

## 1. RESERVE STUDY EXECUTIVE SUMMARY

**Client:** Chelsea Place Townhouse Owners Association (Chelsea Place)

**Location:** Winfield, Illinois

**Reference:** 142121

**Property Basics:** Chelsea Place Townhouse Owners Association is a townhome style development of 40 units in 10 buildings. The exteriors of the buildings comprise asphalt shingle roofs, masonry walls and wood siding. The development was built from 1989 to 1993. The development contains concrete flatwork, metal fences, a wood fence and entrance monument.

**Reserve Components Identified:** 15 Reserve Components.

**Inspection Date:** March 16, 2015.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2033 and 2043 due to replacement of wood siding and asphalt shingle roofs.

**Cash Flow Method:** We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- current and future local costs of replacement
- 1.1% annual rate of return on invested reserves
- 2.7% future Inflation Rate for estimating Future Replacement Costs

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

**Cash Status of Reserve Fund:** \$101,549 as of February 28, 2015. A potential deficit in reserves might occur by 2028 based upon continuation of the most recent annual reserve contribution of \$35,331 and the identified Reserve Expenditures.

**Recommended Reserve Funding:** The Association budgeted \$35,331 for Reserve Contributions in 2015. We recommend the Association budget annual phased increases in Reserve Contributions of approximately \$5,700 from 2016 through 2020. Afterwards, the Association should budget gradual annual increases in reserve funding, that in part consider the effects of inflation through 2033. By 2034, the Association will have fully funded for replacement of the wood siding. Therefore, the Association may anticipate a decrease in the annual Reserve Contribution to \$55,000. Beginning in 2035, the Association can budget less significant increases in reserve funding, that in part consider the effects of inflation through 2045, the limit of this study's Cash Flow Analysis. The initial adjustment in Reserve Contributions of \$5,669 represents about a five percent (4.5%) adjustment in the 2015 total Operating Budget of \$126,000. This initial adjustment of \$5,669 is equivalent to an average monthly increase of \$11.81 per homeowner.

**Certification:** This *Full Reserve Study* exceeds the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."