

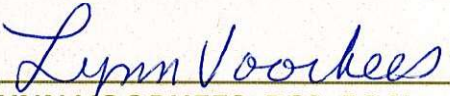
RESERVE STUDY
RIVERWALK AT RAHWAY CONDOMINIUM ASSOCIATION

RAHWAY, NEW JERSEY
EFFECTIVE: JANUARY 1, 2017



PREPARED BY:


EUGENE KAZMIER, RS No. 275


LYNN VOORHEES, RCS, RS No. 45

DWSA Job Number 16-551.00



1450 State Route 34, Wall Township, NJ 07753 • P (732) 363-5850 • F (732) 905-8669
www.dwsmith.com

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	01
DESCRIPTION OF DEVELOPMENT	03
PHYSICAL DESCRIPTION	03
FINANCIAL DESCRIPTION	03
RESERVE FUND STATUS	03
DISCLOSURES	04
GLOSSARY OF TERMS AND DEFINITIONS	05
PHYSICAL ANALYSIS	09
SUMMARY OF REPLACEMENT RESERVE NEEDS.....	09
CAPITAL ITEMS / COMPONENTS.....	10
FINANCIAL ANALYSIS	14
PROJECTED 30-YEAR CASH FLOW.....	15
FUNDING PLAN: SUMMARY OF EXPENDITURES BY YEAR	16
RECOMMENDATIONS AND CONCLUSIONS	17
BIBLIOGRAPHY	18

INTRODUCTION

A Capital Reserve Study is a report which is prepared by a professional to provide an estimate of the amount of money that must be put aside by the Community Association for future replacement of various common area components within the community. This report has been prepared as a tool to evaluate and establish a stable level of reserve funding for those anticipated repairs and replacements.

The primary purpose of setting aside reserve funds is to ensure that adequate funds are available for anticipated long term replacement of common elements. Reserve funding is a means of fairly distributing the costs of future replacement of common elements among all the owners. The reserve fund is integral to the Association's administration of fiscal planning and budgeting. In addition, the reserve fund is an indicator of the financial strength of the Association which will affect the value of the units.

This Capital Reserve Study was prepared in accordance with the "National Reserve Study Standards" as set forth by the Community Association Institute (CAI). The level of service provided is a Category I, Capital Reserve Study. A Category I Capital Reserve Study is a reserve study in which the following five (5) reserve study tasks are performed:

1. Component Inventory (identification and quantification).
2. Assessment of Condition (based on an on-site visual observation).
3. Life and Valuation Estimates.
4. Fund Status.
5. Funding Plan.

This Reserve Study consists of two (2) parts:
The Physical Analysis and the Financial Analysis

The Physical Analysis provides information about the physical status and replacement cost of the major common area components the Association is obligated to maintain. It includes a Condition Assessment along with Life and Valuation Estimates.

The Component Inventory is prepared as part of the Physical Analysis portion of the Reserve Study. It provides the Association with a listing of all common area components that will ultimately be replaced using reserve funds.

The criteria used to determine which physical components within the community should be included in the Component Inventory are:

- The component must be a common element, or otherwise noted as the responsibility of the Association. If the Association is not responsible for replacing a particular component, then it does not belong in the Component Inventory.
- The component must have an estimated remaining useful life of thirty (30) years or less. As the site ages, additional components may need to be added.
- The funding for replacement should be from one source only - not funded from another area of the budget or through a maintenance contract.
- The cost of replacement should be high enough to make funding from the operating budget financially unsound.
- Components like painting that are considered deferred maintenance should not be funded from reserves.

The Financial Analysis is the evaluation and analysis of the Association's current reserve status (measured as a cash balance or Percent Funded), a calculation of a recommended reserve contribution rate (Funding Plan), and a projection of future income and expenses. This analysis tracks the reserve fund balance, annual reserve contributions, and the annual expenditure trends over thirty years and is based on the Component Inventory.

The calculations performed in the preparation of this report do not incorporate any adjustments for future inflation of replacement costs, nor do they reflect any assumed interest earned on the accumulated funds. To ensure that the information remains current, a reassessment of the physical condition of the components and an update of the replacement costs are necessary at regular intervals. These intervals vary depending on the age of the property, the types of components contained in the schedule, and the Funding Goal methodology used. Adjustments should also be made when common elements are added, replaced, or modified. For details, please refer to the specific recommendations in the Recommendations and Conclusions section of this report.

DESCRIPTION OF DEVELOPMENT

Riverwalk at Rahway Condominium Association located in Rahway, New Jersey includes 11 townhome buildings containing a total of 86 residential units. The community's main roadway Barnhardt Lane is accessible from Hancock Street on one side and from Johnson Street on the other side. Two buildings are located on Genovese Lane, Three buildings on Danchetz Court and two buildings on Essex Street.

The common areas included in this community are roadway and parking areas, concrete sidewalks, trash enclosures, concrete driveways, drainage basin, entrance signs, street signs and building exteriors.

<u>PHYSICAL DESCRIPTION</u>	
Number of Units:	86
Type of Units	Townhomes
Number and Type of Buildings	11 Townhome Buildings
Age of Community:	10 Years
<u>FINANCIAL DESCRIPTION</u>	
Beginning Reserve Balance:	\$55,418
Source of Beginning Reserve Balance:	Anthony Keene Corner Property Management
Funding Goal:	Full Funding
<u>RESERVE FUND STATUS</u>	
Current Percent Funded	4%
Current Annual Contribution:	\$55,000
Recommended Annual Funding:	\$209,319
Averaging Interval:	15 years

DISCLOSURES

In accordance with the National Reserve Study Standards of the Community Associations Institute, the following disclosures are provided regarding the preparation of this Reserve Study.

General. DW Smith Associates, LLC (DWSA) is not aware of any involvement with the Riverwalk at Rahway Condominium Association which could result in any actual or perceived conflicts of interest which would influence the preparation of this study.

Physical Analysis. The on-site observations which were performed in the preparation of this study were cursory in nature and only included the accessible common and limited common elements. The surfaces of the roofs were not walked unless specifically noted within this report and no invasive testing was employed.

Financial Analysis. Unless specifically noted within this report, DW Smith Associates, LLC has not utilized any assumptions in regard to interest, inflation, taxes or any other outside economic factors.

Reserve Study. The items which are included in the Component Inventory are based on information provided in the governing documents and by the associations managing agent, Anthony Keene of Corner Property Management. The quantities have not been field measured by a representative of DW Smith Associates, LLC unless specifically noted.

Personnel Credentials. This study has been prepared under the direction of John Mele, PE, PP, CME. Additional credentials can be provided upon request.

Completeness. DW Smith Associates, LLC is not aware of any material issues, which if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data. Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by DW Smith Associates, LLC.

Scope. The Reserve Study will be a reflection of information provided to DW Smith Associates, LLC and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.

Reserve Balance. The actual or projected total presented in the Reserve Study is based upon the information provided and was not audited.

Reserve Projects. Information provided to DW Smith Associates, LLC about the reserve project will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

GLOSSARY OF TERMS AND DEFINITIONS
USED IN THIS RESERVE STUDY

ADJUSTED ANNUAL CONTRIBUTION: The Average Annual Contribution multiplied by the Pooling Factor.

ADJUSTED CASH BALANCE: The Reserve Balance obtained using the Adjusted Annual Contribution.

ANNUAL CONTRIBUTION: The reserve funding required each year; based on recalculating the Component Inventory by adjusting the Reserve Cash Balance and Estimated Remaining Lives to reflect each year of the project.

ANNUAL EXPENDITURE: Total cost of expenditures scheduled for each year.

AVERAGE ANNUAL CONTRIBUTION: An average of the Annual Contribution over a set interval.

BALANCE REQUIRING FUNDING: The amount of a Component's cost left after subtracting the Beginning Balance for each Component from the Reserve Requirement Present Dollars.

BEGINNING BALANCE: Actual amount of reserve funds at a particular point in time (typically the effective date of the Reserve Study). The Beginning Balance is allocated to the individual Components using a weighting system based on the reserve requirement and Effective Age for each Component, as well as the total reserve requirement for all of the Components. The Summary of Replacement Reserve Needs and Component Inventory pages show the totals for each Category and Component, respectively.

CATEGORY: A group of associated reserve items.

CASH FLOW: The collection and expenditure of money over time.

CASH FLOW METHOD: A method of developing a Reserve Funding Plan 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: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve components. This task can be accomplished 1 through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate Association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contributions are based on the sum of contributions for individual components. See "Cash Flow" method.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

DEFICIT: An actual (or projected) Reserve Balance at the end of any fiscal year or at the end of the study which is less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Expected Life and the Remaining Life. Not usually the same as the chronological age, since some components age irregularly. This is primarily used in computations.

EXPECTED LIFE: The estimated time, in years, that a reserve item can be expected to perform its intended function.

FINANCIAL ANALYSIS: That portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: One-hundred (100%) percent Funded. When the actual (or projected) Reserve Balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve Balance that is in direct proportion to the fraction of the life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total.

FUND STATUS: The status of the Reserve Fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- **Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near one-hundred (100%) percent funded.
- **Statutory Funding:** Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Full Funding".

FUNDING PLAN: An Association's plan to provide income to a Reserve Fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds when Required.
- Stable Contribution Rate over the Years.
- Evenly Distributed Contributions over the Years.
- Fiscally Responsible.

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

MONTHLY/ANNUAL RESERVE FUNDING REQUIRED: A mathematical calculation in which the Beginning Balance is subtracted from the Reserve Requirement Present Dollars and then divided by the Estimated Remaining Life. The Summary of Replacement Reserve Needs shows the total funding required for each Category, and the Component Inventory shows the total for each Component.

NOTES: The accompanying Notes are an integral part of the Component Schedule. When reviewing the Component Schedule, please be sure to read all notes pertaining to a particular line item. These provide the most complete explanation of each line item and any clarifications, where necessary.

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. The value of the Percent Funded changes with time.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are presented. This represents one of the two parts of the Reserve Study.

POOLING FACTOR: A factor used to reduce or increase the ongoing cash balance that accumulates in the reserve fund in the Baseline Funding and Threshold Funding analyses.

PROJECTED THIRTY (30) YEAR CASH FLOW CHART AND GRAPH: This is a projection of Reserve Fund Balance over the next 30 years. Typically includes the Full Funding and Threshold Funding analyses along with a projection based on maintaining the current year funding level (if provided) over the 30-year period.

QUANTITY: The quantities shown within this report were obtained through field measurements taken at the time of our site visit on November 9, 2016. The quantities shown are for budgetary purposes only; they are not intended for material purchasing or replacement bids.

REMAINING LIFE: The estimated number of years that a reserve item will serve its intended function.

REMAINING USEFUL LIFE: Also referred to as "Remaining Life". The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future replacement of those major components which the Association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves.

RESERVE ITEM: An element of a reserve category. Reserve Items consist of association facilities, which must be maintained or replaced by the association. Also known as a "Component".

RESERVE REQUIREMENT PRESENT DOLLARS: Also known as replacement cost or current replacement cost. The cost to replace each Component, calculated by multiplying the Quantity by the Unit Cost. The Summary of Replacement Reserve Needs and Component Inventory pages show the totals for each Category and Component, respectively.

RESERVE STUDY: A budget planning tool which identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two (2) parts: The Physical Analysis and The Financial Analysis.

RESERVE STUDY ANALYST: A qualified Individual that prepares Reserve Studies.

SPECIAL ASSESSMENT: An. assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by Governing Documents or local statutes.

SUMMARY OF EXPENDITURES BY YEAR: A chart showing the scheduled expenditures over the 30-year projection period.

SUMMARY OF REPLACEMENT RESERVE NEEDS: The page in the report that summarizes the replacement costs for each Category of the Reserve Study. It shows the total dollar amounts and is based on full funding of each Component.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit".

UNIT COST: The replacement cost for each Component, broken down by its unit of measurement (example: \$1.50 per square foot). Unless specifically noted otherwise, the Unit Costs used in this report are based on the various sources listed in the Bibliography.

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

YEAR BEGINNING: Beginning on the effective date of the Reserve Study, this column - in the Projected Thirty (30) Year Cash Flow Chart and Graph - shows the specific years analyzed in the cash flow projection.

PHYSICAL ANALYSIS

The quantities used in the replacement cost estimates of the common elements were generated from field measurements taken during our site visit on November 9, 2016. The remaining life expectancies of the common elements were determined through a visual site inspection of the Community on November 9, 2016, and through information provided by Anthony Keene, Property Manager, and maintenance contractors familiar with the common elements of the Community. The common elements were identified by review of the governing documents.

The current replacement costs were estimated utilizing published construction cost data as provided in the Bibliography section of this report and the average costs provided by contractors performing similar projects put out to bid by DWSA. The useful life and remaining useful life were estimated based on field inspection of the items and on the assumption that an adequate maintenance schedule exists and will be followed. Without proper maintenance, the common elements can deteriorate quickly and will require funds from the reserves for replacement earlier than planned.

It should be noted that this data is an estimate based upon experience of this firm. All work was performed pursuant to generally accepted standards of practice. Since accurate and detailed control over market conditions, usage, rate of deterioration, maintenance or weather conditions is not feasible, the actual costs and useful life expectancy may vary from those presented in this report. In the future updates of this report, adjustments will be made to correct any variations in the actual costs and useful life expectancies of the components of this report. It is recommended that the study be updated at least every three (3) to five (5) years.

Riverwalk at Rahway Condominium Association Component Schedule Summary of Replacement Reserve Needs Effective Date: January 1, 2017 Project Number 16-551.00						
CATEGORY	RESERVE REQUIREMENT PRESENT DOLLARS	BEGINNING BALANCE	BALANCE REQUIRING FUNDING	ANNUAL RESERVE FUNDING REQUIRED	FULL FUNDING BALANCE	PERCENT FUNDED
Sitework Totals	\$481,850	\$7,032	\$474,818	\$48,365	\$197,802	
Building Structure Totals	\$2,594,216	\$48,386	\$2,545,830	\$227,948	\$1,361,021	
Grand Totals	\$3,076,065	\$55,418	\$3,020,647	\$276,314	\$1,558,823	4%

CAPITAL ITEMS / COMPONENTS

Visual observations of the common elements of the Riverwalk at Rahway Condominium Association were conducted by DW Smith Associates on November 9, 2016. The following descriptions summarize the various conditions related to the items included in the Component Inventory. Unless otherwise noted, the estimated remaining useful life is based on the age of the component, and the unit cost shown is based on RS Means construction cost data including labor costs.

SITE WORK

Component Inventory										
Category: Sitework										
COMPONENT	QUANTITY	UNIT COST	RESERVE REQUIREMENT PRESENT DOLLARS	BEGINNING BALANCE	ESTIMATED USEFUL LIFE	ESTIMATED REMAINING USEFUL LIFE	ANNUAL RESERVE FUNDING REQUIRED	FULL FUNDING BALANCE	NOTES	
Asphalt Pavement	7,500	SY	\$24.50	\$183,750	\$1,960	20	14	\$12,985.02	\$55,125	1
Asphalt Seal Coating	7,500	SY	\$2.14	\$16,050	\$456	5	1	\$15,593.52	\$12,840	2
Concrete Sidewalks-50%	15,688	SF	\$10.00	\$156,880	\$2,789	30	15	\$10,272.76	\$78,440	3
Concrete Trash Enclosure Pads	450	SF	\$14.50	\$6,525	\$77	30	20	\$322.38	\$2,175	4
Trash Enclosure Fence	220	LF	\$20.19	\$4,441	\$134	20	3	\$1,435.50	\$3,775	5
Wood Fence- Perimeter	1,150	LF	\$24.20	\$27,830	\$495	20	10	\$2,733.53	\$13,915	6
Wood Privacy Fence	220	LF	\$24.20	\$5,324	\$95	20	10	\$522.94	\$2,662	6
Concrete Driveways	3,300	SF	\$14.50	\$47,850	\$567	30	20	\$2,364.15	\$15,950	7
Concrete Low Flow Channels	1,320	SF	\$10.00	\$13,200	\$156	30	20	\$652.18	\$4,400	8
Mailboxes	9	EA	\$1,200.00	\$10,800	\$154	25	15	\$709.76	\$4,320	9
Entrance Signs Structures	2	EA	\$2,000.00	\$4,000	\$57	25	15	\$262.87	\$1,600	10
Entrance Signage	2	EA	\$1,100.00	\$2,200	\$39	20	10	\$216.09	\$1,100	10
Street Signs	1	LS	\$3,000.00	\$3,000	\$53	20	10	\$294.67	\$1,500	10
Totals				\$481,850	\$7,032			\$48,365	\$197,802	

1) **Asphalt Pavement:**

It was reported that the roadway was milled and paved in 2011. It was observed to be in fair to good condition with several cracks noted. The estimated remaining useful life is based on the overall condition. The unit cost is based on average contractor bid proposals and includes a percentage for milling, some reconstruction and engineering specification costs.

2) **Pavement Sealcoating:**

It is recommended that the asphalt paved parking areas be sealcoated every five (5) years to seal minor cracks and deficiencies through the freeze/thaw cycle. The price shown is for a product that provides protection against petroleum spills such as gasoline, brake fluid, oil and engine coolant which has a destructive effect on asphalt.

- 3) Concrete Sidewalks-50%:
The concrete sidewalks were observed to be in good to fair condition. The quantity is fifty percent (50%) of the total in the community which is the estimated amount expected to be replaced over the next 30 years. The estimated remaining useful life is based on replacement of the walks on an as needed basis.
- 4) Concrete Trash Enclosure Pads:
The two (2) concrete trash enclosure pads were observed to be in generally good to fair condition. The unit cost includes six inch (6") thick reinforced concrete. Two (2) concrete pads were not being used, however they were included at the request of the Association. Their estimated remaining useful lives are based on their age.
- 5) Trash Enclosure Fence:
The wood stockade fence around the two (2) trash enclosures was observed to be in poor condition with sections of fencing and gates missing. The quantity includes all four trash enclosures as requested by the Association. The unit cost includes replacement with a similar fence. The estimated remaining useful life is based on its age.
- 6) Wood Fence- Perimeter and Privacy:
A wood shadow board fence is installed at various areas at the perimeter of the community and was observed to be in generally fair condition. Their estimated remaining useful lives are based on their age. Shadow board wood privacy fence was noted between the rear concrete pads on buildings 8, 9 & 10. They were observed to be in generally good condition. The unit cost includes replacement with a similar wood fence.
- 7) Concrete Driveways:
The concrete driveways were observed to be in generally good condition with a few cracks noted. The unit cost includes six (6") thick reinforced concrete. The estimated remaining useful life is based on its age.
- 8) Concrete Low Flow Channels:
The concrete low flow channels located in the retention basin between buildings 4, 5 and 6 were observed to be in generally good condition. The estimated remaining useful life is based on its age.
- 9) Mailboxes:
The aluminum mailboxes were observed to be in generally good condition. Their estimated remaining useful lives are based on their age.
- 10) Entrance Sign Structures, Signs and Street Signs:
The cultured stone masonry sign structures, signs and street signs were observed to be in generally good condition. The estimated useful life is based on its age. The entrance signs are set atop of the entrance sign structures and were observed to be in generally good condition. Their estimated remaining useful lives are based on their age. The unit cost for the sign structures includes restoration of the cultured stone façade.

BUILDING STRUCTURE

Component Inventory										
Category: Building Structure										
COMPONENT	QUANTITY	UNIT COST	RESERVE REQUIREMENT PRESENT DOLLARS	BEGINNING BALANCE	ESTIMATED USEFUL LIFE	ESTIMATED REMAINING USEFUL LIFE	ANNUAL RESERVE FUNDING REQUIRED	FULL FUNDING BALANCE	NOTES	
Roof Shingles	1,100	SQ	\$360.00	\$396,000	\$4,693	30	20	\$19,565.36	\$132,000	11
Aluminum Gutters	6,000	LF	\$6.60	\$39,600	\$469	30	20	\$1,956.54	\$13,200	12
Aluminum Downspouts	4,500	LF	\$6.60	\$29,700	\$352	30	20	\$1,467.40	\$9,900	12
Vinyl Siding	113,542	SF	\$5.25	\$596,096	\$5,298	40	30	\$19,693.25	\$149,024	13
Cultured Stone Restoration 50%	15,171	SF	\$20.00	\$303,420	\$9,924	25	2	\$50.00	\$279,146	14
Brick Re Pointing 30 %	6,000	SF	\$15.40	\$92,400	\$1,708	25	12	\$7,557.65	\$48,048	15
Masonry Steps-Cultured Stone	21	EA	\$12,000.00	\$252,000	\$7,884	25	3	\$81,372.06	\$221,760	16
Masonry Steps-Cultured Stone	20	EA	\$12,000.00	\$240,000	\$6,826	25	5	\$46,634.83	\$192,000	16
Masonry Steps-Brick	20	EA	\$12,000.00	\$240,000	\$5,119	25	10	\$23,488.06	\$144,000	16
Masonry Steps-Brick	20	EA	\$12,000.00	\$240,000	\$4,437	25	12	\$19,630.27	\$124,800	16
Aluminum Stair Railings	2,500	LF	\$66.00	\$165,000	\$1,676	35	25	\$6,532.96	\$47,143	17
Totals				\$2,594,216	\$48,386			\$227,948	\$1,361,021	

11) Roof Shingles:

The roof shingles were observed from the ground level to be in generally good condition. The unit cost includes removal of the old shingles, replacement with laminated shingles and six percent (6%) for engineering costs but does not include any roof sheathing replacement. Their estimated remaining useful lives are based on their age and the Association's phased plan for replacement.

12) Aluminum Gutters and Downspouts:

The aluminum gutters and downspouts were observed from the ground level to be in fair to good condition. The unit cost is based on the average contractor bid proposals. The estimated remaining useful life is based on replacement at the same time as the roof shingles.

13) Vinyl Siding:

The vinyl siding was observed to be in generally good condition. The unit cost is based on removal and replacement with siding of similar quality.

14) Cultured Stone Restoration-50%:

The cultured stone was observed to be in poor condition in many areas. The quantity for the cultured stone is 50% of the total quantity, which is the estimated amount expected to require restoration over the next 25 years. The estimated remaining useful life is based on the condition of the cultured stone façade.

15) Brick Re-Pointing-30%

The brick veneer installed on the unit facades was observed to be in good condition. The quantity is 30% of the total area which is the estimated amount that will require re-pointing over the next 25 years. The estimated remaining useful life is based on re-pointing the brick veneer on an as needed basis.

16) Masonry Steps-Cultured Stone and Brick:

The cultured stone masonry steps were observed to be in generally poor condition. Their estimated remaining useful lives are based on their condition and the Associations plan for replacement. The brick masonry steps were observed to be in fair condition. Their estimated remaining useful lives are based on their condition and the Associations plan for replacement. The unit cost was provided by the Association and is based on a recent cost proposal. The replacement of any unsafe loose steps is recommended to be completed immediately.

17) Aluminum Stair Railings:

The aluminum stair railings were observed to be in generally good condition. The unit cost includes removal and replacement with aluminum railings of similar quality.

FINANCIAL ANALYSIS

The Cash Flow Chart contains a Projected Thirty (30) Year Cash Flow of the reserve requirements for Riverwalk at Rahway Condominium Association. This analysis contains two (2) funding scenarios. The first, entitled Full Funding, is based on the assumption that all of the items that make up the schedule are fully funded: each item will accumulate its full replacement cost during its Estimated Remaining Life. At the end of this period (which varies for each reserve component) the item would be replaced and the funding cycle would start again. By using a Full Funding analysis, the reserve fund accumulates an ongoing cash balance. This is because each Component of the fund has a different Estimated Useful Life and a different replacement value.

The second funding scenario represents a continuation of the Association's current contribution amount for the duration of the projection period. It is based on the Beginning Balance provided by Anthony Keene, association manager, and the calculated expenditures. The Association has provided a current annual contribution amount of **\$55,000.00** for this analysis.

Threshold funding was not provided due the low balance of **\$107,464** that occurs in **2019**.

Because expenditures vary from year to year, the Annual Contribution to the reserves changes over the projection period. Since it is impractical to expect the Association to adjust the amount of its contribution to the reserve fund on a yearly basis, the cash flow analysis is based on an average contribution amount (designated Average Annual Contribution) for the full funding scenario and an Adjusted Annual Contribution for the Threshold Funding scenario in the Cash Flow Chart. Based on calculating the average over a 30 year interval, one amount is obtained. In the case of Riverwalk at Rahway Condominium Association, the following data was calculated:

1. The Annual Contribution for the year beginning **2017** would be **\$276,314** This amount is taken directly from the Summary of Replacement Reserve Needs page contained in this report and is the number used in the cash flow projection.
2. Projections of the Annual Contribution amount for years **2018** through **2046** also are shown. These vary from year to year, but generally decrease over time to an amount of **\$113,329** in the final year of the projection.
3. The Average Annual Contribution for the first 15 years of the analysis is **\$209,319** and then **\$115,763** for the second 15 years. This is based on calculating the total amount of the Annual Contribution column by totaling and averaging the amounts for each 15 year period of the study.
4. On the Cash Flow Chart, the column entitled Reserve Fund Balance shows the projected reserve fund amounts over the thirty (30) year period using the Fully Funded analysis. This is calculated by taking the amount currently contained in the reserve fund, adding it to it the Average Annual Contribution, and subtracting (the Annual Expenditure (if any)).

The Cash Flow and Expenditure charts summarize the expenditures anticipated over the 30 year projection period.

Capital Reserve Study

Riverwalk at Rahway Condominium Association Reserve Study Funding Plan Projected Thirty Year Cash Flow									
FULL FUNDING ANALYSIS							CURRENT FUNDING ANALYSIS		THRESHOLD FUNDING ANALYSIS Not Provided
Year Beginning	Annual Contribution	Average Annual Contribution	Annual Expenditure	Reserve Fund Balance	Annual Contribution	Reserve Fund Balance	Annual Contribution	Reserve Fund Balance	
							Pooling Factor	100.00%	
2016	Beginning Balance			\$55,418	\$55,000	\$55,418	\$55,418		
2017	\$276,314	\$209,319	\$16,050	\$248,687	\$55,000	\$94,368	\$209,319	\$248,687	
2018	\$537,663	\$209,319	\$303,420	\$154,586	\$55,000	-\$154,052	\$209,319	\$154,586	
2019	\$358,952	\$209,319	\$256,441	\$107,464	\$55,000	-\$355,493	\$209,319	\$107,464	
2020	\$215,881	\$209,319	\$0	\$316,783	\$55,000	-\$300,493	\$209,319	\$316,783	
2021	\$248,561	\$209,319	\$240,000	\$286,102	\$55,000	-\$485,493	\$209,319	\$286,102	
2022	\$160,542	\$209,319	\$16,050	\$479,371	\$55,000	-\$446,543	\$209,319	\$479,371	
2023	\$157,356	\$209,319	\$0	\$688,690	\$55,000	-\$391,543	\$209,319	\$688,690	
2024	\$159,509	\$209,319	\$0	\$898,009	\$55,000	-\$336,543	\$209,319	\$898,009	
2025	\$164,074	\$209,319	\$0	\$1,107,328	\$55,000	-\$281,543	\$209,319	\$1,107,328	
2026	\$177,640	\$209,319	\$278,354	\$1,038,293	\$55,000	-\$504,897	\$209,319	\$1,038,293	
2027	\$145,129	\$209,319	\$16,050	\$1,231,562	\$55,000	-\$465,947	\$209,319	\$1,231,562	
2028	\$153,049	\$209,319	\$332,400	\$1,108,480	\$55,000	-\$743,347	\$209,319	\$1,108,480	
2029	\$127,933	\$209,319	\$0	\$1,317,799	\$55,000	-\$688,347	\$209,319	\$1,317,799	
2030	\$131,898	\$209,319	\$183,750	\$1,343,368	\$55,000	-\$817,097	\$209,319	\$1,343,368	
2031	\$125,284	\$209,319	\$171,680	\$1,381,007	\$55,000	-\$933,777	\$209,319	\$1,381,007	
2032	\$118,532	\$115,763	\$16,050	\$1,480,721	\$55,000	-\$894,827	\$115,763	\$1,480,721	
2033	\$118,211	\$115,763	\$0	\$1,596,484	\$55,000	-\$839,827	\$115,763	\$1,596,484	
2034	\$118,514	\$115,763	\$0	\$1,712,247	\$55,000	-\$784,827	\$115,763	\$1,712,247	
2035	\$119,216	\$115,763	\$0	\$1,828,011	\$55,000	-\$729,827	\$115,763	\$1,828,011	
2036	\$121,478	\$115,763	\$532,875	\$1,410,899	\$55,000	-\$1,207,702	\$115,763	\$1,410,899	
2037	\$114,458	\$115,763	\$16,050	\$1,510,613	\$55,000	-\$1,168,752	\$115,763	\$1,510,613	
2038	\$114,314	\$115,763	\$0	\$1,626,376	\$55,000	-\$1,113,752	\$115,763	\$1,626,376	
2039	\$114,353	\$115,763	\$4,441	\$1,737,699	\$55,000	-\$1,063,192	\$115,763	\$1,737,699	
2040	\$114,401	\$115,763	\$0	\$1,853,462	\$55,000	-\$1,008,192	\$115,763	\$1,853,462	
2041	\$114,675	\$115,763	\$165,000	\$1,804,225	\$55,000	-\$1,118,192	\$115,763	\$1,804,225	
2042	\$114,008	\$115,763	\$16,050	\$1,903,939	\$55,000	-\$1,079,242	\$115,763	\$1,903,939	
2043	\$114,219	\$115,763	\$303,420	\$1,716,282	\$55,000	-\$1,327,662	\$115,763	\$1,716,282	
2044	\$113,585	\$115,763	\$252,000	\$1,580,046	\$55,000	-\$1,524,662	\$115,763	\$1,580,046	
2045	\$113,159	\$115,763	\$0	\$1,695,809	\$55,000	-\$1,469,662	\$115,763	\$1,695,809	
2046	\$113,329	\$115,763	\$874,450	\$937,123	\$55,000	-\$2,289,112	\$115,763	\$937,123	
TOTAL	\$4,876,235	\$4,876,235	\$3,120,080		\$1,650,000		\$4,876,235		

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
0	0	0	0	0	0	0	0	0	0	0	0	183,750	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	16,050	0	0	0	0	16,050	0	0	16,050	0	16,050	0	0	0	0	16,050	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	156,880	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,525	0	0	0	0	0
0	4,441	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,441	0	0
0	0	0	0	0	0	0	0	27,830	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	5,324	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47,850	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,200	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	10,800	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	4,000	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	2,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	396,000	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	39,600	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29,700	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
420	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	92,400	0	0	0	0	0	0	0	0	0	0	0	0	0
0	252,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	240,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	165,000
420	256,441	0	240,000	16,050	0	0	0	278,354	16,050	332,400	0	183,750	171,680	16,050	0	0	0	532,875	16,050	0	4,441	0	165,000

RECOMMENDATIONS AND CONCLUSIONS

After reviewing both the Physical and Financial Analyses prepared for the Riverwalk at Rahway Condominium Association, DW Smith Associates recommends the following:

1. DWSA recommends increasing the annual contribution to \$209,319 to meet the full funding goal. The large increase is required because the reserve fund is severely underfunded and the poor condition of the cultured stone and masonry steps. If increases are not implemented it's likely that special assessments and/or loans will be necessary to replace the components.

Threshold funding was not provided due the low balance of **\$107,464** that occurs in **2019**.

2. The Reserve Study should be updated in **2 to 3 years** to provide the Association with a current assessment of the status of its reserve fund.

3. The Board of Directors should review each line item in the Component Schedule to make sure that no overlap exists between what is indicated in the Schedule and any other portion of the budget. For example, the replacement of a component may be shown on the Component Schedule, but the Association may be simultaneously replacing the same component using its operating budget. If such duplication exists, the item should be removed from one portion of the budget. It should not be funded in two different locations. Such duplication affects the overall budget.

4. The Components of the Reserve Study should also be reviewed to ensure that their replacement is not covered elsewhere under a maintenance contract. For example, funds may be reserved for the replacement of a component, but the Association may also have a maintenance contract for that item. The Component Inventory should be reviewed carefully to identify such duplication.

5. The Board of Directors should review the items on the Component Inventory to be sure they are all the Association's responsibility.

6. The Board of Directors should review the Component Inventory and the operating budget to decide if any line item less than a given amount will be funded directly through the operating budget instead of the Component Inventory. If this is the case, any item less than the given value should be removed and the Component Inventory footnoted accordingly.

In conclusion, it is DW Smith Associates' opinion that the existing conditions at the Riverwalk at Rahway Condominium Association are accurately represented within this report. Costs and useful lives fluctuate due to variables such as overall economic conditions, conditions within the construction industry, unanticipated severe weather, and the amount of ongoing maintenance performed. To ensure that proper funding levels are maintained an updating policy such as the one outlined within this report should be implemented.

This report is prepared for budgetary purposes only. The costs contained within this report are obtained from the sources listed and are based on the replacement of the existing components with components of similar quality. Specific notes in this regard may be contained within this report.

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