

Woodside Reserve Study Workshop

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Workshop Overview

- **Reserve Study Requirements**
- **What is a Reserve Study? What a Reserve Study is NOT.**
- **What Components Are Included?**
- **Funding**
- **Questions**

Why do a Reserve Study?

It's the Law

- **Davis-Stirling Common Interest Development Act [Civil Code §5550]**
- **Business Judgment Rule**
 - The board must act in good faith; in the interests of the association as a whole; and with reasonable inquiry of industry professionals*
- **Raise Assessments [Civil Code §5605(a)]**
- **Fiduciary responsibility of the board of directors**
 - *The Board of Directors has the Fiduciary Responsibility to Maintain the Community, Not Keep Assessments Artificially Low.*
 - *The reserve study is a long term plan, and should not be manipulated without good cause and for the proper reasons.*

Why do a Reserve Study?

Good Business Sense

- **Maintain, enhance and protect the value of the asset.**
- **Diagnostic tool**
- **Opportunity to Bring Tech, Environmental, & Efficiencies to Community via the Reserve Study.**

What is a Reserve Study?

A budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The reserve study consists of two parts: the **physical** analysis and the **financial** analysis.*

*Community Associations Institute

What is a Reserve Study?

A budgeting tool based on the art and science of anticipating and preparing for the major common area repair and replacement expenses an association will face in the future.*

***California Association of Community Managers**

Components

For a component to be included in the reserve study, it should meet a 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.

Revised July 2023

Long-Life Components

Those components with an estimated remaining life of more than 30 years from the date of the study being prepared.

- *Inclusion of long-life components with funding in the study.*
- *Addition of long-life components with funding at the time when they fall within the 30-year period from the date of study preparation.*
- *Identification of long-life components in the component inventory, even when they are not yet being funded in the 30-year funding plan.*

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Component Development

Documents

- CC&R's
- DRE Report- What did the developer list as reserve items?

History

- What has been in past studies?
- Continuity
- Expanded Component List- Due to maturing facilities
- What-if Projects/Options- Landscape renovation, water conservation, sign replacements, etc.

Component Creep

- Long-Life Components are included in reserve study

Leadership

- Board / Management Additions- (Reserve study cost, Gov. Doc. Rev.)
- Regulatory, Environmental Additions or Revisions (Vari-speed pool pumps, CA Title 24 Cool Roofing, etc.)

Component Development

Component Costing

Contractors / Vendors

-Paving, Painting, Landscaping- Reserve analyst (BRG) will generally speak with them, or contact contractors BRG uses. In some cases, experts are needed to develop the scope of work!

Management / Board Members

-Institutional History
-Invoices for work done in the past

Reserve Analyst Experience

-Work with Similar Associations / Projects
-BRG Never uses Costing Guides like Marshal & Swift, RS Means, etc.
-Don't forget demolition, disposal, permits, fees, regulatory requirements, CID insurance rider, special expertise working with CID's, scheduling around homeowners, residents, etc.

Impact of Rising Costs

Items that need to be considered that may affect costs:

- Design and Engineering
- Permits
- Construction Management
- Contract Administration
- Legal
- Code Upgrades
- Abatement
- Recycling
- Safety and OSHA
- Insurance Riders for working on CID's
- Dueling Agencies (TRPA vs. Placer County Pool Insp.)

Funding Goals



Let's Talk Funding...

Funding Goals

Adequate Reserves

As defined for the first time in the 2023 CAI National Reserve Study Standards:

A replacement reserve fund and stable and equitable multiyear funding plan that together provide for the reliable and timely execution of the association's major repair and replacement projects as defined herein without reliance on additional supplemental funding.

Source: CAI National Standards

Funding Goals

Independent of methodology utilized, 4 basic categories of FP goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

(Baseline funding may lead to project delays, the need for a special assessment, and/or a line of credit for the community to fund needed repairs and replacement of major components.)

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than “Fully Funding.”

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Source: CAI National Standards

Funding Goals

Four areas to look in ALL reserve studies to determine the adequacy of the association's reserves.

- Component Common Sense (The 50-year roof)
- Reserve Contribution Stream
- Funding Mechanisms (Special assessments/Loans)
- Percent Funded Status

Funding Goals

PERCENT FUNDED: The ratio, at a particular point of time (typically the ending of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Actual Balance EOY

Fully Funded Balance

= Percent Funded

Funding Goals

Percent Funded Status

- **Look for the trend line**
- **Does the fund ever get to full funding**
- **Don't obsess over short term drops**
- **Work with management**

Reserve Study Workshop



Any Questions?

Thank You!



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