboard trim.

A series of catch basins are located in the roads and drives that collect the surface water. Storm water is run to storm drains that flow to a pond on the east side of the community. There are wetlands next to the pond but this is not part of the community.

All the buildings are of stick-frame construction. Roofing surfaces on all buildings consist of three tab asphalt/fiberglass shingles with aluminum gutters and downspouts. Attic ventilation is provided by ridge, roof and soffit vents.

Electrical, water and gas service is supplied underground.

5.0 OBSERVATIONS

The following key observations were made about the current condition of the common elements of the property.

Site and Grounds

The slope of ground appears consistently sloped away from the foundations. Standing water as found in places especially in the large space behind the clubhouse.

Most of the downspouts place their water onto splash blocks. Based on the current condition of the roads, even with periodic maintenance and repairs, a complete mill and fill of the entire site is included in the study.

At the front of each unit there is a short sidewalk to the front porch. Sections of the sidewalks are pitting and spalled. While this is a cosmetic problem funds for the eventual repairs and replacement of some sections of the sidewalks are included in the study.

Building Exterior

Attic ventilation is provided by a combination of ridge, roof and soffit vents. Ventilation appeared adequate and no changes are recommended.

The roof surfaces of the buildings are covered with three tab asphalt/fiberglass shingles. Reroofing of the existing structures is included in the study.

The dryer vents are run up and out of the roof. The vents for the dryers were checked from the outside and appeared properly installed.

The exterior covering on the buildings is vinyl siding with manufactured stone veneer with fiberboard trim. Overall the exterior materials are in good condition but the stone was improperly run into the ground in several locations. No vapor barrier was not found under the siding of the original buildings. Funds for the replacement of the siding are included in the study.

The roofs are presently in good condition, except "kick out" flashing needs to be installed in run many locations to force rain water into the gutters versus letting it down the siding or stone. Without a vapor barrier under the siding without this flashing, over time water can damage the stone and wood framing.

Building Interiors

The buildings are of stick framed construction with pitched roofs. The overall condition appeared good.

Redecoration of the clubhouse and the replacement of the existing furniture are included in the study.

Mechanical

Overall the utilities for the development appear in good condition.

Each unit has its own split system heating and cooling system. These are the responsibility of the unit owners and are not included in the reserve study.

There is an air conditioner and furnace in the clubhouse. Both were in working order but the replacement of this equipment is included in the study.

Amenities

The mail boxes near the clubhouse are in good condition.

The signs at the front entrance and street signs will need replacement over time. Funds for this work are included in the study.

6.0 RESERVE FUND ANALYSIS

Using software developed by Criterium Engineers and KPMG Peat Marwick, we have analyzed capital reserves draw-down for the projected capital expenditures to determine the amount needed. The following is a projected reserve fund analysis for non-annual items as discussed in the report. This projection takes into consideration a reasonable return on invested moneys and inflation.

The intent of this reserve fund projection is to help the Association develop a reserve fund to provide for anticipated repair or replacements of various system components during the next 20 years.

The capital items listed are those that are typically the responsibility of the association. However, association by-laws vary, and therefore, which components are the responsibilities of the owner and which is the responsibility of the Association can vary.

This projection provides the following:

- An input sheet that defines all the criteria used for the financial alternatives, including the assumed inflation rate and rate of return on deposited reserve funds.
- A table that lists anticipated replacement and/or repair items complete with estimated remaining life expectancies, projected costs of replacement and/or repair, a frequency in years of when these items require replacement and/or repair, and a projection based on this frequency.
- A table and graph that represent end of year balances versus capital expenditures based on your current funding program and reserve balances, and alternatives to your current program. The provided graphs illustrate what effects the funding methods will have over the presented 20 period versus the anticipated capital expenditures. Care should be taken in analyzing the graphs due to varying graphic scales that occur within each graph and between graphs.
- Note that based on our developed list of capital items and taking inflation into account the current funding is not adequate over the next 20 years.
- The Association should bear in mind that unanticipated expenditures can always arise and maintenance of a significant reserve fund balance can be viewed as a way to avoid special assessments.

We have included three alternatives to your current funding program and recommend that the board adopt an alternative that best reflects the objectives of the community. In summary they are as follows:

Current Reserve Funding Rate:

Based on information received the reserve fund will have a balance of about \$140,450 at the beginning of 2016. The current annual contribution into the reserve fund is \$29,184 or \$38.47 per unit per month. Based on this information and the planned future funding requirements this rate of

funding is not adequate. In order to make the community fully funded the following contribution schedule should be adopted.

Increase the current monthly per unit contribution to the Reserve Fund from \$38.47 to \$44.00 in 2016. In 2017 increase the monthly contribution by \$7 per unit every year until 2026 when the contribution to the Reserve Fund will be \$114.00. This alternative maintains a positive balance during the 20 year period and is at least 10% of the annual budget to be in compliance ORC 5311.

7.0 CONCLUSION

The site inspection finds that the site is well cared for. The largest future capital expenditures are the replacement of the asphalt roads, reroofing and replacement of the vinyl siding.

This analysis finds that your current reserve fund contribution for capital items is not adequately funded. We trust this answers any questions that may arise. If not, or if we can be of further assistance, please do not hesitate to call.

8.0 LIMITATIONS

The observations described in this study are valid on the dates of the investigation and have been made under the conditions noted in the report. We prepared this study for the exclusive use of Glenabby Condominium Association. Criterium-Liskay Engineers does not intend any other individual or party to rely upon this study without our express written consent. If another individual or party relies on this study, they shall indemnify and hold Criterium-Liskay Engineers harmless for any damages, losses, or expenses they may incur as a result of its use.

This study is limited to the visual observations made during our inspection. We did not remove surface materials, conduct any destructive or invasive testing, move furnishings or equipment, or undertake any digging or excavation. Accordingly, we cannot comment on the condition of systems that we could not see, such as buried structures and utilities, nor are we responsible for conditions that could not be seen or were not within the scope of our services at the time of the investigation. We did not undertake to completely assess the stability of the buildings or the underlying foundation soil since this effort would require excavation and destructive testing. Likewise, this is not a seismic assessment.

We did not investigate the following areas:

- Buried utilities or infrastructure
- Concealed structural members or systems
- All attic or basement areas
- Any individual interior space

We do not render an opinion on uninvestigated portions of the community.

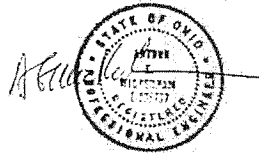
We did not perform any computations or other engineering analysis as part of this evaluation, nor did we conduct a comprehensive code compliance investigation. This study is not to be considered a warranty of condition, and no warranty is implied. The appendices are an integral part of this report and must be included in any review.

In our Reserve Fund Analysis, we have provided estimated costs. These costs are based on our general knowledge of building systems and the contracting and construction industry. When appropriate, we have relied on standard sources, such as Means Building Construction Cost Data, to develop estimates. However, for items that we have developed costs (e.g.: structural repairs), no standard guide for developing such costs exists. Actual costs can vary significantly, based on the availability of qualified contractors to do the work, as well as many other variables. We cannot be responsible for the specific cost estimates provided.

We have performed no design work as part of this study, nor have we obtained competitive quotations or estimates from contractors as this also is beyond the scope of the project. The actual cost to remedy deficiencies and deferred maintenance items that we have identified may vary significantly from estimates and competitive quotations from contractors.

If you have any questions about this study or the reserve fund analysis, please feel free to contact us. Thank-you for the opportunity to be of assistance to you.

Respectfully submitted,



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