RESERVE ADVISORS

Long-term thinking. Everyday commitment.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Seven Coves Association, Inc. (Seven Coves)
Location: Willis, Texas **Reference:**
222819

Property Basics: Seven Coves Association, Inc. is a homeowners association which is responsible for the common elements shared by 816 single-family homes. The community was built in 1979. The community contains a playground, sport courts, swimming pool, clubhouse and marina with bulkheads and floating docks.

Reserve Components Identified: 60 Reserve Components.

Inspection Date: January 18, 2023.

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 multiple threshold funding years due to replacement of the floating docks and concrete bulkheads.

Methodology: 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
- 1.3% 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:

- $63,867 as of January 1, 2023
- The Association did not budget Reserve Contributions in 2023.

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:

- Phased replacement of the concrete bulkheads due to noted conditions
- Replacement of the remaining floating docks

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

- Phased increases of $315,000 from 2024 through 2027

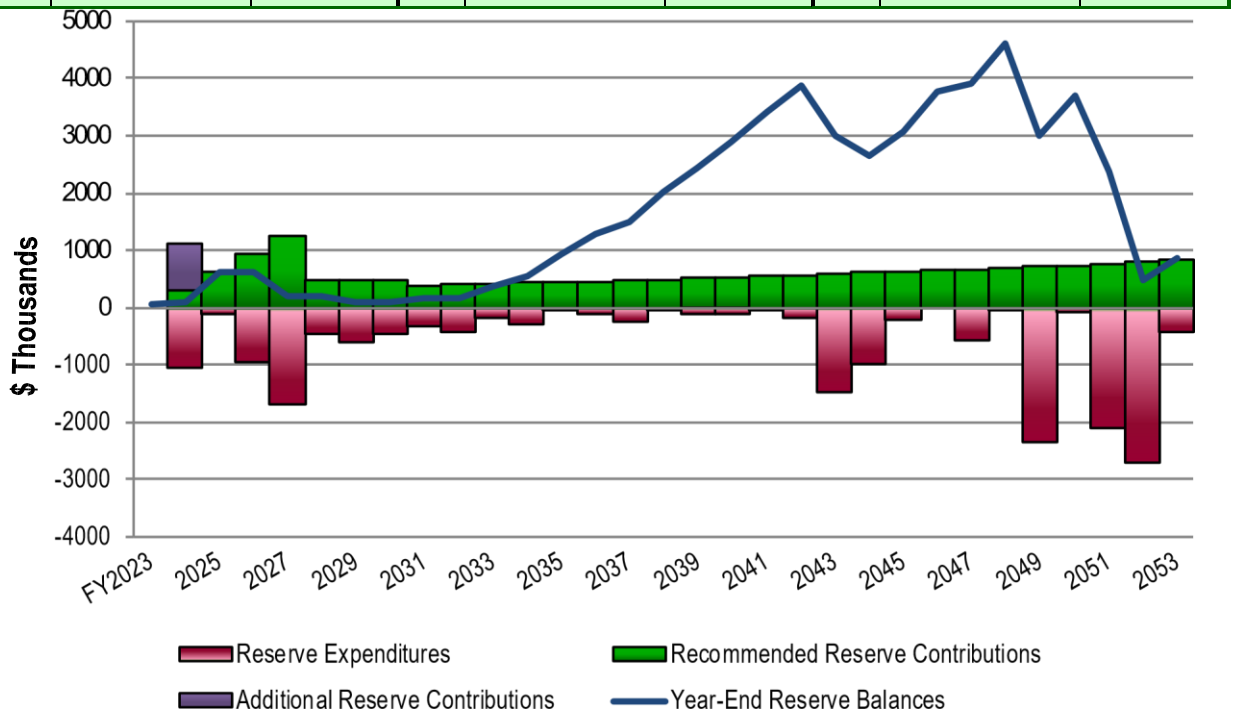
- Additional contributions in 2024 to fund for replacement of Dock #1
- Decrease to $490,000 by 2028 due to fully funding for replacement of the floating docks
- Stable contributions of $490,000 from 2029 through 2030
- Additional decrease to $385,000 in 2031 due to fully funding for replacement of the concrete bulkheads
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis

- 2024 Reserve Contribution of $315,000 is equivalent to an average monthly contribution of $32.17 per homeowner.

Seven Coves

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2024	1,091,250	108,290	2034	426,800	530,683	2044	602,100	2,644,169
2025	630,000	616,153	2035	441,700	932,572	2045	623,200	3,084,734
2026	945,000	609,236	2036	457,200	1,273,963	2046	645,000	3,774,028
2027	1,260,000	188,452	2037	473,200	1,502,053	2047	667,600	3,901,917
2028	490,000	209,345	2038	489,800	2,006,064	2048	691,000	4,590,190
2029	490,000	99,703	2039	506,900	2,432,754	2049	715,200	3,002,450
2030	490,000	109,407	2040	524,600	2,883,513	2050	740,200	3,693,554
2031	385,000	175,441	2041	543,000	3,430,137	2051	766,100	2,379,152
2032	398,500	158,996	2042	562,000	3,868,243	2052	792,900	482,342
2033	412,400	386,604	2043	581,700	3,001,969	2053	820,700	862,641



Page 1.2 - Executive Summary

2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Seven Coves Association, Inc. Willis,

Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 18, 2023.

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:

- Seven Coves responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements – These 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 Buildings
- Pipes, Subsurface Utilities, Common Area
- Structural Frames, Common Buildings

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 $7,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.) • Catch Basins, Landscape
- Docks, Floating, Interim Maintenance
- Gazebo, General Maintenance
- Irrigation System (Partially Inactive)
- Landscape
- Maintenance Shed
- Paint Finishes, Touch Up
- Pipes, Interior Building, Water and Sewer, Common Buildings
- Playground, Interim Mulch Replenishments
- Pool Pavilion, Wood Frame
- Security System
- Signage
- Trailer Storage Area
- Walls, Siding, Fiber Cement, Paint Finishes, Office Building
- Windows and Doors, Pool House and Office (We assume replacement with be conducted in an as-needed basis in lieu of a complete, aggregate replacement)
- Other Repairs normally funded through the Operating Budget

Homeowners' Responsibility - Items 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:

- Bulkheads and Private Docks
- Homes and Lots

Others' Responsibility - Items designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Lift Station (Utility District)
- Pipes, Subsurface Utilities (Utility District)
- Street System (Montgomery County)

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
- 2023 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

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***.

Page 3.1 - Reserve Expenditures and Funding Plan

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st ~~Year of Unit Per Phase Total of Future~~ Years

Years 2023 to 2038

Explanatory Notes:

1) 3.5% is the estimated Inflation Rate for estimating Future Replacement Costs. 2) FY2023 is Fiscal Year beginning January 1, 2023 and ending December 31, 2023.

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	~~Useful Remaining~~		(2023)	(2023)	(2023)	Expenditures	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033	11 2034	12 2035	13 2036	14 2037	15 2038
				Exterior Building Elements																							
1.015	1	**1**	Each	Awning, Canvas	2032	5 to 10	9	7,500.00	7,500	7,500	**0.2%**										10,222						
1.020	1	**1**	Each	Awning, Canvas and Frame	2042	15 to 20	19	17,000.00	17,000	17,000	**0.2%**																
1.115	2,250	**2,250**	Square Feet	Deck, Wood, Paint Finishes and Repairs	2024	4 to 6	1	5.00	11,250	11,250	**0.5%**		11,644										16,425				
1.120	2,250	**2,250**	Square Feet	Deck, Wood, Replacement	2029	to 30	6	34.00	76,500	76,500	**0.5%**							94,038									

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st ~~Year of Unit Per Phase Total of Future~~ Years

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	~~Useful Remaining~~		(2023)	(2023)	(2023)	Expenditures											
												1.280	65	**65** Squares	Roofs, Asphalt Shingles, Clubhouse and Office	2029	15 to 20	6	400.00	26,000	26,000	
												1.281	22	**22** Squares	Roofs, Asphalt Shingles, Pool Buildings and Gazebo	2040	15 to 20	17	400.00	8,800		
1.865	1	**1**	Allowance	Walls, Siding, Wood, Paint Finishes (Subsequent Useful Life 8-10 Years)	2027	4 to 6	4	5,100.00	5,100	5,100	**0.2%**			5,852								
1.870	3,700	**3,700**	Square Feet	Walls, Siding, Wood (Replace with Fiber Cement)	2032	to 50	9	14.00	51,800	51,800	**0.4%**					70,598						
1.980	650	**650**	Square Feet	Windows and Doors, Clubhouse	2042	to 35	19	50.00	32,500	32,500	**0.3%**											
				Interior Building Elements																		
2.600	1	**1**	Allowance	Clubhouse, Renovation, Complete	2045	to 25	22	72,000.00	72,000	72,000	**0.8%**											
2.605	1	**1**	Allowance	Clubhouse, Renovation, Partial	2033	8 to 12	10	18,000.00	18,000	18,000	**0.1%**				25,391							
2.780	1	**1**	Allowance	Office, Renovation	2041	to 25	18	20,000.00	20,000	20,000	**0.2%**											
2.900	1	**1**	Allowance	Rest Room, Renovation, Poolside	2030	to 25	7	18,000.00	18,000	18,000	**0.1%**			22,901								
				Building Services Elements																		
3.070	6	**1**	Each	Air Handling and Condensing Units, Split Systems, Phased	2024	12 to 18	1 to 16	9,000.00	9,000	54,000	**0.8%**	9,315		10,328		11,451		12,695		14,076		
				Property Site Elements																		
4.020	10,650	**10,650**	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Striping	2024	3 to 5	1	1.00	10,650	10,650	**0.6%**	11,023			13,092				15,549			
4.040	9,050	**9,050**	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Areas, Marina	2047	15 to 20	24	24.00	217,200	217,200	**2.7%**											
4.041	9,050	**9,050**	Square Yards	Asphalt Pavement, Total Replacement, Parking Areas, Marina	2027	15 to 20	4	35.00	316,750	316,750	**2.0%**			363,478								
4.043	1,600	**1,600**	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Areas, Playground	2032	15 to 20	9	24.00	38,400	38,400	**0.3%**					52,335						
4.044	1,600	**1,600**	Square Yards	Asphalt Pavement, Total Replacement, Parking Areas, Playground	2052	15 to 20	29	35.00	56,000	56,000	**0.8%**											
4.110	3,100	**465**	Linear Feet	Concrete Curbs and Gutters, Partial	2027	to 65	4 to 30+	32.00	14,880	99,200	**0.3%**			17,075								
4.140	9,200	**615**	Square Feet	Concrete Sidewalks, Partial	2024	to 65	1 to 30+	11.00	6,765	101,200	**0.4%**	7,002			8,316			9,877				
4.260	2,940	**2,940**	Linear Feet	Fence, Vinyl, North Perimeter	2029	15 to 20	6	39.00	114,660	114,660	**2.3%**				140,946							
4.560	24	**12**	Each	Light Poles and Fixtures, Phased	2035	to 25	12 to 13	1,300.00	15,600	31,200	**0.3%**								23,573	24,398		
4.660	1	**1**	Allowance	Playground Equipment	2024	15 to 20	1	65,000.00	65,000	65,000	**1.1%**	67,275										
4.661	1	**1**	Allowance	Playground Equipment, Interim Safety Surface Replacement	2034	5 to 10	11	8,500.00	8,500	8,500	**0.1%**							12,410				
4.662	1,220	**1,220**	Square Feet	Playground Equipment, Shade Structure, Canopy	2024	to 10	1	12.00	14,640	14,640	**0.2%**	15,152										
4.663	1,220	**1,220**	Square Feet	Playground Equipment, Shade Structure, Canopy and Frame	2034	15 to 20	11	32.00	39,040	39,040	**0.3%**							56,997				
4.800	1	**1**	Allowance	Signage, Entrance, Renovation	2024	15 to 20	1	15,000.00	15,000	15,000	**0.3%**	15,525										
4.860	1,470	**1,470**	Square Yards	Sport Courts, Tennis, Surface Replacement	2030	to 25	7	34.50	50,715	50,715	**0.3%**					64,524						

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st ~~Year of Unit Per Phase Total of Future Years~~

| Item | Quantity | Quantity | Units | Reserve Component Inventory | Event | ~~Useful Remaining~~ | | (2023) | (2023) | (2023) | Expenditures | | |

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st Year of Unit Per Phase Total of Future

Years

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2023)	(2023)	(2023)	Expenditures
				153,469							
2.780	1	**1**	Allowance	Office, Renovation	2041	to 25	18	20,000.00	20,000	20,000	**0.2%**
2.900	1	**1**	Allowance	Rest Room, Renovation, Poolside	2030	to 25	7	18,000.00	18,000	18,000	**0.1%**
				Property Site Elements							
4.020	10,650	**10,650**	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Striping	2024	3 to 5	1	1.00	10,650	10,650	**0.6%**
4.040	9,050	**9,050**	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Areas, Marina	2047	15 to 20	24	24.00	217,200	217,200	**2.7%**
				15,606 17,303 19,184 21,269 23,582 26,920 30,891 33,976 37,150 40,678							
				55,605 495,939							
4.110	3,100	**465**	Linear Feet	Concrete Curbs and Gutters, Partial	2027	to 65	4 to 30+	32.00	14,880	99,200	**0.3%**
4.140	9,200	**615**	Square Feet	Concrete Sidewalks, Partial	2024	to 65	1 to 30+	11.00	6,765	101,200	**0.4%**
4.260	2,940	**2,940**	Linear Feet	Fence, Vinyl, North Perimeter	2029	15 to 20	6	39.00	114,660	114,660	**2.3%**
		1	Allowance								
4.820	2	**3,600**	Square Feet	Site Furniture, Phased	2025	15 to 25	2 to 12	10,000.00	10,000	20,000	**0.3%**
4.830	3,600	**3,600**	Square Feet	Sport Court, Basketball, Color Coat	2024	4 to 6	1	1.00	3,600	3,600	**0.1%**
4.831	3,600			Sport Court, Basketball, Surface Replacement	2036	to 40	13	13.00	46,800	46,800	**0.4%**
				151,865							
4.662	1,220	**1,220**	Square Feet	Playground Equipment, Shade Structure, Canopy	2024	to 10	1	12.00	14,640	14,640	**0.2%**
4.663	1,220	**1,220**	Square Feet	Playground Equipment, Shade Structure, Canopy and Frame	2034	15 to 20	11	32.00	39,040	39,040	**0.3%**
4.800	1	**1**	Allowance	Signage, Entrance, Renovation	2024	15 to 20	1	15,000.00	15,000	15,000	**0.3%**

Explanatory Notes:

1) 3.5% is the estimated Inflation Rate for estimating Future Replacement Costs. 2) FY2023 is Fiscal Year beginning January 1, 2023 and ending December 31, 2023.

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2023)	(2023)	(2023)	Expenditures
4.989	1	**1**	Each	Truck, Ford F150, 2011	2029	to 20	6	34,000.00	34,000	34,000	**0.7%**
				Pool Elements							
6.200	6,550	**6,550**	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	7	4.50	29,475	29,475	**0.9%**
6.395	420	**420**	Linear Feet	Fence, Steel, Paint Finishes	2024	6 to 8	1	12.00	5,040	5,040	**0.2%**
6.400	420	**420**	Linear Feet	Fence, Steel, Replacement	2031	to 35	8	60.00	25,200	25,200	**0.2%**

RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033	11 2034	12 2035	13 2036	14 2037	15 2038
						41,795									
							37,500								
	5,216														8,444
								33,184							

Years 2023 to 2038

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st Year of Unit Per Phase Total of Future Years

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2023)	(2023)	(2023)	Expenditures													
6.500	1	**1**	Allowance	Furniture	2025	to 12	2	20,000.00	20,000	20,000	**0.6%**			21,424										32,374
6.600	3	**1**	Allowance	Mechanical Equipment, Phased	2025	to 15	2 to 12	7,000.00	7,000	21,000	**0.4%**			7,499					8,906				10,577	
6.800	2,450	**2,450**	Square Feet	Pool Finish, Plaster	2032	8 to 12	9	16.50	40,425	40,425	**0.3%**									55,095				
6.801	230	**230**	Linear Feet	Pool Finish, Tile and Coping	2032	15 to 25	9	80.00	18,400	18,400	**0.1%**									25,077				
6.900	2,450	**2,450**	Square Feet	Structure and Deck, Total Replacement	2044	to 60	21	130.00	318,500	318,500	**3.5%**													
				Marina Elements																				
8.005	1	**1**	Allowance	Boat Ramp, Capital Repairs	2032	10 to 15	9	10,000.00	10,000	10,000	**0.3%**									13,629				
8.100	1,675	**1,675**	Linear Feet	Bulkhead, Concrete, Inspections and Capital Repairs, Near Term	2024	annual	1	15.00	25,125	25,125	**0.4%**	26,004	26,915	27,857										
8.101	1,675	**1,675**	Linear Feet	Bulkhead, Concrete, Inspections and Capital Repairs, Subsequent to Replacement	2039	10 to 15	16	15.00	25,125	25,125	**0.2%**													
8.102	1,675	**335**	Linear Feet	Bulkhead, Concrete, Replacement, Phased	2027	to 40	4 to 8	550.00	184,250	921,250	**6.1%**				211,431	218,831	226,490	234,417	242,622					
8.105	570	**570**	Linear Feet	Bulkheads, Wood, Boat Ramp and Park, Inspections and Capital Repairs	2025	10 to 15	2	25.00	14,250	14,250	**0.3%**			15,265										
8.106	570	**570**	Linear Feet	Bulkheads, Wood, Boat Ramp and Park, Replacement	2037	20 to 30	14	250.00	142,500	142,500	**1.2%**													230,664
8.500	1	**1**	Allowance	Dock, Floating, #1	2024	to 25	1	750,000.00	750,000	750,000	**14.1%**	776,250												
8.501	1	**1**	Allowance	Dock, Floating, #2	2043	to 25	20	750,000.00	750,000	750,000	**8.0%**													
8.502	1	**1**	Allowance	Docks, Floating, #3	2026	to 25	3	800,000.00	800,000	800,000	**16.1%**		886,974											
8.503	1	**1**	Allowance	Docks, Floating, #4	2027	to 25	4	900,000.00	900,000	900,000	**18.7%**			1,032,771										
8.504	1	**1**	Allowance	Docks, Floating, Fishing and Boat Ramp	2028	to 25	5	160,000.00	160,000	160,000	**3.4%**				190,030									

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, Costs, $ Percentage Line Total Per Phase 1st Year of Unit Per Phase Total of Future Years

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2023)	(2023)	(2023)	Expenditures
8.710	1,070	**355**	Linear Feet	Peninsula, Erosion Control, Phased	2032	to 30	9	300.00	106,500	321,000	**2.4%**
				Loan Elements							
9.990	10	**1**	Allowance	Loan, Principal and Interest	2024	n/a	1 to 10	45,000.00	45,000	450,000	**2.2%**

Anticipated Expenditures, By Year ($18,543,712 over 30 years)											0	1,048,774	126,815	959,831	1,685,935	471,676	601,638	481,646	320,806	417,105	188,315	288,645	49,261	130,059	263,038	8,444
																								Years 2039 to 2053	

												16 2039	17 2040	18 2041	19 2042	20 2043	21 2044	22 2045	23 2046	24 2047	25 2048	26 2049	27 2050	28 2051	29 2052	30 2053
4.989	1	**1**	Each	Truck, Ford F150, 2011	2029	to 20	6	34,000.00	34,000	34,000	**0.7%**											83,163				
				Pool Elements																						
6.200	6,550	**6,550**	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	7	4.50	29,475	29,475	**0.9%**															
6.395	420	**420**	Linear Feet	Fence, Steel, Paint Finishes	2024	6 to 8	1	12.00	5,040	5,040	**0.2%**															
6.800	2,450	**2,450**	Square Feet	Pool Finish, Plaster	2032	8 to 12	9	16.50	40,425	40,425	**0.3%**															
6.801	230	**230**	Linear Feet	Pool Finish, Tile and Coping	2032	15 to 25	9	80.00	18,400	18,400	**0.1%**															
6.900	2,450	**2,450**	Square Feet	Structure and Deck, Total Replacement	2044	to 60	21	130.00	318,500	318,500	**3.5%**															
8.100	1,675	**1,675**	Linear Feet	Bulkhead, Concrete, Inspections and Capital Repairs, Near Term	2024	annual	1	15.00	25,125	25,125	**0.4%**															
8.101	1,675	**1,675**	Linear Feet	Bulkhead, Concrete, Inspections and Capital Repairs, Subsequent to Replacement	2039	10 to 15	16	15.00	25,125	25,125	**0.2%**															
8.102	1,675	**335**	Linear Feet	Bulkhead, Concrete, Replacement, Phased	2027	to 40	4 to 8	550.00	184,250	921,250	**6.1%**															
8.501	1	**1**	Allowance	Dock, Floating, #2	2043	to 25	20	750,000.00	750,000	750,000	**8.0%**															
8.502	1	**1**	Allowance	Docks, Floating, #3	2026	to 25	3	800,000.00	800,000	800,000	**16.1%**															
8.503	1	**1**	Allowance	Docks, Floating, #4	2027	to 25	4	900,000.00	900,000	900,000	**18.7%**															
				Loan Elements																						
9.990	10	**1**	Allowance	Loan, Principal and Interest	2024	n/a	1 to 10	45,000.00	45,000	450,000	**2.2%**															

Anticipated Expenditures, By Year ($18,543,712 over 30 years)												52,898										74,618			

RESERVE EXPENDITURES

Seven Coves Association, Inc.

Willis, Texas

Estimated Life Analysis, $ Percentage Line Total Per Phase 1st Year of Unit Per Phase Total of Future Years

Item	Quantity	Quantity	Units	Reserve Component Inventory	Event	Useful	Remaining	(2023)	(2023)	(2023)	Expenditures							
6.400	420	**420**	Linear Feet	Fence, Steel, Replacement	2031	to 35	8	60.00	25,200	25,200	**0.2%**							
6.500	1	**1**	Allowance	Furniture	2025	to 12	2	20,000.00	20,000	20,000	**0.6%**					48,919		
6.600	3	**1**	Allowance	Mechanical Equipment, Phased	2025	to 15	2 to 12	7,000.00	7,000	21,000	**0.4%**	12,563		14,921			17,721	
				10,743				13,668										
				Marina Elements														
8.005	1	**1**	Allowance	Boat Ramp, Capital Repairs	2032	10 to 15	9	10,000.00	10,000	10,000	**0.3%**		19,225					27,119
				655,929														
8.105	570	**570**	Linear Feet	Bulkheads, Wood, Boat Ramp and Park, Inspections and Capital Repairs	2025	10 to 15	2	25.00	14,250	14,250	**0.3%**					34,855		
8.106	570	**570**	Linear Feet	Bulkheads, Wood, Boat Ramp and Park, Replacement	2037		14	250.00	142,500	142,500	**1.2%**							
8.500	1	**1**	Allowance	Dock, Floating, #1	2024	20 to 30	1	750,000.00	750,000	750,000	**14.1%**					1,834,469		
				43,566														
				1,492,342														
									2,096,138									
8.504	1	**1**	Allowance	Docks, Floating, Fishing and Boat Ramp	2028	to 25	5	160,000.00	160,000	160,000	**3.4%**							449,087
8.710	1,070	**355**	Linear Feet	Peninsula, Erosion Control, Phased	2032	to 30	9	300.00	106,500	321,000	**2.4%**							
										2,440,690								
108,876	108,174	37,150		171,027	1,492,342	996,363	219,632	0	589,282	57,569	2,351,973	92,339	2,119,720	2,708,190	449,087			

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Seven Coves
Association, Inc.
Willis, Texas

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Reserves at Beginning of Year	*(Note 1)*	63,867	64,697	108,290	616,153	609,236	188,452	209,345	99,703	109,407	175,441	158,996	386,604	530,683	932,572	1,273,963	1,502,053
Recommended Reserve Contributions		0	315,000	630,000	945,000	1,260,000	490,000	490,000	490,000	385,000	398,500	412,400	426,800	441,700	457,200	473,200	489,800
Additional Reserve Contributions			776,250														
Total Recommended Reserve Contributions	*(Note 2)*	**0**	**1,091,250**	**630,000**	**945,000**	**1,260,000**	**490,000**	**490,000**	**490,000**	**385,000**	**398,500**	**412,400**	**426,800**	**441,700**	**457,200**	**473,200**	**489,800**
Estimated Interest Earned, During Year	*(Note 3)*	830	1,117	4,678	7,914	5,151	2,569	1,996	1,350	1,840	2,160	3,523	5,924	9,450	14,250	17,928	22,655
Year Anticipated Expenditures, By Year		0	(1,048,774)	(126,815)	(959,831)	(1,685,935)	(471,676)	(601,638)	(481,646)	(320,806)	(417,105)	(188,315)	(288,645)	(49,261)	(130,059)	(263,038)	(8,444)
Year Anticipated Reserves at Year End		$64,697	$108,290	$616,153	$609,236	$188,452	$209,345	$99,703	$109,407	$175,441	$158,996	$386,604	$530,683	$932,572	$1,273,963	$1,502,053	$2,006,064
		(NOTE 5)				*(NOTE 5)*		*(NOTE 5)*	*(NOTE 5)*								

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Reserves at Beginning of Year	2,006,064	2,432,754	2,883,513	3,430,137	3,868,243	3,001,969	2,644,169	3,084,734	3,774,028	3,901,917	4,590,190	3,002,450	3,693,554	2,379,152	482,342
Total Recommended Reserve Contributions	**506,900**	**524,600**	**543,000**	**562,000**	**581,700**	**602,100**	**623,200**	**645,000**	**667,600**	**691,000**	**715,200**	**740,200**	**766,100**	**792,900**	**820,700**
Estimated Interest Earned, During Year	28,666	34,333	40,774	47,133	44,368	36,463	36,997	44,294	49,571	54,842	49,033	43,243	39,218	18,480	8,686
Anticipated Expenditures, By Year	(108,876)	(108,174)	(37,150)	(171,027)	(1,492,342)	(996,363)	(219,632)	0	(589,282)	(57,569)	(2,351,973)	(92,339)	(2,119,720)	(2,708,190)	(449,087)
Anticipated Reserves at Year End	$2,432,754	$2,883,513	$3,430,137	$3,868,243	$3,001,969	$2,644,169	$3,084,734	$3,774,028	$3,901,917	$4,590,190	$3,002,450	$3,693,554	$2,379,152	$482,342	$862,641

(NOTE 5) ***(NOTE 4)***

Explanatory Notes:

1) Year 2023 starting reserves are as of January 1, 2023; FY2023 starts January 1, 2023 and ends December 31, 2023.

2) The Association did not budget for Reserves in 2023; 2024 is the first year of recommended contributions.

3) **1.3%** is the estimated annual rate of return on invested reserves.

4) Accumulated year 2053 ending reserves consider the age, size, overall condition and complexity of the property. ***5)*** Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK

Seven Coves Association, Inc.

Willis, Texas

Line	RUL = 0 1 2 3 4 5 Item Reserve Component Inventory	FY2023	2024	2025	2026	2027	2028
	Exterior Building Elements						
1.115	Deck, Wood, Paint Finishes and Repairs	11,644					
1.865	Walls, Siding, Wood, Paint Finishes (Subsequent Useful Life 8-10 Years)				5,852		
	Building Services Elements						
3.070	Air Handling and Condensing Units, Split Systems, Phased	9,315			10,328		
	Property Site Elements						
4.020	Asphalt Pavement, Crack Repair, Patch, and Striping	11,023					
4.041	Asphalt Pavement, Total Replacement, Parking Areas, Marina				363,478		
4.110	Concrete Curbs and Gutters, Partial				17,075		
4.140	Concrete Sidewalks, Partial	7,002					
4.660	Playground Equipment	67,275					
4.662	Playground Equipment, Shade Structure, Canopy	15,152					
4.800	Signage, Entrance, Renovation	15,525					
4.801	Signage, Entrance Light House, Paint Finishes and Repairs	15,525					
4.802	Signage, Entrance Light House, Roof Assembly	27,945					
4.810	Signage, Electronic Marquee, Replacement						17,815
4.820	Site Furniture, Phased			10,712			
4.830	Sport Court, Basketball, Color Coat	3,726					
4.832	Sport Courts, Tennis, Color Coat	12,172					
	Pool Elements						
6.395	Fence, Steel, Paint Finishes	5,216					
6.500	Furniture			21,424			

6.600 Mechanical Equipment, Phased			7,499			
Marina Elements						
8.100 Bulkhead, Concrete, Inspections and Capital Repairs, Near Term	26,004	26,915	27,857			
8.102 Bulkhead, Concrete, Replacement, Phased				211,431	218,831	
8.105 Bulkheads, Wood, Boat Ramp and Park, Inspections and Capital Repairs		15,265				
8.500 Dock, Floating, #1	776,250					
8.502 Docks, Floating, #3			886,974			
8.503 Docks, Floating, #4				1,032,771		
8.504 Docks, Floating, Fishing and Boat Ramp					190,030	
Loan Elements						
9.990 Loan, Principal and Interest	45,000	45,000	45,000	45,000	45,000	
Anticipated Expenditures, By Year ($18,543,712 over 30 years)	0	1,048,774	126,815	959,831	1,685,935	471,676

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full 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*.

Exterior Building Elements

Awning

Line Items: 1.015 and 1.020

Quantity: One canvas awning with a metal frame ***History:***

Replaced in 2022.

Condition: Good overall with no significant deterioration evident.

Useful Life: Five- ten-years for the canvas and 15- to 20-years for the frame

Priority/Criticality: Per Board discretion

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

Deck, Wood

Line Items: 1.115 and 1.120

Quantity: The wood deck at the clubhouse comprises approximately 2,250 square feet ***History:***

The age was unavailable at the time of our inspection.

Condition: Fair overall with wood rot, loose fasteners, loose railings and weathered wood evident.

Useful Life: Up to 30 years with proper maintenance and interim paint finishes and partial replacement of the deck boards every four- to six-years. The rates and types of deterioration are not uniform due to the nature of wood. Replacement is normally an ongoing process which eventually leads to a complete replacement for economic or aesthetic reasons.

Component Detail Notes: Deck construction includes the following:

- Deck boards fastened with screws and nails
- Wood railings with vertical pickets

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

- Annually: ○ Inspect to identify and correct any unsafe conditions ○ Secure loose fasteners and replace deteriorated fasteners ○ Replace deteriorated wood components ○ Check railing stability and fasteners
- Every three years:
  - ○ Power wash with algaecide and application of sealer/stain if applicable

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. Our cost for interim repairs includes replacement of up to twenty percent (20%) the deck boards in conjunction with paint finish applications.

Roofs, Asphalt Shingles

Line Item: 1.280

Quantity: Approximately 65 *squares*[1] at the clubhouse and office and approximately 22 squares at the pool buildings and marina gazebo

History: The age of the clubhouse roof is unknown, the office roof is original to construction in 2010, and the pool building roofs were replaced in 2022.

Condition: Good to fair overall with no significant deterioration evident from our visual inspection from the ground. We note isolated shingle curl at the pool pavilion.

Useful Life: 15- to 20-years

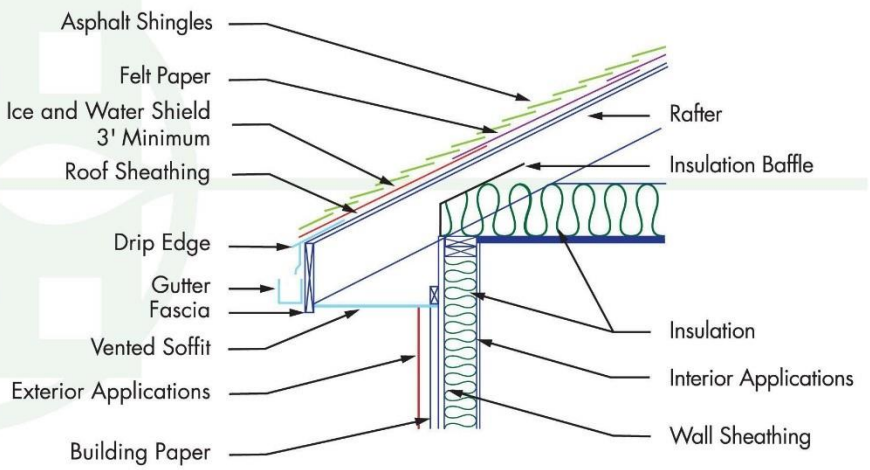
Component Detail Notes: The existing roof assembly comprises the following:

- Laminate architectural shingles
- Boston style ridge caps
- Metal drip edge
- Enclosed half weaved valleys

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at Seven Coves:

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

ROOF SCHEMATIC



Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roofs. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually: ○ Record any areas of water infiltration, flashing deterioration, damage or loose shingles
  - ○ Implement repairs as needed if issues are reoccurring ○
  - Trim tree branches that are near or in contact with roof
- As-needed: ○ Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

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.

Walls, Siding, Wood

Line Items: 1.865 and 1.870

Quantity: Approximately 3,700 square feet of the clubhouse and pool house

History:

- Siding: Original
- Paint Finishes: Applied paint finishes and repaired in 2022.

Condition: The siding is in good to fair overall condition with periodic wood rot and the paint finishes are in good overall condition

Useful Life: With the benefit of periodic maintenance, applications of this type of material can have a useful life of up to 35 years. We recommend the Association replace the wood siding with fiber cement, which will have a useful life of up to 50 years. This useful life of wood siding is dependent upon timely paint applications and partial replacements of deteriorated siding up to every four- to six-years. We depict paint finishes every 8- to 10years subsequent to replacement with fiber cement siding.

Component Detail Notes: Wood siding is not watertight and is especially prone to water penetration at joints and knots. Therefore, wood siding should be installed over a continuous weather resistant barrier. The weather resistant barrier should include watervapor permeable building paper and properly integrated flashing around all penetrations.

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

- Annually:
  - Inspect and repair loose siding, warping, wildlife damage and sealant deterioration
  - Inspect and repair finish deterioration, peeling and chipping
  - Touch-up paint finishes as necessary to ensure a uniform finish in between complete finish applications

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

Windows and Doors

Line Item: 1.980

Quantity: Approximately 650 square feet at the clubhouse

History: Exact age unknown; doors replaced in 2022

Condition: Good to fair overall with no significant deterioration evident.

Clubhouse windows

Useful Life: Up to 35 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.

Interior Building Elements

Clubhouse

Line Items: 2.600 and 2.605

Quantity: The clubhouse components include:

- Vinyl and tile floor coverings
- Paint finishes on the walls and ceilings
- Furnishings
- Light fixtures

History: Renovated from 2021 through 2023. The floors were being replaced at the time of our inspection.

Condition: Good overall condition

Clubhouse rest room **Clubhouse overview**

Useful Life: Complete renovation up to every 25 years and partial renovation every 8- to 12-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. The complete renovation should include replacement of all components listed above and the partial renovations should include the following:

- Paint finish applications
- Partial replacement of the furnishings

Office

Line Item: 2.780

Quantity: The office components include:

- Tile floor coverings
- Paint finishes at the walls
- Paint finishes at the ceilings
- Light fixtures
- Furnishings
- Equipment

History: The office has been painted in recent years and the remaining elements are original to construction in 2010 ***Condition:*** Good overall condition

Office overview **Office overview**

Useful Life: Renovation up to 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.

Rest Rooms, Poolside

Line Item: 2.900

Quantity: The poolside rest room components include:

- Concrete floor coverings
- Tile wall coverings
- Paint finishes at the ceilings
- Light fixtures
- Plumbing fixtures

History: Unknown

Condition: Good to fair overall condition

Rest room overview **Rest room overview**

Useful Life: Renovation up to 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.

Building Services Elements

Air Handling and Condensing Units, Split Systems

Line Item: 3.070

Quantity: Six split systems serve the clubhouse and office

History: The split systems vary in age from 2011 to 2021

Condition: Reported satisfactory without operational deficiencies

Split system condensing units

Useful Life: 12- to 18-years

Component Detail Notes: A split system air conditioner consists of an outside condensing unit, an interior evaporator coil, refrigerant lines and an interior air-handling unit. The condensing units have cooling capacities that range from 2.5- to 5-tons.

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. We also recommend the Association maintain a maintenance contract with a qualified professional. 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:
  - Lubricate motors and bearings ○ Change or clean air filters as needed ○ Inspect condenser base and piping insulation
  - Inspect base pan, coil, cabinet and clear obstructions as necessary
- Annually:
  - Clean coils and drain pans, clean fan assembly, check refrigerant charge, inspect fan drive system and controls
  - Inspect and clean accessible ductwork as needed
  - Clean debris from inside cabinet, inspect condenser compressor and associated tubing for damage

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. The condensing unit may require replacement prior to

replacement of the related interior forced air unit. For purposes of this Reserve Study, we assume coordination of replacement of the interior forced air unit, evaporator coil, refrigerant lines and exterior condensing unit. We depict replacement in a phased manner.

Property Site Elements

Asphalt Pavement, Repaving

Line Items: 4.020 through 4.044

Quantity: Approximately 9,050 square yards at the parking areas

History:

- Repaving: The age was unavailable at the time of our inspection. The board reports that the main parking area exceeds 20 years of age. The playground parking area was installed 10 years ago.
- Repairs: Repaired in 2018.

Condition: The main parking area is in fair to poor overall condition with frequent settlement, patches, standing water, potholes and alligator cracks evident. We also note areas where the pavement was overlaid atop the gutters. The playground parking area is in fair overall condition.

Asphalt pavement parking lot overview

Asphalt pavement parking lot overview

Asphalt pavement parking lot overview

Pavement settlement

Pavement cracks

Playground parking area

Asphalt pavement parking lot overview

Pavement cracks

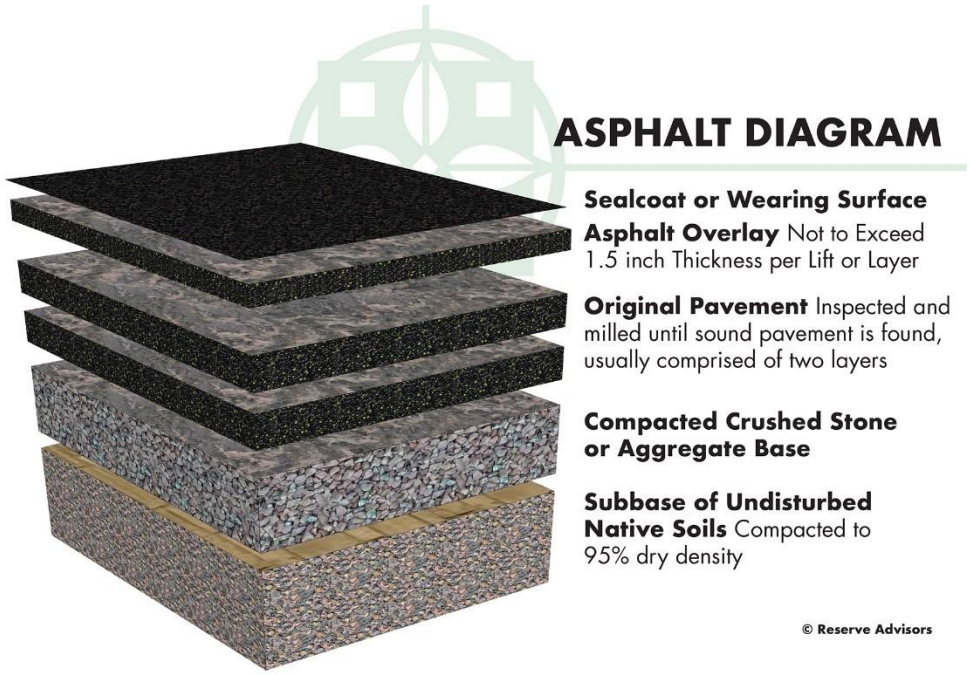
Asphalt pavement parking lot overview

Standing water

Useful Life: 15- to 20-years with the benefit of crack repair, patch, and striping events every three- to five-years

Component Detail Notes: Proposals should include mechanically routing and filling all cracks with hot emulsion. Crack repair minimizes the chance of the cracks transmitting through the pavement. Patch repairs are conducted at areas exhibiting settlement, potholes, or excessive cracking. These conditions typically occur near high traffic areas, catch basins, and pavement edges.

The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Seven Coves:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the total replacement method of repaving at the marina, followed by the mill and overlay method of repaving. Additionally, we recommend the mill and overlay method of repaving at the playground area followed by the total replacement method of repaving.

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

- Annually: ○ Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
    - Repair areas which could cause vehicular damage such as potholes
- As needed:
    - Perform crack repairs and patching

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. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement. We defer repaving until sufficient reserves can be accrued.

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: Approximately 3,100 linear feet at the parking areas

Condition: Good to fair overall condition

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 930 linear feet of curbs and gutters, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: Approximately 9,200 square feet

Condition: Fair overall with periodic cracks, settlement, spalled concrete and trip hazards evident.

Concrete sidewalk

Sidewalk cracks

Sidewalk cracks

Sidewalk trip hazard and settlement

Sidewalk spalls

Sidewalk trip hazard

Concrete sidewalk

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 3,690 square feet of concrete sidewalks, or forty percent (40.1%) of the total, will require replacement during the next 30 years.

Fence, Vinyl

Line Item: 4.260

Quantity: 2,940 linear feet located at the north perimeter

History: The age was unavailable at the time of our inspection. Have had some small sections replaced near the lake due to vehicle collisions.

Condition: Good to fair overall with isolated picket damage evident.

Vinyl fence **Fence picket damage**

Vinyl fence

Useful Life: 15- to 20-years

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

- Annually:
  - Inspect and repair loose panels, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage
  - Periodically clean vinyl fence as needed

Priority/Criticality: Per Board discretion

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

Light Poles and Fixtures

Line Item: 4.560

Quantity: 24 steel poles with LED light fixtures

History: Unknown, various ages

Condition: Good to fair overall

Light pole and fixture **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.

Playground Equipment

Line Items: 4.660 through 4.663

Quantity: Playground equipment includes the following elements:

- Playsets and swings
- Wood surface with a plastic border
- Shade structure

History: The age was unavailable at the time of our inspection. The shade structure is approximately ten years of age. The safety surface was replenished in 2022.

Condition: Fair to poor overall with finish deterioration and rust evident.

Playground equipment overview

Playground equipment

Finish deterioration and plastic damage

Rust

Make-shift railing system

Rust

Rust

Shade structure overview

Weathered finishes

Useful Life: 15- to 20-years for the equipment and shade structure, 5- to 10-years for interim safety surface replenishments, and up to 10 years for interim shade canopy replacements

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 Items: 4.800 through 4.810

Quantity: The property identification signage includes the following elements:

- Lighthouse with stucco walls, roof assembly and railings
- Masonry walls
- Masonry pavers
- Landscaping
- Electronic marque
- Letters

History: The age was unavailable at the time of our inspection. The Association plans to refurbish the lighthouse elements near term due to roof leaks.

Condition: Fair overall condition

Monument

Light house

Masonry pavers

Masonry

Lighthouse overview

Marque sign

Useful Life: 15- to 20-years for general renovations and replacement of the roof assembly, up to 10 years for paint finishes to the lighthouse and 10- to 15-years for the electric marque

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 repairs to the masonry, replacement of the pavers and letters. Our cost for the lighthouse elements is based on information provided by the Association.

Site Furniture

Line Item: 4.820

Quantity:

- Benches (13)
- Picnic tables (7)
- Trash receptacles (2)
- Dog waste stations (3)
- delete me

History: The age was unavailable at the time of our inspection.

Condition: Good to fair overall

Bench **Rust**

Useful Life: 15- 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. We depict replacement in a phased manner.

Sport Court, Fence

Line Item: 4.840

Quantity: 460 linear feet

History: The age was unavailable at the time of our inspection.

Condition: Fair overall with damage, rust and warped webbing evident.

Chain link fence

Chain link fence

Fence damage

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.

Sport Court, Basketball, Light Poles and Fixtures

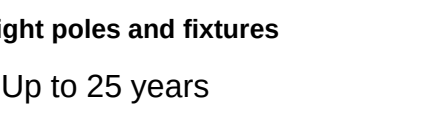
Line Item: 4.850

Quantity: Six metal light poles and fixtures

History: The age was unavailable at the time of our inspection.

Condition: Good to fair overall

Light poles and fixtures



Leaning light poles

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.

Line Items: 4.830, 4.831, 4.832, 4.860

Quantity: 3,600 square feet of concrete at the basketball court and 1,470 square yards of asphalt tennis courts ***History:***

- Basketball: The surface is unknown in age and a color coat was applied in 2017
- Tennis: The surface is unknown in age and a color coat was applied in 2017
  Condition: Fair overall with cracks and color coat deterioration evident

Basketball court overview

Tennis court overview

Tennis court overview

Tennis court overview

Useful Life: Up to 40 years for the concrete basketball court and up to 25 years for replacement of the asphalt tennis courts with the benefit of color coat applications and repairs every four- to six-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.

Truck

Line Item: 4.989

Quantity: One Ford F150

History: 2011 model purchased in recent years

Condition: Reported satisfactory

Useful Life: Up 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.

Pool Elements

Concrete Deck

Line Item: 6.200

Quantity: 6,550 square feet

History: The deck is original and the coating is unknown in age ***Condition:***

Good to fair overall with periodic cracks evident.

Concrete pool deck overview

Concrete pool deck overview

Concrete cracks

Concrete pool deck overview

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
    - Repair concrete spalling and conduct coating repairs in areas with delamination
    - 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

Fence, Steel

Line Items: 6.395 and 6.400

Quantity: 420 linear feet

History: The age was unavailable at the time of our inspection.

Condition: Good to fair overall with deterioration evident.

Steel pool fence

Steel pool fence

Fence finish deterioration

Fence finish deterioration

Useful Life: Up to 35 years with interim 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.

Furniture

Line Item: 6.500

Quantity: The pool furniture includes the following:

- Chairs
- Lounges
- Tables
- Ladders and life safety equipment

History: The age was unavailable at the time of our inspection.

Condition: Good to fair overall

Pool furniture

Useful Life: Up to 12 years

Priority/Criticality: Per Board discretion

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

Mechanical Equipment

Line Item: 6.600

Quantity: The mechanical equipment includes the following:

- Automatic chlorinator and controls
- Electrical panel
- Interconnected pipe, fittings and valves
- Pumps and filters

History: Varied ages. The chlorinator was replaced in 2022

Condition: Reported satisfactory without operational deficiencies

Pool mechanical equipment

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: 2,450 square feet of plaster based on the horizontal surface area and approximately 230 linear feet of tile

History:

- Plaster finish: Replaced in 2020.
- Tile and coping: Unknown ages

Condition: Good to fair overall

Pool plaster overview

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 replacement every other plaster replacement event. Removal and replacement of the finish provides the opportunity to inspect the pool structure and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structure, we recommend the Association budget for the following:

- Removal and replacement of the plaster finish
- 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

Structure and Deck

Line Item: 6.900

Quantity: 2,450 square feet of horizontal surface area

History: Original

Conditions: Visually appears in good condition. The concrete floors and walls have a plaster finish. This finish makes it difficult to thoroughly inspect the concrete structure 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 Seven Coves plan to replace the following components:

- Concrete deck
- Pool structure
- 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.

Marina Elements

Boat Ramp

Line Item: 8.005

Quantity: One each

History: Repaired in 2022

Condition: Good to fair overall condition

Useful Life: We recommend the Association budget for repairs every 10- to 15-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.

Bulkheads

Line Items: 8.100 through 8.106

Quantity: Approximately 1,675 linear feet of concrete bulkheads and 570 linear feet of wood bulkheads

History: The concrete bulkheads are original with periodic repairs evident The Association is considering budgeting for annual repairs. The wood bulkheads are unknown in age.

Conditions: The concrete bulkheads are in poor condition and the wood bulkheads are in good to fair condition

Concrete bulkhead overview

Erosion at bulkhead backside

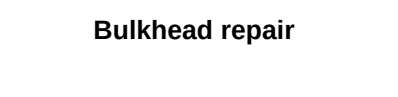
Bulkhead lean

Bulkhead lean

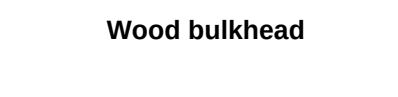
Bulkhead lean

Concrete bulkhead overview

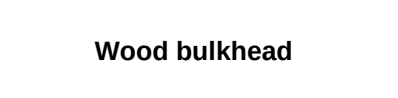
Bulkhead lean



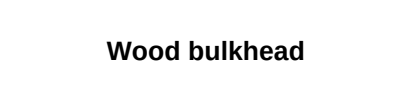
Bulkhead lean



Bulkhead repair



Wood bulkhead



Wood bulkhead

Wood bulkhead

Wood bulkhead overview

Useful Life: Up to 40 years for the concrete bulkheads and 20- to 30-years for the wood bulkheads. These useful lives are based on Inspections and capital repairs every 10- to 15-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. Our cost for wood bulkheads includes allowances for a complete inspection and partial replacement of up to ten percent (10%) linear feet of the bulkheads. Our cost for the concrete bulkhead repairs includes replacement of up to four percent (4%) of the bulkheads per event.

Docks, Floating

Line Items: 8.500 through 8.504

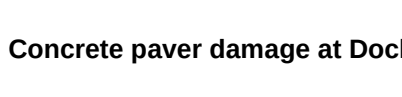
Quantity: Four main floating docks, two at the boat ramp and one fishing dock

History: Dock #2 was replaced in 2018, the remaining docks are unknown in age. The Association is considering near term replacement of Dock #1.

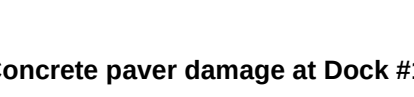
Condition: Dock #2 is in good overall condition and the remaining docks are in fair condition.

Dock #1

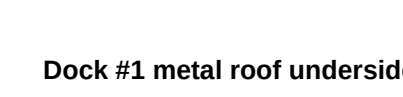
Concrete paver damage at Dock #1



Concrete paver damage at Dock #1



Dock #1 metal roof underside



Concrete spalls

Floating dock #1 overview

Floating dock #2 composite deck

Floating dock #2

Concrete spalls at Dock #3

Concrete spalls at Dock #3

Dock #3

Dock #3 overview

Tilted deck at Dock #4

Composite board damage at dock #4

Concrete cracks at Dock #4

Dock 4 overview

Useful Life: Up to 25 years

Component Detail Notes: These floating docks utilize encapsulated polystyrene billets (floatation devices) and concrete and composite decks. Metal pilings with sleeves stabilize the docks. The docks automatically adjust to fluctuations in water levels. Seven Coves should also anticipate replacement of the utility lines for the docks at the time of replacement.

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. Our cost is partially based on information provided by the Association and our estimate of cost includes an allowance for removal and disposal of the existing docks, and installation of new docks and utility lines. Seven Coves should fund interim replacements of utilities prior to replacement of the docks and annual repairs to displaced pilings through the operating budget

Peninsula, Erosion Control

Line Item: 8.710

Quantity: 1,070 linear feet of rip rap at the peninsula

History: Unknown history of repairs

Condition: Good to fair overall condition

Peninsula shoreline

Peninsula shoreline

Useful Life: Erosion control and rip rap augmentation every 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. We depict replacement of the rip rap in a phased manner.

Loan Elements

Loan, Principal and Interest

Line Item: 9.990

History: The Board informs us the remaining loan principal and interest will be $45,000 from 2023 to 2033. 2023 is being funded through the operating budget.

Priority/Criticality: Per Board discretion

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.

Seven Coves 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 annual 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 standards[1] set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." 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
- Local[2] 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 Willis, Texas at an annual inflation rate[3]. 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 Seven Coves 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.