

Implementing and utilizing your reserve study

May 6, 2021

Michael Lockhart

Northeast Regional Account Manager

Reserve Advisors

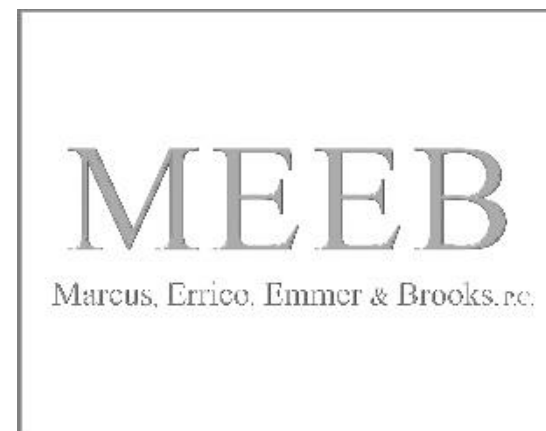
Michael.Lockhart@reserveadvisors.com

844-701-9884

A Special Thank You to our Program Sponsors



BRIGS



Mirrione
Shaughnessy
Uitti LLC



MORIARTY
TROYER &
MALLOY LLC

ATTORNEYS AT LAW

\$27B

annual assessment dollars contributed to
association reserve funds for the **repair,**
replacement, and enhancement of
common property.

AGENDA

- 01 - report deliverables
- 02 - report distribution
- 03 - using the report
- 04 - keeping report current



RESERVE STUDY DELIVERABLES

reserve study deliverables



report

the report contains an executive summary, expenditures table, funding plan and narratives



spreadsheets

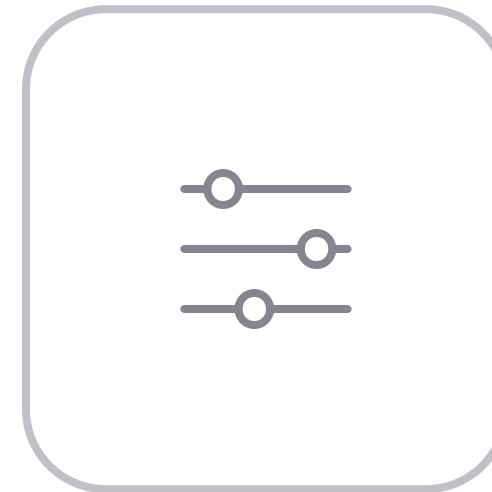
editable spreadsheets allow boards and managers to modify and keep the reserve study current

reserve study deliverables



executive summary

high level details of the associations funding status and long-term needs



expenditures table

containing prioritized replacement schedule and itemized estimated costs



funding plan

customized to offset the cost of future capital projects



narrative section

Component specific details on replacement, construction methodology and more

reserve study deliverables



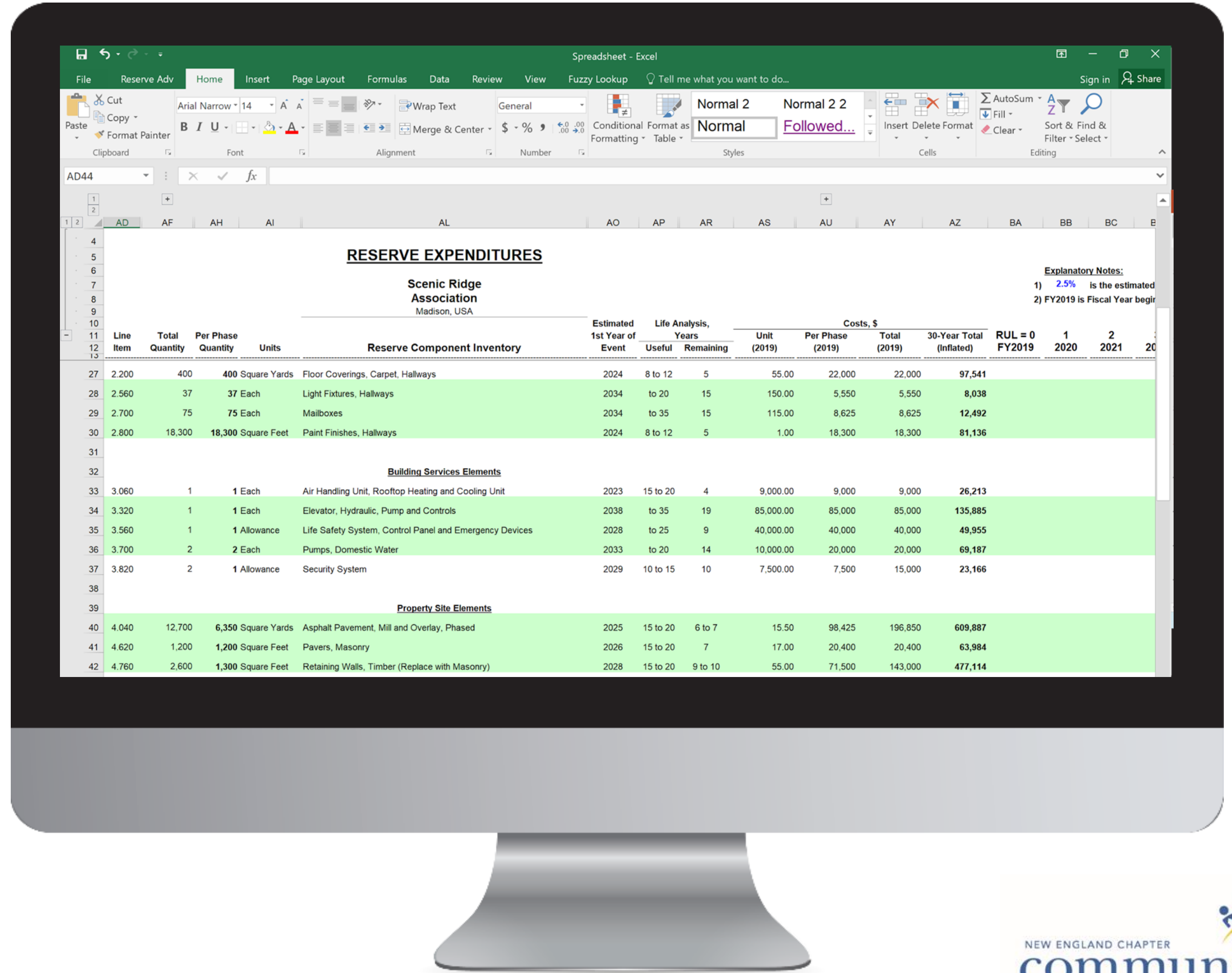
expenditures table



funding plan table



fully editable



executive summary



property basics

basic information on the property under review



funding goal and method

identification of threshold years and funding methodology



sources of costs

typically published sources and proprietary database



reserve fund status

current cash balances and planned contributions



funding recommendations

includes project prioritization and adjustments to funding levels to maintain adequate balances

Client: Scenic Ridge Association (Scenic Ridge)
Location: Madison, USA
Reference: 123456

Property Basics: Scenic Ridge Association is a condominium style development of 75 units in 37 buildings. The buildings were built from 2003 to 2005.

Reserve Components Identified: 27 Reserve Components

Inspection Date: July 1, 2019

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 this threshold funding year in 2026 due to replacement of the asphalt pavement.

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

- Current and future *local* costs of replacement
- 1.2% annual rate of return on invested reserves
- 2.5% 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 and Marshall & Swift, "the Building Cost People."

Cash Status of Reserve Fund:

- \$467,289 as of January 1, 2019
- 2019 Reserve Contributions of \$92,000

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:

- Paint finish applications to the stucco, trim, soffits and fascia, including repairs and partial replacements to maintain a uniformly clean and consistent appearance of the buildings
- Partial sealant replacement to limit water infiltration
- Replacement of the roofs as deferral may lead to further water infiltration and cost

Recommended Reserve Funding:

- Phased increases in Reserve Contributions of approximately \$3,500 from 2020 through 2024
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$3,500 represents about a one percent (1.4%) adjustment in the 2019 total Operating Budget of \$248,600 and is equivalent to an average monthly increase of \$3.89 per unit owner.

executive summary



property basics

basic information on the property under review



funding goal and method

identification of threshold years and funding methodology



sources of costs

typically published sources and proprietary databases



reserve fund status

current cash balances and planned contributions

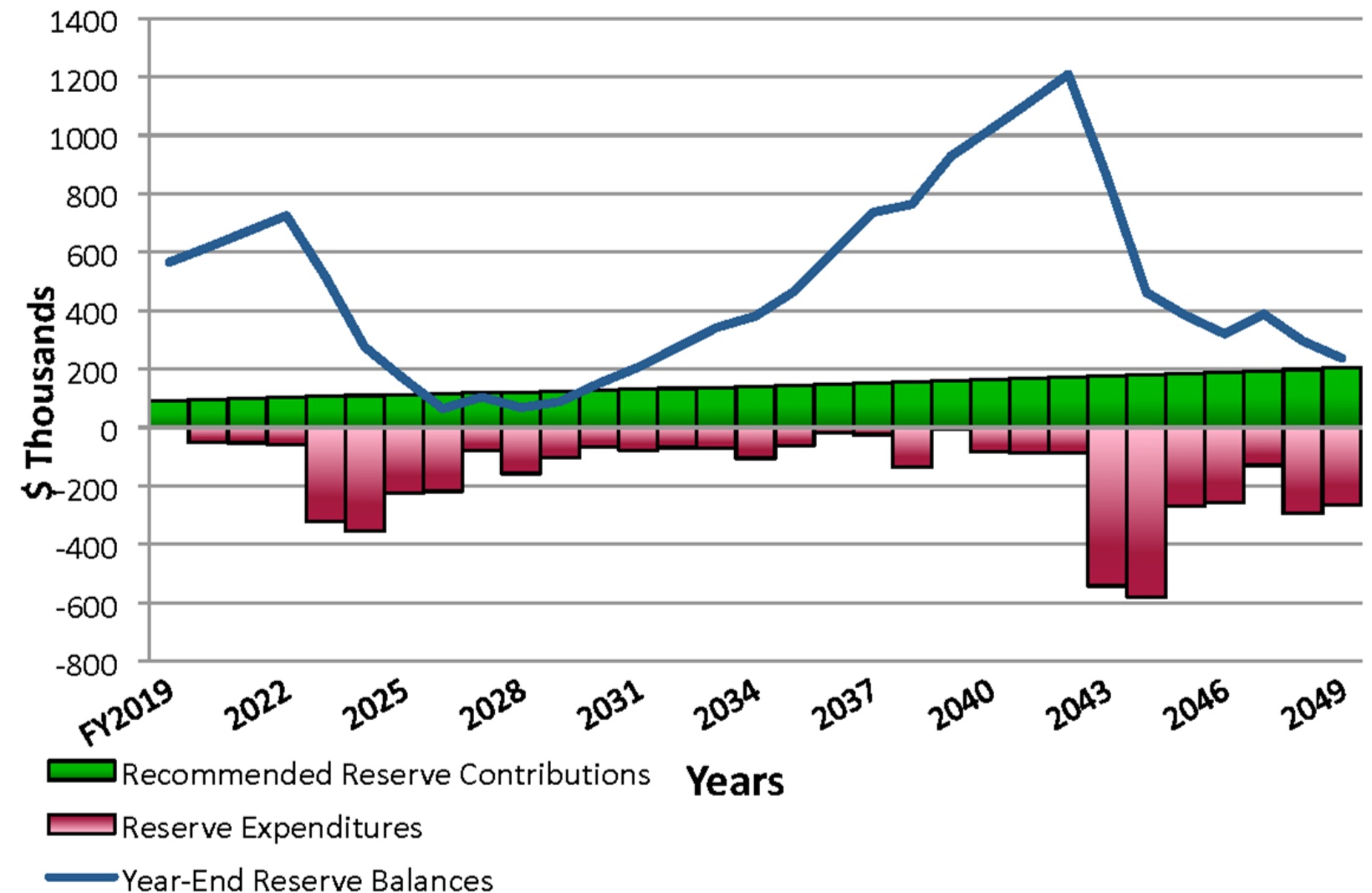


funding recommendations

includes project prioritization and adjustments to funding levels to maintain adequate balances

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2020	95,500	616,749	2030	126,900	151,156	2040	162,600	1,018,771
2021	99,000	670,898	2031	130,100	206,055	2041	166,700	1,112,101
2022	102,500	724,646	2032	133,400	273,390	2042	170,900	1,208,611
2023	106,000	515,245	2033	136,700	341,698	2043	175,200	853,607
2024	109,500	275,912	2034	140,100	381,143	2044	179,600	461,718
2025	112,200	166,436	2035	143,600	466,709	2045	184,100	383,057
2026	115,000	64,302	2036	147,200	601,259	2046	188,700	320,156
2027	117,900	104,010	2037	150,900	735,959	2047	193,400	388,008
2028	120,800	67,853	2038	154,700	763,718	2048	198,200	295,603
2029	123,800	88,431	2039	158,600	928,536	2049	203,200	236,920



expenditures table



component inventory

list of common elements



quantities and units

units of measure and quantities of common elements



useful and remaining lives

life analysis of common elements



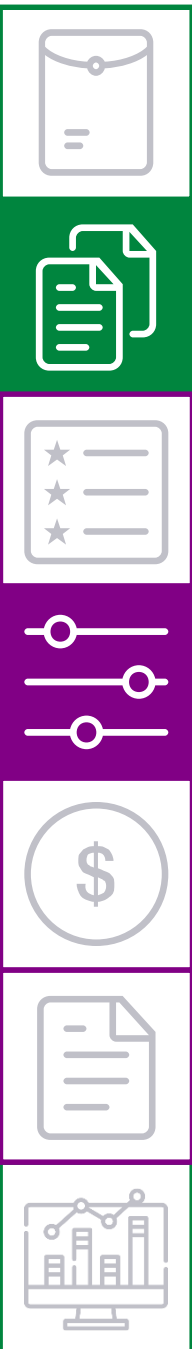
cost information

unit, phase, total and 30-year costs



replacement schedule

details timing and manner of replacement



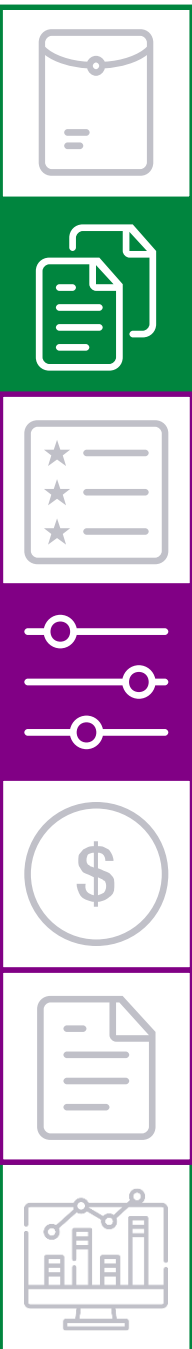
expenditures table

Explanatory Notes:

- 1) **2.5%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Scenic Ridge Association
Madison, USA

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)						
Exterior Building Elements																	
1.040	4,500	1,500	Square Feet	Balconies, Composite	2025	20 to 25	6 to 8	35.00	52,500	157,500	509,630						
1.260	75	75	Each	Light Fixtures	2031	to 20	12	100.00	7,500	7,500	10,087						
1.280	975	488	Squares	Roofs, Asphalt Shingles, Phased	2023	15 to 20	4 to 5	425.00	207,188	414,375	1,221,969				228,696	234,414	
1.400	130	65	Squares	Roofs, Flat, Phased	2023	15 to 20	4 to 5	1,000.00	65,000	130,000	383,363				71,748	73,542	
1.540	9,000	4,500	Linear Feet	Sealants, Windows and Doors, Phased	2023	to 20	4 to 14	2.50	11,250	22,500	48,662				12,418		
1.820	37,500	37,500	Square Feet	Walls, Masonry, Inspections and Repairs	2025	8 to 12	6	0.80	30,000	30,000	136,335						
1.860	75,000	25,000	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2020	8 to 10	1 to 3	1.50	37,500	112,500	463,265	38,438	39,398	40,383			
1.910	75	25	Units	Walls, Trim, Soffits and Fascia, Paint Finishes	2020	4 to 6	1 to 3	500.00	12,500	37,500	329,137	12,812	13,133	13,461			
Interior Building Elements																	
2.060	3,600	3,600	Square Feet	Ceilings, Acoustical Tiles and Grid, Hallways	2034	to 30	15	5.00	18,000	18,000	26,069						
2.100	1	1	Each	Elevator Cab Finishes	2028	to 25	9	15,000.00	15,000	15,000	18,733						
2.200	400	400	Square Yards	Floor Coverings, Carpet, Hallways	2024	8 to 12	5	55.00	22,000	22,000	97,541						24,891
2.560	37	37	Each	Light Fixtures, Hallways	2034	to 20	15	150.00	5,550	5,550	8,038						
2.700	75	75	Each	Mailboxes	2034	to 35	15	115.00	8,625	8,625	12,492						
2.800	18,300	18,300	Square Feet	Paint Finishes, Hallways	2024	8 to 12	5	1.00	18,300	18,300	81,136						20,705



funding plan

CASH FLOW ANALYSIS

Scenic Ridge
Association
Madison, USA

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserves at Beginning of Year (Note 1)	467,289	565,448	616,749	670,898	724,646	515,245	275,912	166,436	64,302	104,010	67,853	88,431	151,156	206,055	273,390	341,698
Total Recommended Reserve Contributions (Note 2)	92,000	95,500	99,000	102,500	106,000	109,500	112,200	115,000	117,900	120,800	123,800	126,900	130,100	133,400	136,700	140,100
Plus Estimated Interest Earned, During Year (Note 3)	6,159	7,051	7,680	8,323	7,395	4,719	2,638	1,376	1,004	1,025	932	1,429	2,130	2,860	3,669	4,311
Less Anticipated Expenditures, By Year	0	(51,250)	(52,531)	(57,075)	(322,796)	(353,552)	(224,314)	(218,510)	(79,196)	(157,982)	(104,154)	(65,604)	(77,331)	(68,925)	(72,061)	(104,966)
Anticipated Reserves at Year End	\$565,448	\$616,749	\$670,898	\$724,646	\$515,245	\$275,912	\$166,436	\$64,302	\$104,010	\$67,853	\$88,431	\$151,156	\$206,055	\$273,390	\$341,698	\$381,143
Predicted Reserves based on 2019 funding level of:	\$92,000	565,448	613,228	660,293	703,351	479,610	222,244	91,803	(34,364)	(21,896)						

(NOTE 5)

(continued)

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

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Reserves at Beginning of Year	381,143	466,709	601,259	735,959	763,718	928,536	1,018,771	1,112,101	1,208,611	853,607	461,718	383,057	320,156	388,008	295,603
Total Recommended Reserve Contributions	143,600	147,200	150,900	154,700	158,600	162,600	166,700	170,900	175,200	179,600	184,100	188,700	193,400	198,200	203,200
Plus Estimated Interest Earned, During Year	5,057	6,370	7,975	8,944	10,093	11,614	12,709	13,841	12,300	7,845	5,038	4,194	4,224	4,077	3,176
Less Anticipated Expenditures, By Year	(63,091)	(19,020)	(24,175)	(135,885)	(3,875)	(83,979)	(86,079)	(88,231)	(542,504)	(579,334)	(267,799)	(255,795)	(129,772)	(294,682)	(265,059)
Anticipated Reserves at Year End	\$466,709	\$601,259	\$735,959	\$763,718	\$928,536	\$1,018,771	\$1,112,101	\$1,208,611	\$853,607	\$461,718	\$383,057	\$320,156	\$388,008	\$295,603	\$236,920

(NOTE 4)

Explanatory Notes:

- 1) Year 2019 starting reserves are as of January 1, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.
- 2) Reserve Contributions for 2019 are budgeted; 2020 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves.
- 4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

CASH FLOW ANALYSIS

Scenic Ridge
Association
Madison, USA

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2019	2020	2021	2022	2023	2024
Reserves at Beginning of Year (Note 1)	467,289	565,448	616,749	670,898	724,646	515,245
Total Recommended Reserve Contributions (Note 2)	92,000	95,500	99,000	102,500	106,000	109,500
Plus Estimated Interest Earned, During Year (Note 3)	6,159	7,051	7,680	8,323	7,395	4,719
Less Anticipated Expenditures, By Year	0	(51,250)	(52,531)	(57,075)	(322,796)	(353,552)
Anticipated Reserves at Year End	\$565,448	\$616,749	\$670,898	\$724,646	\$515,245	\$275,912
Predicted Reserves based on 2019 funding level of: \$92,000	565,448	613,228	660,293	703,351	479,610	222,244



current fund status

starting point of reserve funds



annual contributions

recommended funding levels



interest earnings

anticipated earnings on reserves



anticipated expenditures

annualized expenditures from reserve schedule



year-end balances

year-end balances based on all prior components

narrative section



quantities

provides further detail on the quantities of elements beyond what can be listed on the expenditures table



component history

only location in the report where useful details on the history of capital repairs and replacement can be found



conditions (photographs)

written and photographic details on the conditions of the elements help justify the timing and costs of replacement

Walls, Fiber Cement Siding and Trim, Paint Finishes

Line Items: 1.759 and 1.760

Quantity: Approximately 31,000 square feet of fiber cement siding and composite wood trim, and 160 linear feet of wood railings and associated wood columns at the front stoops. This quantity excludes the aluminum soffit and fascia.

History: The finish at the fiber cement siding is original, and the trim and railings were painted in 2013.

Condition: Fair overall with locations of peeling finish, discoloration, sealant deterioration, wood rot and cracks evident



Fiber cement siding



Sealant deterioration and peeling finish at fiber cement, Unit 100



Discolored finish at Unit 200



Peeling paint finish at Unit 300

narrative section



schematics

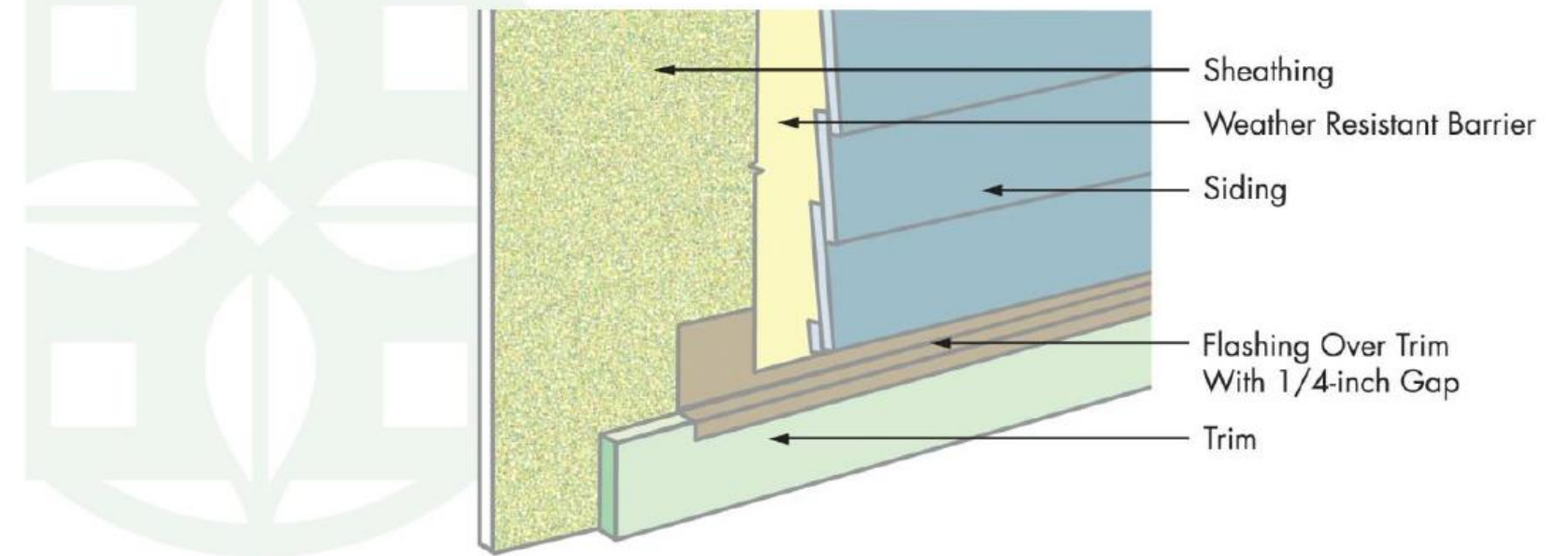
drawings which improve basic understanding of construction methods for those who are unfamiliar



detail of expenditures

provides further detail into aspects of the calculation of cost for an element

FIBER CEMENT SIDING DETAIL



© Reserve Advisors, Inc.

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 coordinate painting of all buildings in a single year. This will ensure aesthetic continuity, reduce total cost due to economies of scale, and minimize disruption to the unit owners. We anticipate the following during each paint application cycle:

- Paint finish application to the siding, soffits and fascia, trim and garage doors
 - Replacement of up to two percent (2%) of the siding and up to ten percent (10%) of the trim (The exact amount of material in need of replacement will depend on the actual future conditions and desired appearance. We recommend replacement wherever cracks, delamination and deterioration impair the ability of the material to prevent water infiltration.)
- Replacement of up to fifty percent (50%) of the sealants

narrative section



alternative replacement

provides information, including materials, costs and lives, on alternative replacement options

Expenditure Detail Notes: Expenditure timing and costs are depicted in the *Reserve Expenditures* table in Section 3. We include the cost for siding repairs and replacements at the chimney chases on the last two line items “**2018 Remaining Reserve Expenditures**” and “**2019 Remaining Reserve Expenditures**”. At this time, it is unknown if the Association will continue to replace the siding at the chimney chases as the half-moon accent openings will all be removed after 2019. We recommend the Association fund any siding replacement at chimney chases in conjunction with the paint finish applications and fund this activity through the already established siding replacement allowance in the operating budget. As mentioned previously, the Association funds paint finishes and partial wood replacement as part of the annual operating budget. Based on the history of ongoing paint applications and partial replacements, we defer the full scale replacement of the siding. As the siding continues to age, the quantity and cost of siding in need of replacement will increase. Due to this increase in cost and the frequency and cost of paint applications, we recommend the Association consider an alternate material for the siding at the time of replacement. The following table depicts the cost difference of wood, fiber cement and vinyl siding:

Siding Material	Vinyl	Fiber Cement	Wood
Cost in 2018 Dollars	\$1,095,000	\$1,115,000	\$1,265,000
Divided by its Useful Life (Years)	35	50	45
Equals Cost of Ownership ¹ Relating to Eventual Replacement, in 2018 Dollars	\$31,286	\$22,300	\$28,111
Total Life-Cycle Maintenance Costs, in 2018 Dollars	\$0	\$220,000	\$220,000
Divided by Life-Cycle of Each Maintenance Event (Years)	N/A	10	7
Cost of Ownership for Maintenance During Remaining Useful Life, in 2018 Dollars	\$0	\$22,000	\$31,429
Total Annual Cost of Ownership (2018 dollars)	\$31,286	\$44,300	\$59,540

¹ Cost of Ownership is a method to describe the direct and indirect costs to purchase and maintain an element through its entire useful life.

reserve study deliverables



interest earnings



cost information



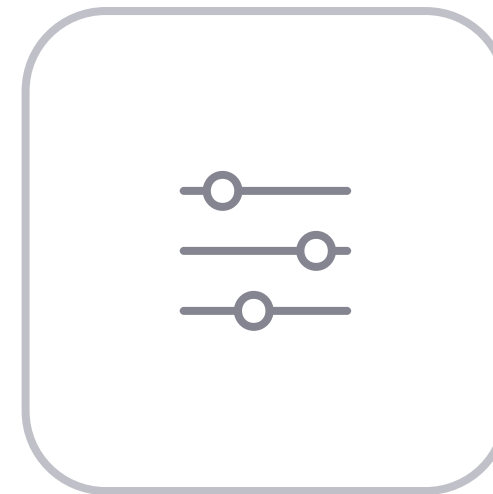
sources of local cost



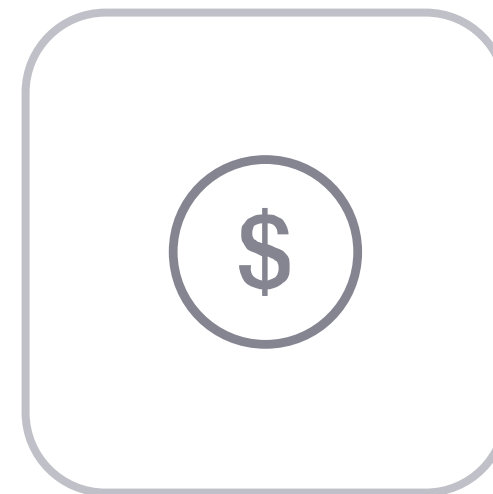
component history/condition



executive summary



expenditures table



funding plan



narrative section

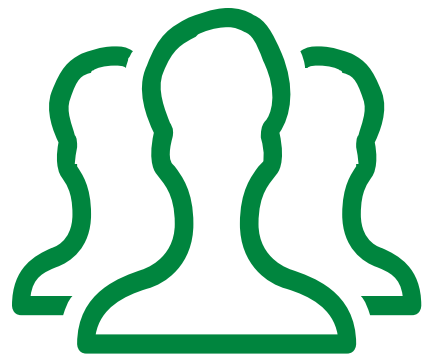


RESERVE STUDY DISTRIBUTION

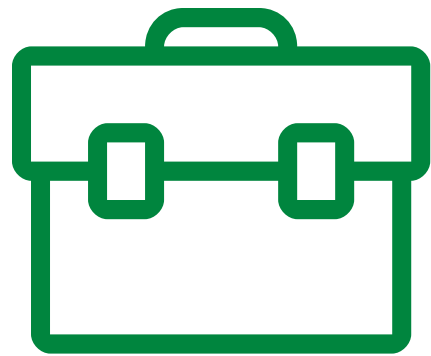


report distribution

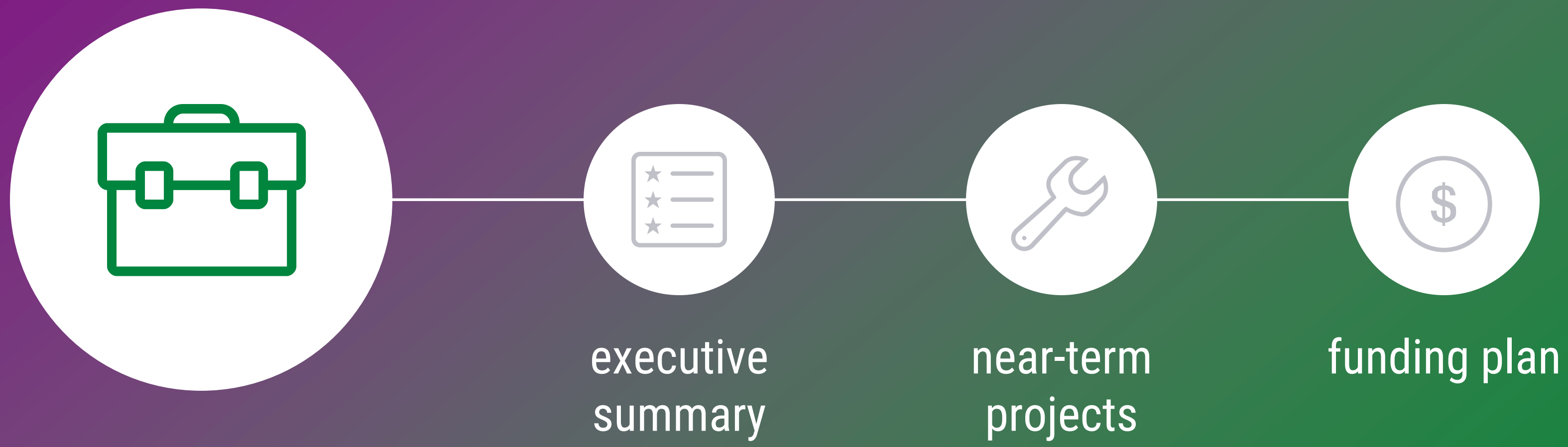
who gets what



owners & buyers executive summary



management & board
entire report and
spreadsheets





let's take
a closer look

reserve study distribution



property basics

basic information on the property under review



funding goal and method

identification of threshold years and funding methodology



sources of costs

typically published sources and proprietary database



reserve fund status

current cash balances and planned contributions



funding recommendations

includes project prioritization and adjustments to funding levels to maintain adequate balances

executive summary



Client: Scenic Ridge Association (Scenic Ridge)
Location: Madison, USA
Reference: 123456

Property Basics: Scenic Ridge Association is a condominium style development of 75 units in 37 buildings. The buildings were built from 2003 to 2005.

Reserve Components Identified: 27 Reserve Components

Inspection Date: July 1, 2019

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 this threshold funding year in 2026 due to replacement of the asphalt pavement.

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

- Current and future *local* costs of replacement
- 1.2% annual rate of return on invested reserves
- 2.5% 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 and Marshall & Swift, "the Building Cost People."

Cash Status of Reserve Fund:

- \$467,289 as of January 1, 2019
- 2019 Reserve Contributions of \$92,000

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:

- Paint finish applications to the stucco, trim, soffits and fascia, including repairs and partial replacements to maintain a uniformly clean and consistent appearance of the buildings
- Partial sealant replacement to limit water infiltration
- Replacement of the roofs as deferral may lead to further water infiltration and cost

Recommended Reserve Funding:

- Phased increases in Reserve Contributions of approximately \$3,500 from 2020 through 2024
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$3,500 represents about a one percent (1.4%) adjustment in the 2019 total Operating Budget of \$248,600 and is equivalent to an average monthly increase of \$3.89 per unit owner.

reserve study distribution

FIVE-YEAR OUTLOOK

**Scenic Ridge
Association**
Madison, USA

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
<u>Exterior Building Elements</u>							
1.280	Roofs, Asphalt Shingles, Phased					228,696	234,414
1.400	Roofs, Flat, Phased					71,748	73,542
1.540	Sealants, Windows and Doors, Phased					12,418	
1.860	Walls, Stucco, Paint Finishes and Capital Repairs		38,438	39,398	40,383		
1.910	Walls, Trim, Soffits and Fascia, Paint Finishes		12,812	13,133	13,461		
<u>Interior Building Elements</u>							
2.200	Floor Coverings, Carpet, Hallways						24,891
2.800	Paint Finishes, Hallways						20,705
<u>Building Services Elements</u>							
3.060	Air Handling Unit, Rooftop Heating and Cooling Unit					9,934	
<u>Garage Elements</u>							
7.400	Door and Operator				3,231		
Anticipated Expenditures, By Year		0	51,250	52,531	57,075	322,796	353,552

near term **projects**



reserve study distribution

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:

- Asphalt pavement repairs and seal coat applications to extend the useful life of the pavement
- Complete inspection of the stone masonry facades to identify all areas of deterioration and performance of the necessary repairs. Left unaddressed, areas of water infiltration will increase, which may result in damage to the building structures and increase future repair costs.
- Coordinated paint finish applications to the building exteriors, including partial wood trim and fiber cement siding replacement, along with partial sealant replacement, to ensure a watertight barrier exists between weather elements and the building structure. Interim to these coordinated paint projects, the Association should anticipate the need to perform minor repairs and paint finish touch up, funded through the operating budget, due to the varied breakdown of these components, and commonly associated with the variation in the quality of the workmanship.



near term **projects**

reserve study distribution



recommended contributions

consistent with minimal and predictable increases

CASH FLOW ANALYSIS Scenic Ridge Association Madison, USA

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserves at Beginning of Year (Note 1)	187,288	505,118	618,718	678,888	721,818	815,215	875,812	100,188	81,882	181,818	87,858	88,181	151,158	288,855	278,888	311,888
Total Recommended Reserve Contributions (Note 2)	92,000	95,500	99,000	102,500	106,000	109,500	112,200	115,000	117,900	120,800	123,800	126,900	130,100	133,400	136,700	140,100
Plus Estimated Interest Earned, During Year (Note 3)	8,150	7,851	7,888	8,888	7,888	1,718	2,888	1,878	1,881	1,885	888	1,188	2,188	2,888	3,888	1,811
Less Anticipated Expenditures, By Year	0	(51,250)	(52,531)	(57,075)	(322,796)	(353,552)	(224,314)	(218,510)	(79,196)	(157,982)	(104,154)	(65,604)	(77,331)	(68,925)	(72,061)	(104,966)
Anticipated Reserves at Year End	\$565,448	\$616,749	\$670,898	\$724,646	\$515,245	\$275,912	\$166,436	\$64,302 (NOTE 5)	104,010	\$67,853	\$88,431	\$151,156	\$206,055	\$273,390	\$341,698	\$381,143
Predicted Reserves based on 2019 funding level of: \$92,000	565,448	613,228	660,293	703,351	479,610	222,244	91,805	(34,364)	(21,896)							

critical years

reserve balance at critically low threshold



(continued)

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

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Reserves at Beginning of Year	381,143	466,709	601,259	735,959	763,718	928,536	1,018,771	1,112,101	1,208,611	853,607	461,718	383,057	320,156	388,008	295,603
Total Recommended Reserve Contributions	143,600	147,200	150,900	154,700	158,600	162,600	166,700	170,900	175,200	179,600	184,100	188,700	193,400	198,200	203,200
Plus Estimated Interest Earned, During Year	5,057	6,370	7,975	8,944	10,093	11,614	12,709	13,841	12,300	7,845	5,038	4,194	4,224	4,077	3,176
Less Anticipated Expenditures, By Year	(63,091)	(19,020)	(24,175)	(135,885)	(3,875)	(83,979)	(86,079)	(88,231)	(542,504)	(579,334)	(267,799)	(255,795)	(129,772)	(294,682)	(265,059)
Anticipated Reserves at Year End	\$466,709	\$601,259	\$735,959	\$763,718	\$928,536	\$1,018,771	\$1,112,101	\$1,208,611	\$853,607	\$461,718	\$383,057	\$320,156	\$388,008	\$295,603	\$236,920 (NOTE 4)

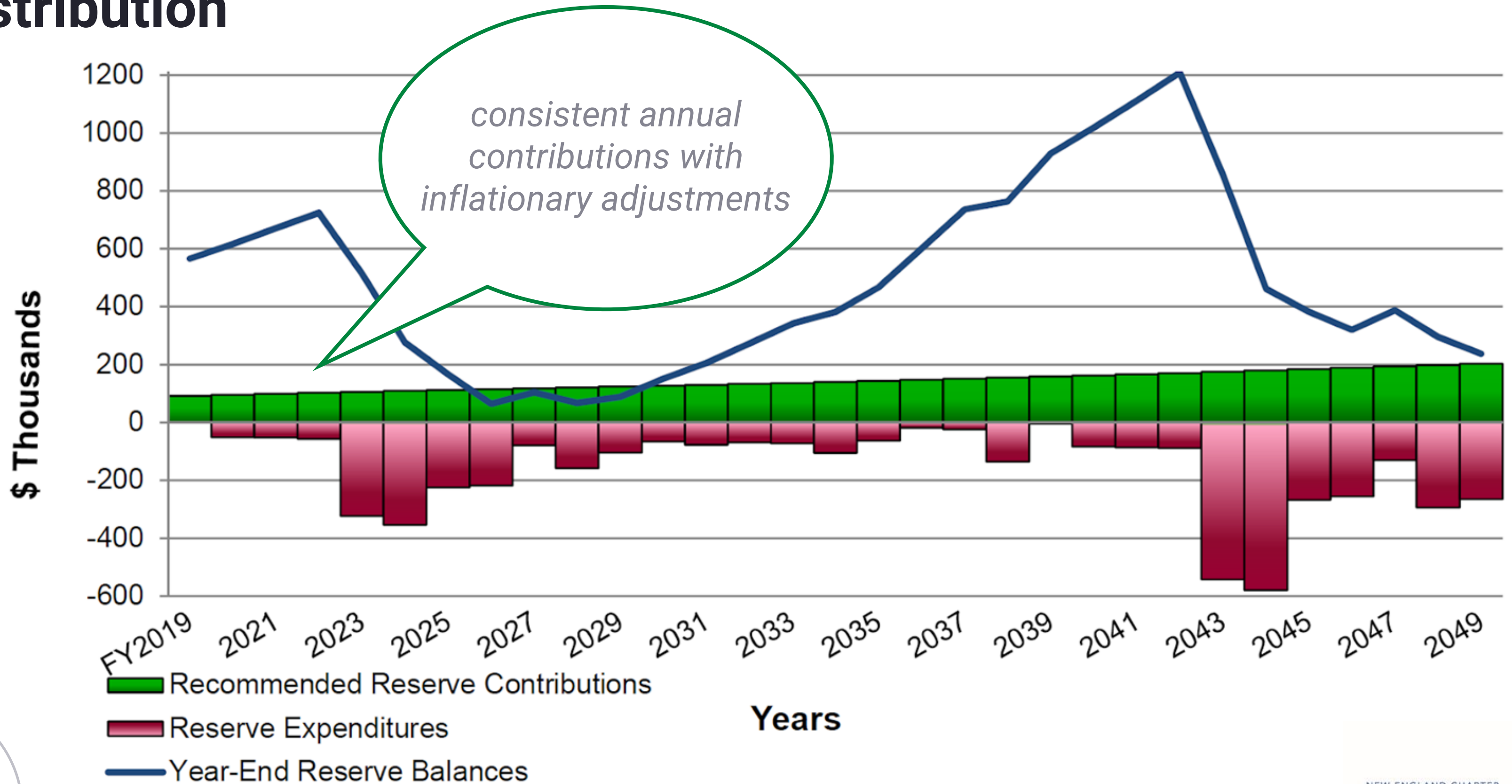
Explanatory Notes:

- 1) Year 2019 starting reserves are as of January 1, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.
- 2) Reserve Contributions for 2019 are budgeted; 2020 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves.
- 4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).



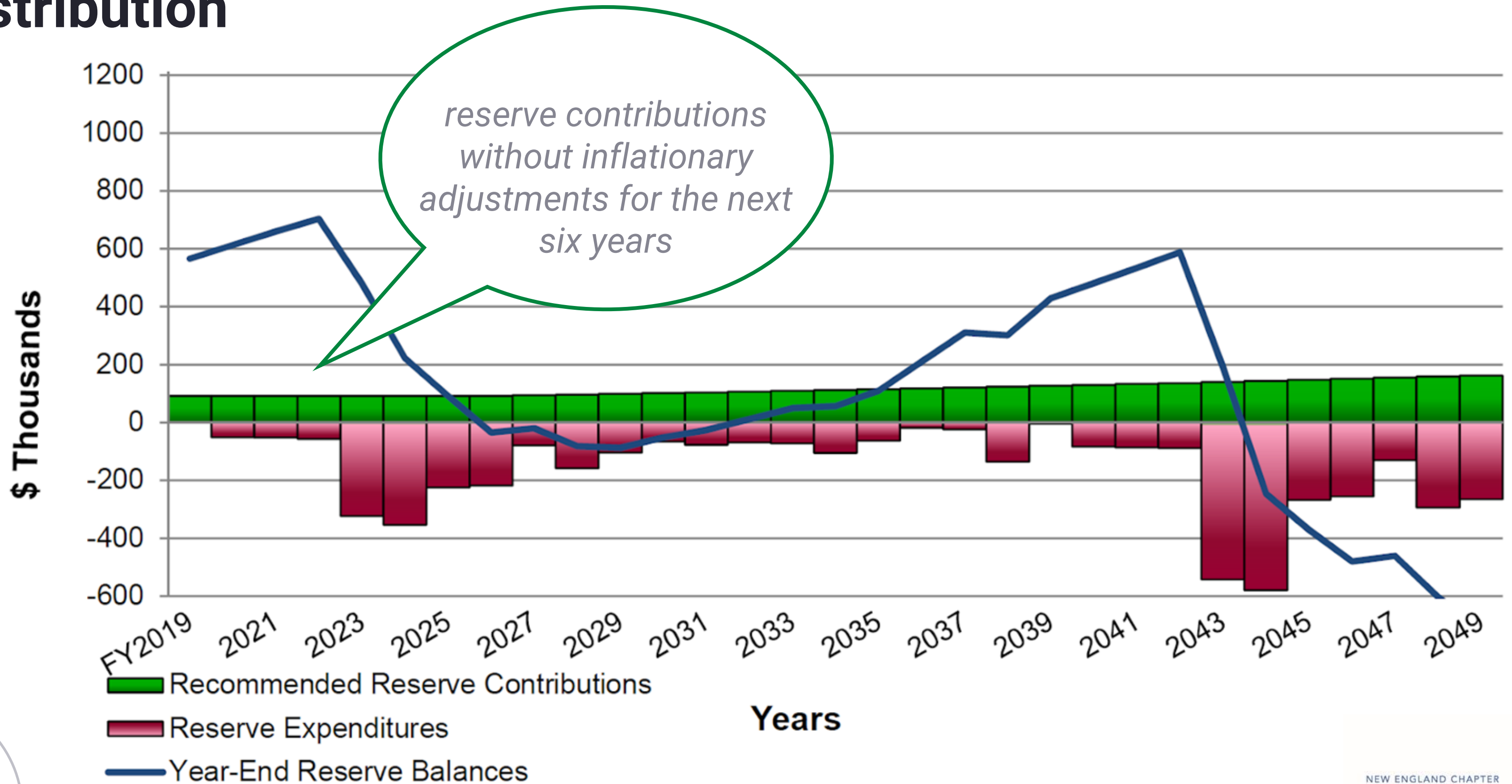
funding plan

reserve study distribution



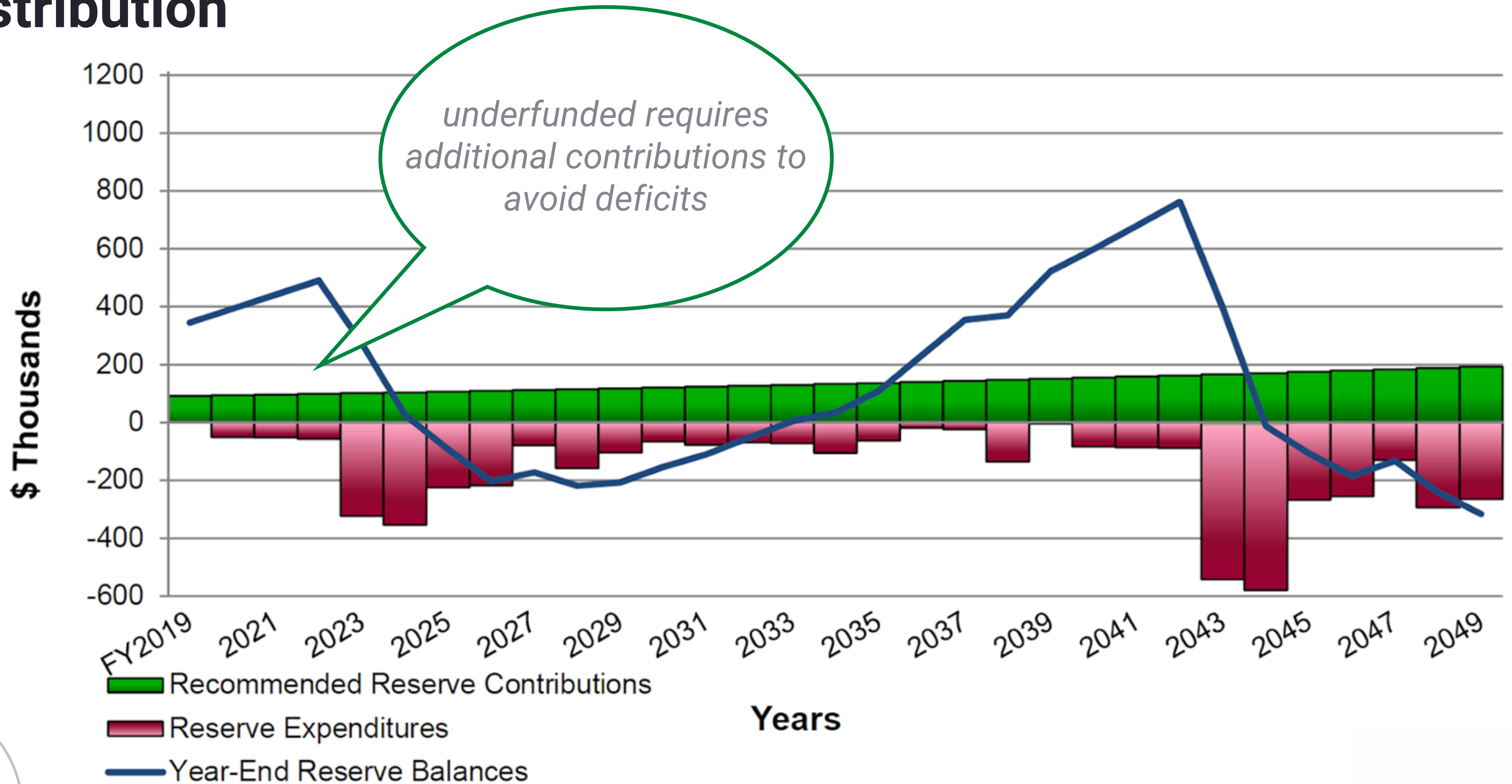
funding plan

reserve study distribution



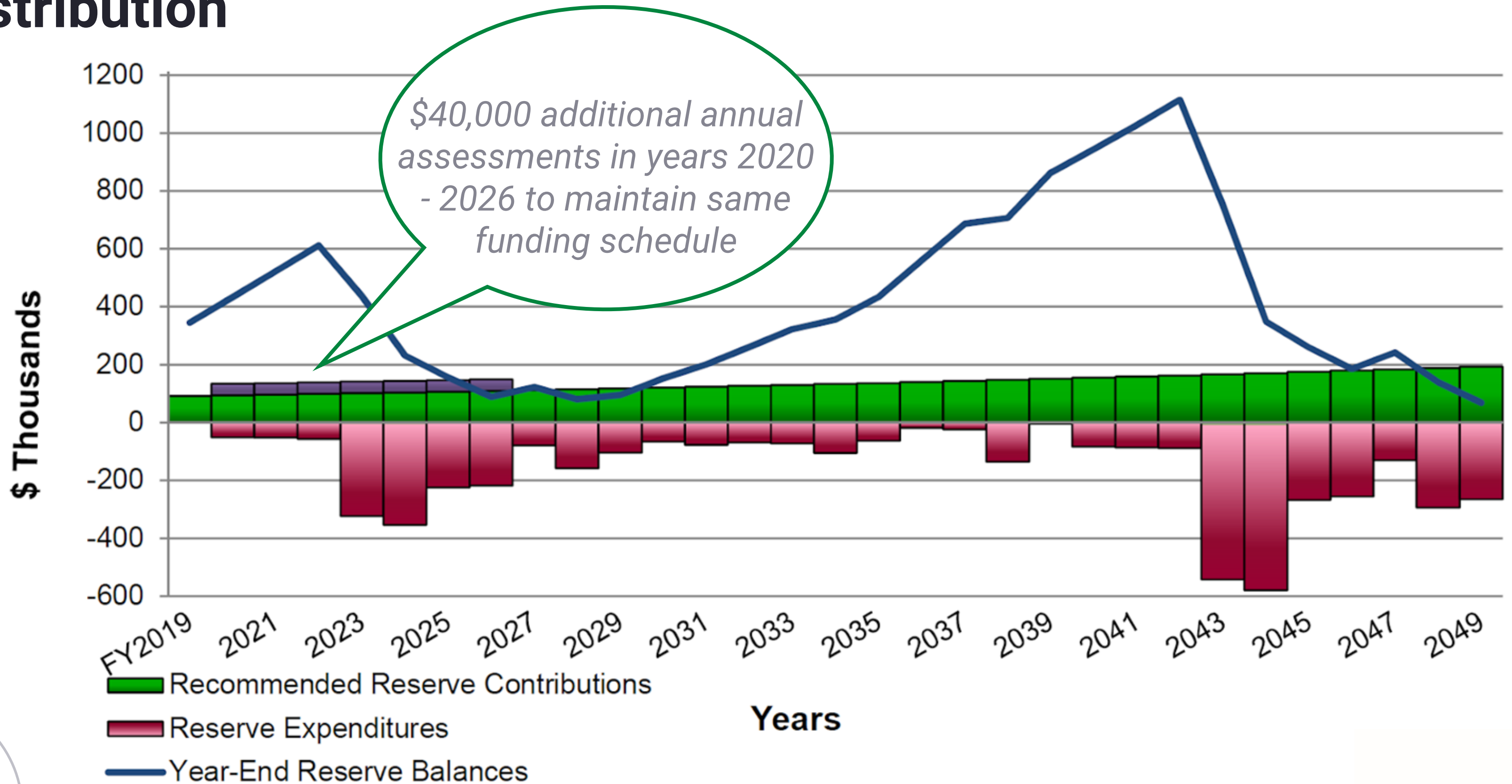
funding plan

reserve study distribution



funding plan

reserve study distribution



funding plan



USING THE REPORT

using the report



during budget season the reserve study provides guidance for annual funding levels as well insight into project management

budget



an accurate, up to date reserve study is useful for residents when special assessments are necessary, and commonly required, when securing bank loans

funding



when soliciting bids, a reserve study can help define the scope of the project, provide an expected project cost and at times recommend alternate solutions

bids



some state laws require reserve studies and local city or municipality ordinances may require specific items to be included/excluded from a reserve study

regulatory

using the report



annual
dues



project
prioritization



project
scheduling



budget

CASH FLOW ANALYSIS

Scenic Ridge
Association
Madison, USA

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2019	2020	2021	2022	2023	2024
Reserves at Beginning of Year (Note 1)	467,289	565,448	616,749	670,898	724,646	515,245
Total Recommended Reserve Contributions (Note 2)	92,000	95,500	99,000	102,500	106,000	109,500
Plus Estimated Interest Earned, During Year (Note 3)	6,159	7,051	7,680	8,323	7,395	4,719
Less Anticipated Expenditures, By Year	0	(51,250)	(52,531)	(57,075)	(322,796)	(353,552)
Anticipated Reserves at Year End	\$565,448	\$616,749	\$670,898	\$724,646	\$515,245	\$275,912
Predicted Reserves based on 2019 funding level of: \$92,000	565,448	613,228	660,293	703,351	479,610	222,244

FIVE-YEAR OUTLOOK

Scenic Ridge
Association
Madison, USA

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
<u>Exterior Building Elements</u>							
1.280	Roofs, Asphalt Shingles, Phased					228,696	234,414
1.400	Roofs, Flat, Phased					71,748	73,542
1.540	Sealants, Windows and Doors, Phased					12,418	
1.860	Walls, Stucco, Paint Finishes and Capital Repairs		38,438	39,398	40,383		
1.910	Walls, Trim, Soffits and Fascia, Paint Finishes		12,812	13,133	13,461		
<u>Interior Building Elements</u>							
2.200	Floor Coverings, Carpet, Hallways						24,891
2.800	Paint Finishes, Hallways						20,705

using the report



annual
dues



project
prioritization



project
scheduling



budget

Reserve Component Inventory		Estimated 1st Year of Event	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
<u>Pool Elements</u>								
Concrete Deck, Textured Coating, Partial Replacements and Repairs	2021				8,460			
Fence, Steel, Paint Finishes	2020			3,270				
Fence, Steel, Replacement	2046							
Furniture	2023						8,182	
Mechanical Equipment, Phased	2025							
Pool Finish, Plaster	2022					19,641		
Pool Finish, Tile	2033							

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

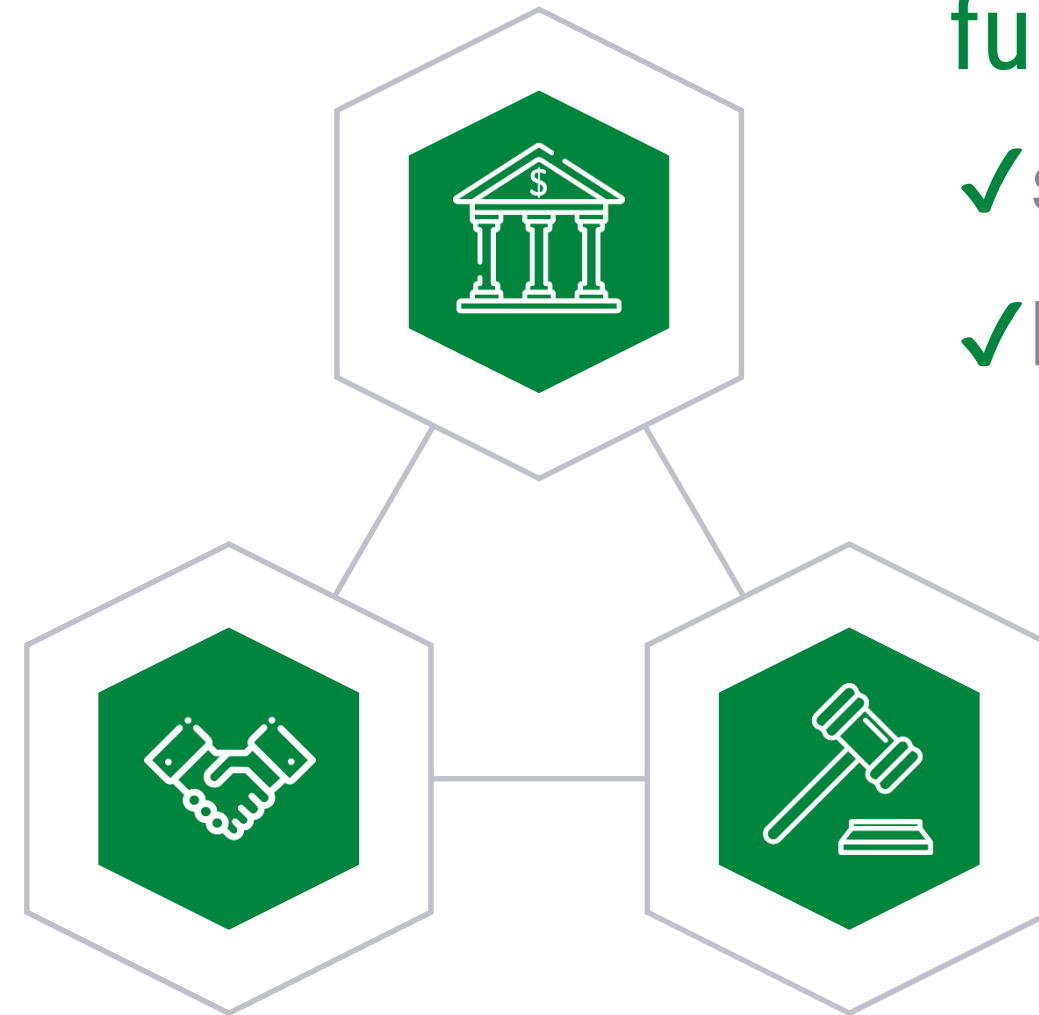
		Individual Reserve Budgets & Cash Flows for the Next 30 Years					
		FY2019	2020	2021	2022	2023	2024
	Reserves at Beginning of Year (Note 1)	128,785	136,443	134,986	136,104	144,932	132,376
	Total Recommended Reserve Contributions (Note 2)	5,423	12,300	19,200	26,100	33,000	33,700
Plus	Estimated Interest Earned, During Year (Note 3)	2,235	2,288	2,285	2,369	2,337	2,136
Less	Anticipated Expenditures, By Year	0	(16,045)	(20,367)	(19,641)	(47,893)	(47,106)
	Anticipated Reserves at Year End	<u>\$136,443</u>	<u>\$134,986</u>	<u>\$136,104</u>	<u>\$144,932</u>	<u>\$132,376</u>	<u>\$121,106</u>

using the report

outside of the more obvious uses of the reserve study (recommended funding levels), the report can be beneficial in many other areas, including securing alternate funding sources, vetting bids, and complying with regulatory requirements

bids

- ✓ scope of work
- ✓ alternate solutions
- ✓ cost comparisons



funding

- ✓ special assessments
- ✓ bank loans

regulatory

- ✓ state law
- ✓ local ordinances
- ✓ association requirements



KEEPING REPORT CURRENT

| **keeping report
current**

how and why do we **maintain an
updated report**



keeping report current



an updated, accurate plan
**best utilizes the association's resources
(capital)**

A reserve study is a snapshot in time and a communities needs and priorities are always changing. To maximize long-term success, you need the most up-to-date picture of your associations past/present/future expenditure and funding needs, allowing you to make the most informed decisions for the association's long-term physical and financial health.

keeping the reserve study current

Deferral or acceleration of replacement can occur for numerous reasons; a few being accelerated deterioration, replacement due to an insurance claim, or condition exceeding expectations.

01

keeping the reserve study current

adding or removing items either due to the construction of a new elements or the abandonment of an existing element. (or local ordinances)

02

03

project coordination adjustments can take many shapes; possibly coordinating different elements into one project or splitting a large project into smaller replacement events.

**keeping the reserve
study current**

use of alternate materials or products can occur; many times due to advancements in technology/materials or for aesthetic reasons.

**keeping the reserve
study current**

keeping report current



solid framework

for maintaining
property in excellent
condition



avoid surprises

from unexpected
assessments or loans



minimize complaints

from owners due to
declining condition of
common elements



reduce cost of ownership

through proactive
repairs to achieve full
useful lives

keeping report current



promoting harmony within the community

- ✓ building trust in management & board decisions while providing confidence in long-term outlook
- ✓ increased curb appeal, property values and demand for association living



enhanced accuracy of future reserve study updates

- ✓ incorporation of actual replacement schedule
- ✓ inclusion of preferred contractor costs

thank you.

Michael Lockhart
Northeast Regional Account Manager

michael.lockhart@reserveadvisors.com
844-701-9884

