

RESERVE STUDY PRESENTATION
WITH:



ASSOCIATION
RESERVES™



Presenter

David Whann Jr., MBA, RS, EBP

70,000+ Completed Reserve
Studies since 1986

Regional offices nationwide

Pioneers of many industry-wide
principles



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Who We Are

Association Reserves is the nation's leading provider of the most accurate, easy to understand Reserve Studies available, making the present less stressful and the future more secure for our clients. Our vision is to be the Reserve Study Provider by which all others are measured.



Outline

What are Reserves?

Reserve Study Basics

Reserve Study Results/Discussion

An aerial view of a city skyline, likely New York City, with a prominent green overlay. The buildings are rendered in a lighter shade of green, creating a monochromatic effect. The text is centered in a white rectangular box.

WHAT ARE RESERVES?



The Budget

Operating Funds

- “Routine” costs
- Unrestricted use
- Expected to be spent in the year collected
- Typical uses: utilities, insurance, management fees, routine maintenance

Reserve Funds

- Infrequent costs
- Restricted use
- Funds accumulate until need arises
- Typical uses: roofing, painting, pavement, HVAC, elevators, etc.

“In addition to annual operating expenses, the budget shall include reserve accounts for capital expenditures and deferred maintenance. **These accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing,** regardless of the amount of deferred maintenance expense or replacement cost, **and for any other item** for which the deferred maintenance expense or replacement **cost exceeds \$10,000.”**

- Florida Statutes 718.112 (Condominiums)

“...the association is responsible for the repair and maintenance of capital improvements **that may result in a special assessment** if reserves are not provided...”

-- Florida Statutes 720.303 (HOAs)

Practical Definition

“Money that an association saves over long periods of time for large repair and replacement projects.”



RESERVE STUDY BASICS

Serving Florida & the Southeast USA
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Fort Lauderdale, FL 33301



ASSOCIATION
RESERVES™

Planning For The Inevitable™

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Regional Offices
Arizona
California
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Nevada
North Carolina
Texas
Washington



Sample HOA/POA
Anywhere, FL



Report #: 42562-0
Beginning: January 1, 2022
Expires: December 31, 2022

RESERVE STUDY
"Full"

October 15, 2021

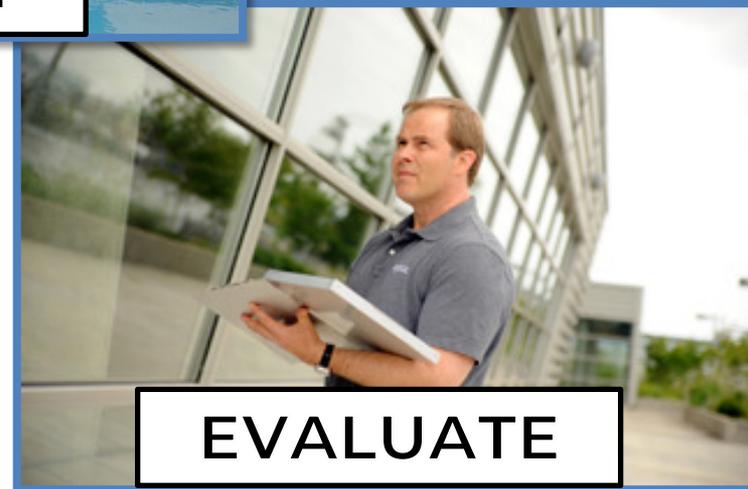
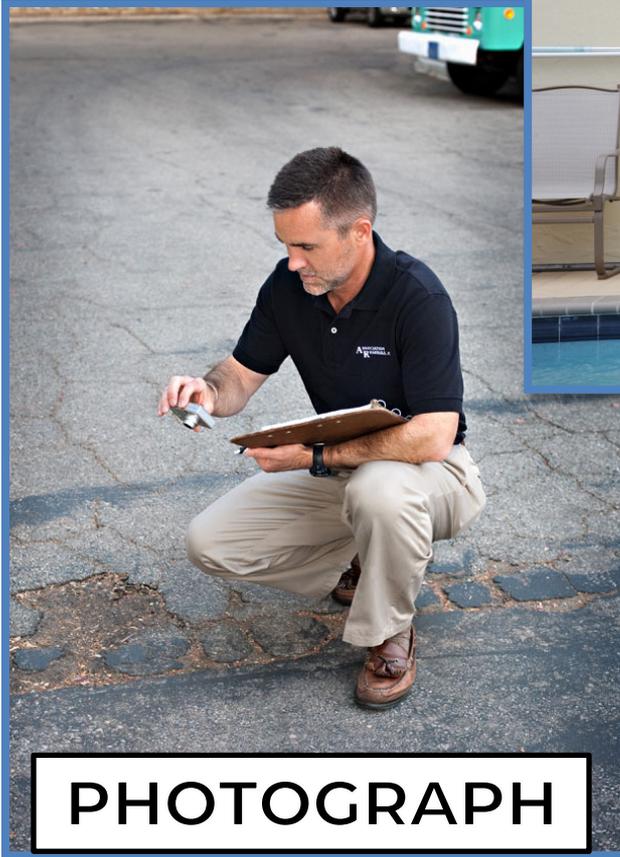
“A budget planning tool which identifies the current status of the Reserve fund and provides a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.”

-National Reserve Study Standards (NRSS), Est. 1998



Part 1

Physical Analysis



Part 2

Financial Analysis



RESEARCH



DISCUSSION

The following chart shows your Reserve balance under our recommended plan, the minimum funding plan and at the Association's current contribution rate, all compared to your always-changing Fully Funded Balance target. Note that the "current" contribution rate as shown here is based on the most recent Reserve contribution rate as reported to us. This rate is included here for comparison purposes only, to illustrate what might happen if the Client were to continue budgeting for Reserves at the same rate as it has most recently done.

30-yr Cash Flow

Figure 3

This figure shows the same information described above, but plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-yr Funding Plan.

Percent Funded

Figure 4

CONCLUSIONS



Three Outcomes

#2 Percent-Funded

3- Minute Executive Summary

Association: Sample Condo Association Assoc. #: 9999-0
 Location: Anywhere, FL
 # of Units: 311
 Report Period: January 1, 2011 through December 31, 2011

Results as-of 1/1/2011:

Projected Starting Reserve Balance:	\$176,000
Fully Funded Reserve Balance:	\$332,480
Average Reserve Deficit (Surplus) Per Unit:	\$.503
Percent Funded:	52.9%
Recommended 2011 monthly Reserve Contribution:	\$29,000
Recommended 2011 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$26,435

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves	1.00%
Annual Inflation Rate	3.00%

- This is a "Full" Reserve Study (original, created "from scratch"). The information in this Reserve Study is based on our site inspection on July 16, 2010. This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is between 30% and 70% at 52.9% Funded, this represents a fair position. In perspective, associations funded at this level face a moderate risk of special assessments and other cash flow problems. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase in the upcoming fiscal year.
- The monthly Reserve contribution amount recommended here should be increased by 4% in each of the next 14 years, followed thereafter by annual increases of 3%. No assets appropriate for Reserve designation were excluded.

Association Reserves - Florida, LLC

#3 Funding Plan

Table 1: Executive Summary 9999-0

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
Sample Condo - Exterior/Garage				
104 Balcony Decks - Re-coat	5	4	\$99,000	\$111,425
105 Balcony Decks - Resurface	28	27	\$346,500	\$769,677
201 Asphalt - Resurface	24	23	\$7,600	\$14,999
202 Asphalt - Seal/Repair	4	3	\$693	\$757
324 Exterior Lighting - Replace	20	19	\$33,613	\$58,940
326 Garage Lights - Replace	30	29	\$4,200	\$9,898
701 Main Entrance Doors - Replace	15	14	\$3,900	\$5,899
702 Garage Gates - Replace	25	24	\$17,500	\$35,574
903 Exterior Furniture - Replace	8	7	\$160,000	\$196,780
1111 Garage Interior - Repaint	14	13	\$19,125	\$28,086
1115 Stucco - Repaint	10	9	\$7,925	\$10,340
1118 Parking Spaces - Restripe	7	6	\$17,200	\$20,538
1130 Helipad - Recoat	5	4	\$3,125	\$3,517
1202 Pool - Resurface	10	9	\$28,000	\$36,534
1203 Spa - Resurface	5	4	\$8,000	\$9,004
1304 Deck Underlayment - Replace	20	19	\$88,200	\$154,659
1307 Torch-Down Modified Roof - Replace	20	19	\$138,450	\$242,773
1705 Exterior Planters - Waterproof	15	14	\$265,000	\$400,836
1980 Building Envelope - Seal/Waterproof	10	9	\$460,000	\$600,196

Sample Condo - Interior Areas				
326 Exit Signs - Replace	30	29	\$32,000	\$75,410
403 Mailboxes - Replace	25	24	\$26,613	\$54,098
601 Corridor Carpet - Replace	10	9	\$116,000	\$151,354
902 Gym Equip, Accessories - Replace	8	7	\$111,425	\$137,039
903 Lobby Furniture/Artwork - Replace	12	11	\$150,663	\$208,552
903 Office Furnishings/Equip - Replace	12	11	\$13,650	\$18,895
904 Kitchenettes - Refurbish	10	9	\$10,000	\$13,048
910 240 Lounge - Remodel	12	11	\$125,000	\$173,029
910 Common Area Bathrooms - Remodel	12	11	\$12,000	\$16,611
910 Gym - Remodel	10	9	\$15,000	\$19,572
910 Lobby/Offices - Refurbish	12	11	\$9,000	\$12,458
1110 Corridor Interiors - Repaint	10	9	\$61,200	\$79,852
1110 Stairwell Interiors - Repaint	15	14	\$43,600	\$65,949
1802 Elevator Cabs - Remodel	10	9	\$70,000	\$91,334

Sample Condo - Mechanical/Systems				
302 Emergency Generator - Overhaul	50	49	\$200,000	\$851,244
303 AC Condensing Units - Replace	20	19	\$9,500	\$16,658
303 Fan Coil Units - Replace	25	24	\$18,500	\$37,607
303 Heat Pumps - Replace (Common)	20	19	\$84,000	\$147,295
303 Packaged AC Units - Replace	20	19	\$13,500	\$23,672
304 Variable Frequency Drives - Replace	10	9	\$50,000	\$65,239
305 Stairwell Pressure Fans - Replace	20	19	\$16,500	\$28,933
306 Emergency Supply Fans - Replace	20	19	\$16,500	\$28,933
306 Garage Exhaust Fans - Replace	20	19	\$9,000	\$15,782
306 Garage Supply Fans - Replace	20	19	\$19,000	\$33,317

Association Reserves - Florida, LLC

#1 Component List



Outcome #1

Component List

Listing of life and cost estimates

Framework is Constant, But Data Changes
(Life Expectancy, Cost Estimates)

Defined by Reserve Study Standards



Reserve Study Standards Three-Part Test (REVISED 2023)

Components

The individually listed projects within the physical analysis which are determined for inclusion using the process described within the component inventory. These components form the building blocks for the reserve study. Components are selected to be included in the reserve study based on the following three-part test:

1. The association has the obligation to maintain or replace the existing element.
2. The need and schedule for this project can be reasonably anticipated.
3. The total cost for the project is material to the association, can be reasonably estimated, and includes all direct and related costs.



Reserve Study Standards Three- Part Test:

1. Association Responsibility

2. Reasonably Anticipated (UL)

3. Material/Predictable Cost

Other -> Operating/Maintenance Expenses



Outcome

Percent Funded

#2

“Snapshot in time” of financial strength

Measures likelihood of financial problems

Will fluctuate over time



Outcome

Percent Funded

#2

Fully Funded Balance = Current Cost Estimate x (Effective Age / Useful Life)

EXAMPLE:

The association owns one golf cart that is 5 years old. It has a total life expectancy (useful life) of 10 years and the replacement cost is estimated to be \$10,000.

$$\text{Fully Funded Balance} = \$10,000 \times (5/10) = \$5,000$$



Outcome

Percent Funded
#2

Percent Funded = Current Reserve Balance / Fully Funded Balance

EXAMPLE:

As calculated on the prior slide, the association should have \$5,000 in their Reserves based on the Fully Funded Balance calculation. But let's say the Reserve account only has \$2,500. What is the association's percent funded calculation?

Percent Funded = \$2,500 / \$5,000 = 50% Funded!

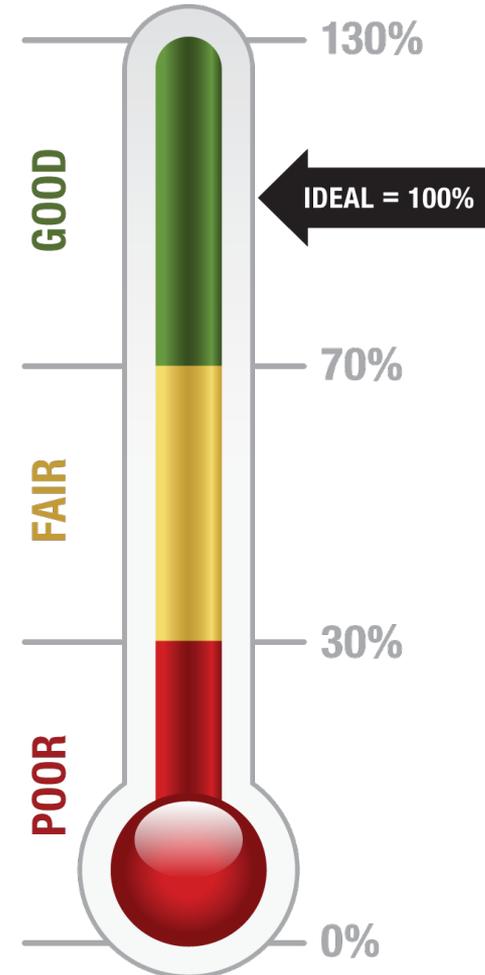
But what does that percentage mean?



Percent Funded

Can be thought of as similar to a credit score, since it measures risk.

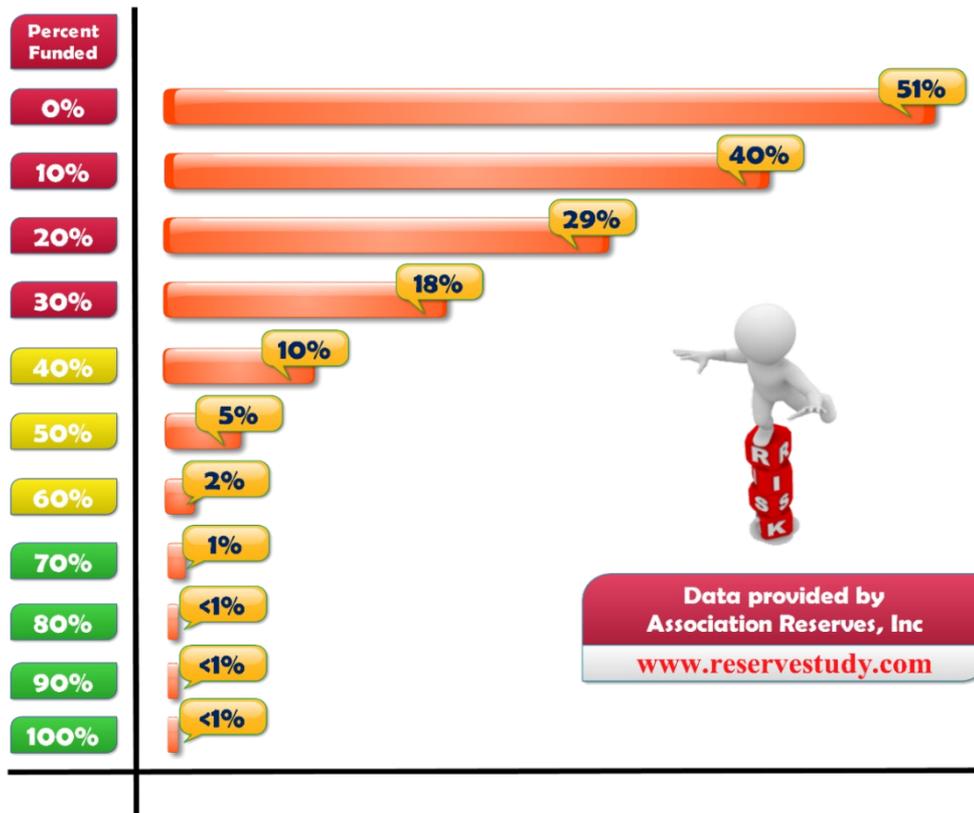
Quick, snapshot assessment of an association's long-term financial health





The Big Picture

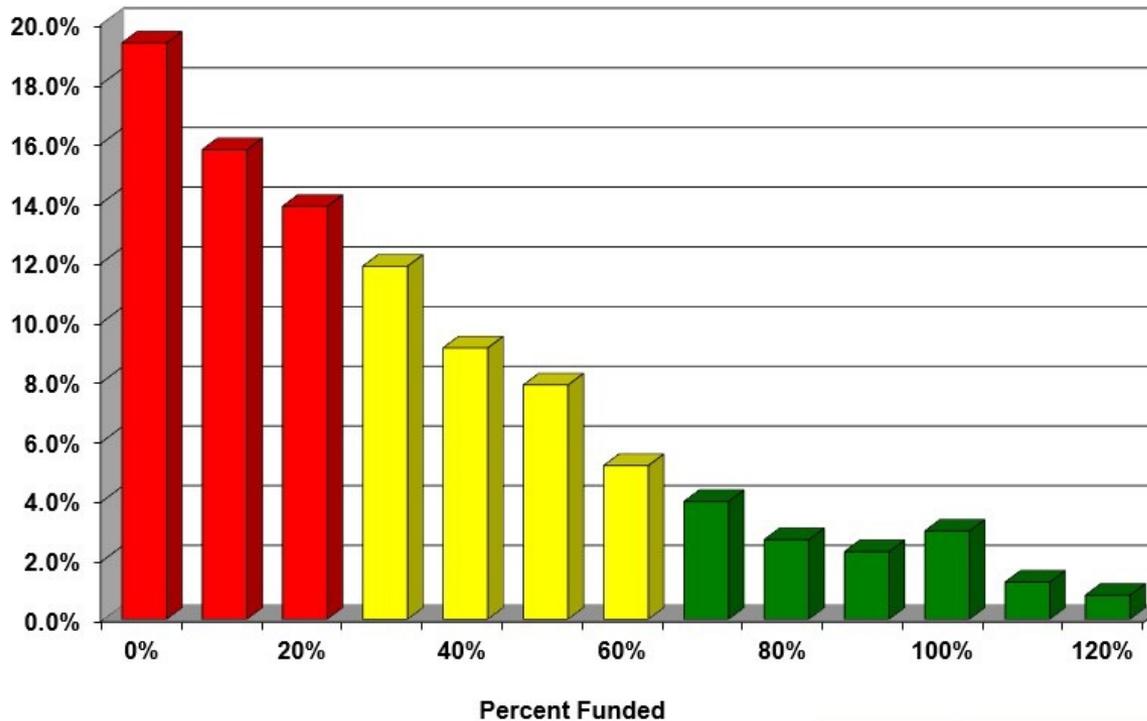
RISK of Special Assessment





The Big Picture

Florida Percent Funded

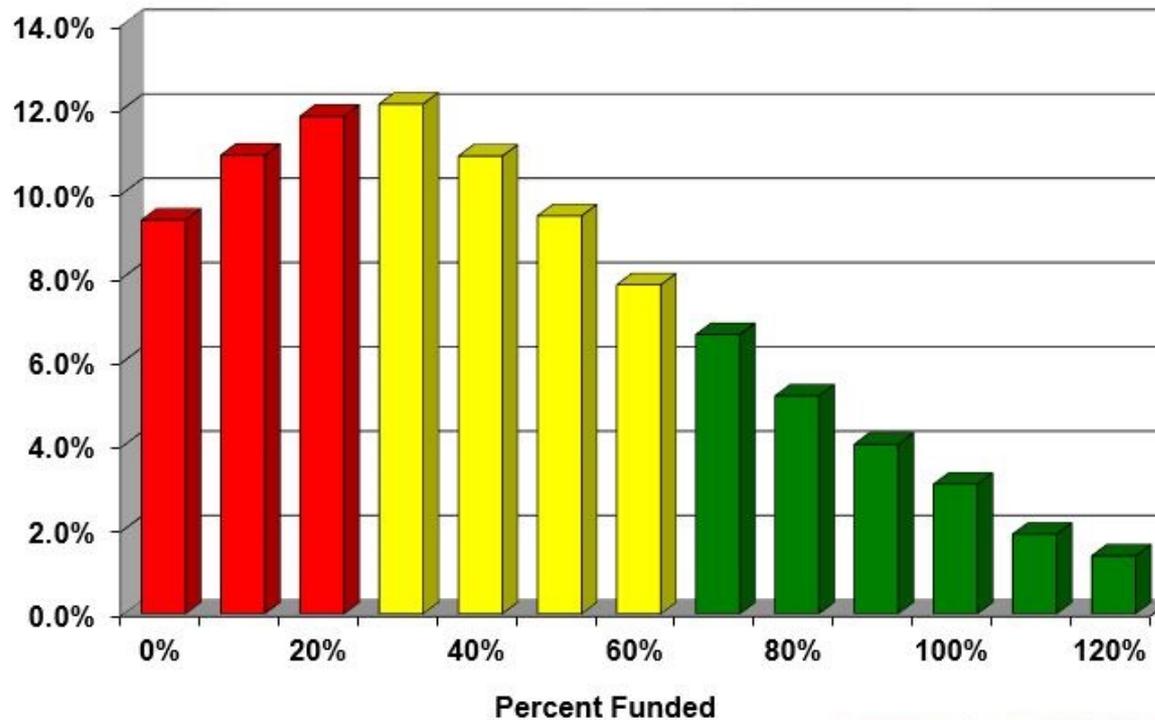


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The Big Picture

National Percent Funded - 2021



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Outcome

Funding Plan

#3

Review of current budgeted contribution to Reserves

Should match the frequency of regular assessments

May include special assessment recommendations

The background of the slide is a teal color with a faint, semi-transparent image of a city skyline, featuring several tall skyscrapers. The text is centered in a white rectangular box.

RESERVE STUDY RESULTS

Thank you!

Questions?



Need more help? Send an email
to dwhann@reservestudy.com