

## **JENSEN BEACH CLUB**

### **Board of Directors**

#### **Presentation by**

#### **CSM Engineering**

**January 23, 2023**

**Dave Nowakowski, President, introduced guests from CSM Engineering for a clear and transparent presentation regarding the new Florida Law for a Reserve Study.**

The engineer, Charles, stated that he would give a basic idea of the Reserve Study. He stated that the study takes all our common elements, our responsibilities, places that information into a thirty-year study and over the course of thirty years, breaks down when payments are due in each of the common elements; Roof, structures, roadway, pond, seawall as a group, and our responsibilities. The study then looks at and produces a fee, dependent on the number of units in the community that will tell you year by year, what you are responsible to pay.

There are two ways to have a study: a Straight Line and Pooled Funding. The new law specifies that you're not allowed to Pool items such as the roof, concrete restoration, things that related to the collapse at Surfside.

What we do, is provide you with a Straight-Line Study based on components, which breaks down every component and tells you when it's due – in theory – because you have a useful life and a remaining life. Then through that study the money is spent to either repair or replace those items.

The Pooling method allows you to take a big pot of money and pool it all together. So, if you have something that is allowed to be pooled, such as your pool or your roadway, we can do that. You are not allowed to pool your roof, concrete restoration, or the clubhouse.

The program is structured so that if it becomes necessary to replace your roof in twenty years at a cost of \$1,000,000. And you only have \$800,000 the program works that out for you.

In a nutshell, a Reserve Study is a study of common elements over a 30-year life that produces a year-by-year breakdown. It is then our job to breakdown what is allowed to be straight lined and what is allowed to be pooled. We give you a spreadsheet, used by the board and property manager to ensure that \$1,000,000 is available.

We run this program, this reserve study, based on components so that as each component comes up, the remaining life is also up.

Tim, the second engineer, explained that the new law changes Florida Statute 718 because people were not meeting baseline reserve requirements. The law requires that by the end of

2024, all condo associations be fully funded. This means the Strategic Integrity Reserve Study must show that savings are being made to ensure that 75% of what would be needed moving forward. There is some concern that the Legislature may or may not make changes and may move the deadline.

The Insurance industry may step in and say that if the deadline is changed, they are going to change how they treat insurance.

This program will ensure that by the end of 2024 you will be able to meet the requirements of Statute 718. The Milestone Study states that anyone living within three miles of the ocean have this done every ten years. As we move forward things may change, become more expensive. The program will allow us to adjust and manipulate those components to make up for the change.

He stated that he is a professional, civil, structural, and marine engineer. I am also an economic engineer. He designed and is the engineer of record for Stuart's River House, a five-story building. Referring to costs for new developments, new construction, the Reserve Study enables them to plan. They love doing Milestone Reserves and Milestone Studies.

Some items, approved by the Board are Reserve items while others are listed as Operational. The Manager and the Board have done an exceptional job formulating the equations.

An example: you have a 1.3 million replacement cost for your roof. We tell you how to derive that figure based on what's on hand, plus the life, plus interest you're making, plus payments that have to be made. It is pro-rated, but pro-rated using a different formula.

Ellen reported that \$1,200,000. Is the roof reserves has been increased this to \$1,800,000 in our proposed budget for 2023, and added \$50,000 to the Operational side for roof repairs and we added \$48,000 to funding for the roof. They deemed we have fifteen years left on the life of the roof. Once the 5.5% interest plus the \$100,000 because we increased the maintenance fees, we will be halfway there. So, on a thirty year roof, at 15 years we will be half way there and fully funded.

Tim went on to say that they don't think we need \$2,000,000 sitting in the bank and may not need it for seven to ten years. We are meeting the state requirement with 75%. You will have the money when you need it, reducing the need for special assessments and the money is in your pocket. Jensen Beach Club is in very good condition when compared to other associations with no reserves. They are going to come up short and have some real issues.

There are three things for Straight Line Funding: the two most important items are the roof and concrete restoration. We are working with Alena on mechanical, electric, fire safety and plumbing sides of the inspections.

A lengthy discussion followed between the engineer and the membership with the engineer reiterating items covered under Straight Line and Pooled Funding. When asked what his fee would be and how he determined what the fee would be, he deferred to the board to discuss when to disclose the information to the membership.

Our goal is to provide your community with the money you need when you need it based on the state requirement. If you do that, you've fulfilled your fiduciary obligations.

He asked that Alena keep track of all replaced items for every contractor for two years and go back to a sub to get a current price. The charge to revise would be \$500.

Presentation adjourned.