

FINANCIALLY SUSTAINABLE COMMUNITIES!

PLANNING, MAINTENANCE
&
REPLACEMENT RESERVES

South Carolina Chapter - CAI

NOVEMBER 19, 2015

Housekeeping Note ...

www.mdaReserves.com

Meet Mrs. Jones...

- Retired school teacher,
- Lives on a fixed income,
- Has lived in her HOA for 20 years,
- She is the ideal neighbor!
- As a member of the Board of Directors,

you are foreclosing on her home!



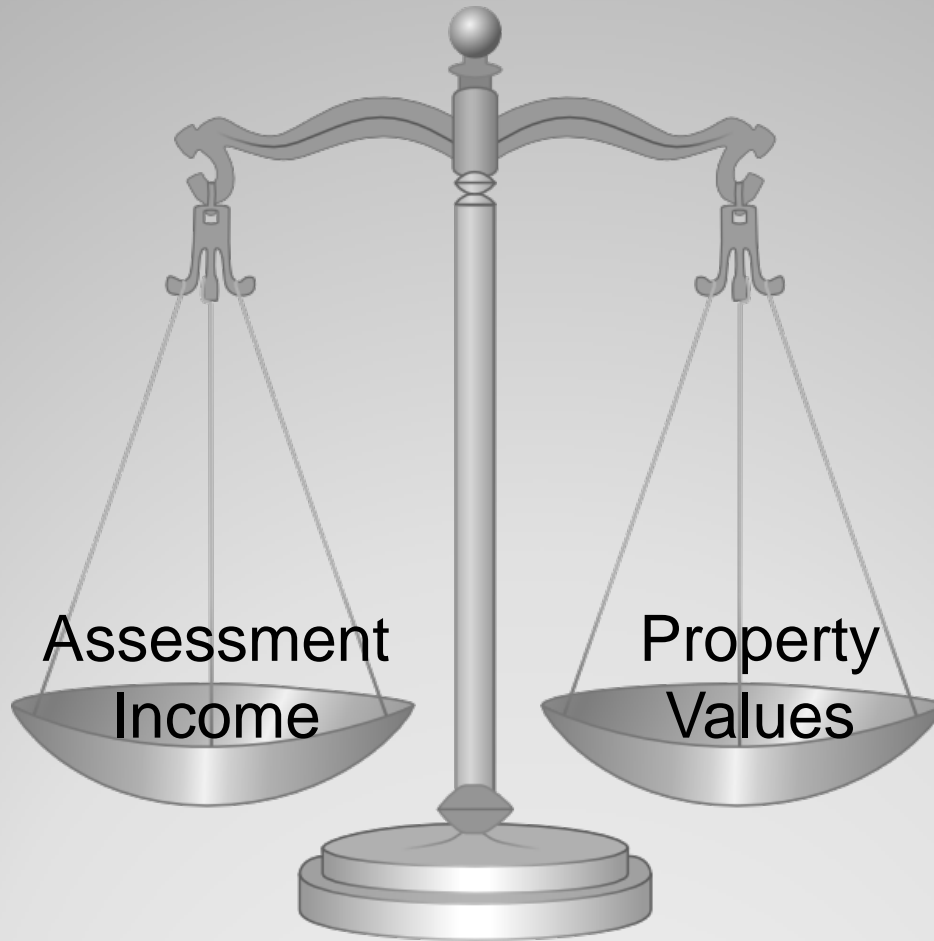
How Could This Happen?

- Inadequate Operations budget did not allow for use of professional consultants!
- Inadequate Maintenance budget resulted in premature replacement needs!
- Uneducated or unwilling Board resulted in inadequate Reserves!

Lack of Planning!

Financially Sustainable Community

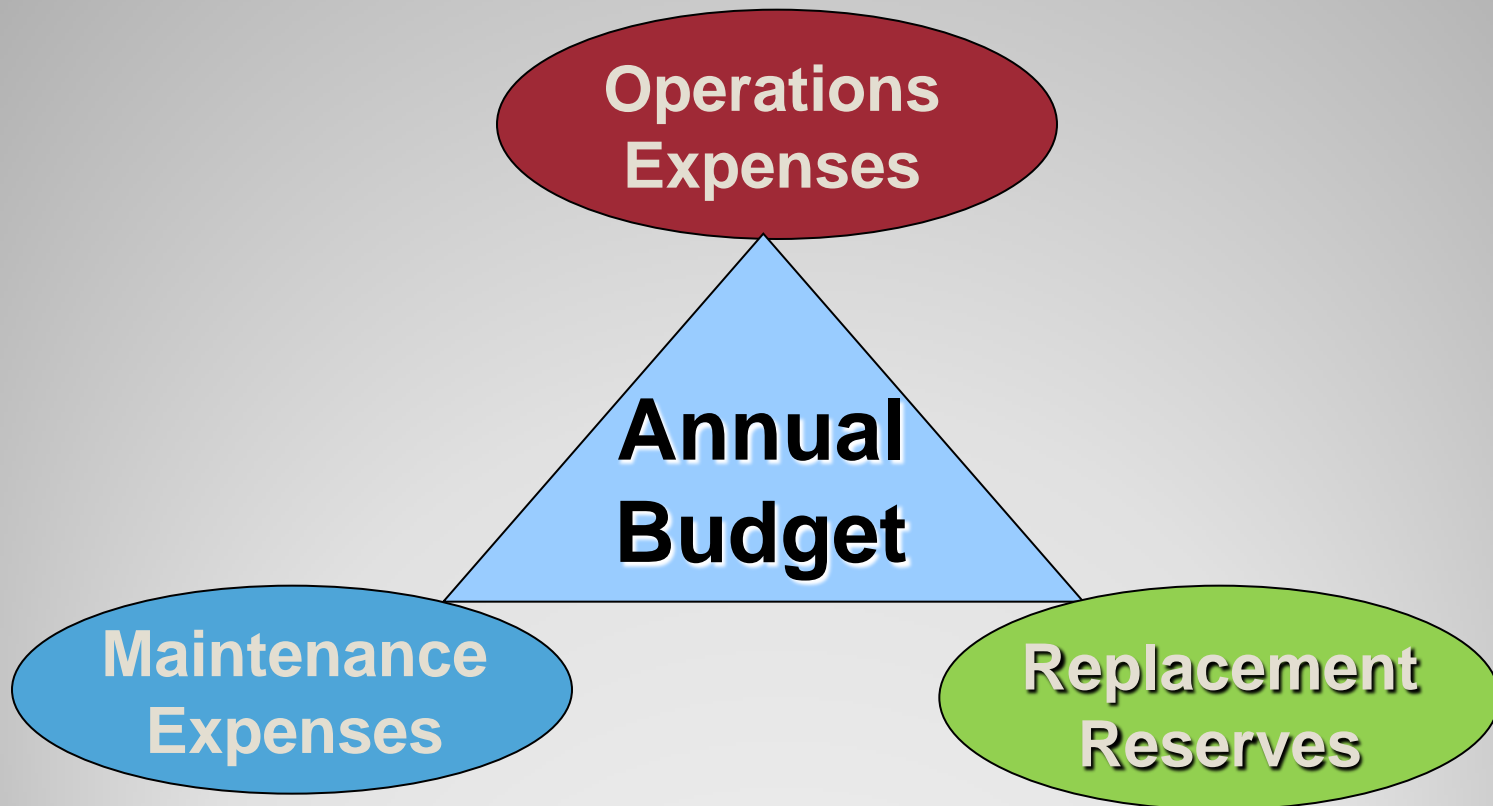
- Acknowledging and functioning within the exigencies of the present economy without limiting the financial abilities of the future.
- Balancing the need for adequate budget (assessments) against the realities of today's housing market.



Financially Sustainable Community

- **Annual Budget is balanced and adequate...**
- **Normal Assessments are adjusted appropriately each year for inflation (as gauged by the PPI).**
- **Property Values are Protected, Preserved & Enhanced!**
 - **Congratulations! Your community is Financially Sustainable!**

Financially Sustainable Community



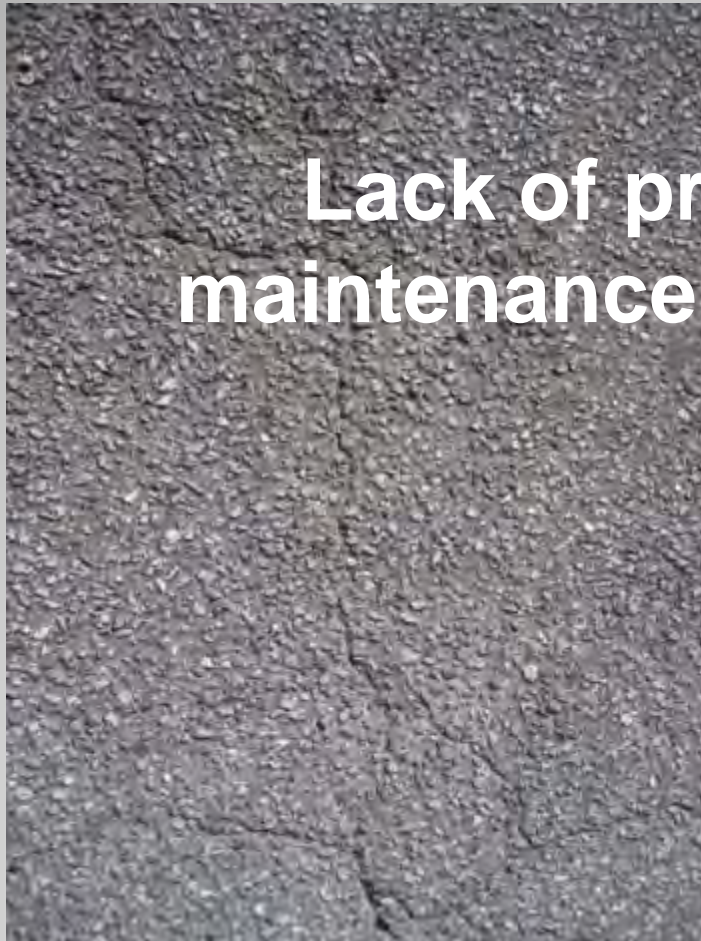
Understand Inflation - CPI versus PPI

- **Consumer Price Index (CPI)**
 - Food Costs
 - Fuel Costs
 - Electricity Costs
 - Housing Costs (rent)
- **Producer Price Index (PPI) gauges**
 - Manufacturing costs
 - Construction costs

Four Truths!

1. All commonly-owned components will eventually have to be replaced!
2. Money spent on sound maintenance is money soundly spent!
3. All materials deteriorate over time!
4. All material costs increase over time!

Example #1



Lack of proper asphalt
maintenance in parking lot...



Example #1



Example #1



Example #1



Example #2



Example #2



**Reclaimed Cypress Siding on
Clubhouse not maintained**

Example #2



Mold



Termites

Example #2



Example #3



Example #3



Example #3



Strategy for Financial Sustainability

- Involve Your Experts early and often!
- Optimize “Economic Life” of Facilities, systems and components with proper maintenance.
- Reserve For Timely Replacement.
- Use Best Practices For Replacements.

Involve Your Experts Early and Often!

- You aren't expected to know everything!
- Call on the appropriate experts!
- Investigate before acting (or not acting)!
- Use experts to assist the Board!
 - Investigations, Scope of Work, Contracts, Etc.
 - Presentations to the Owners

Optimize Economic Life - Maintenance

- Sound preventative maintenance makes sound economic sense!
- The longer an asset (reasonably) stays in service, the lower the life-cycle cost, and thus, the less the Replacement Reserve need.
- Saving money on maintenance just to save money is wasting money long-term!

Use Best Practices for Replacement

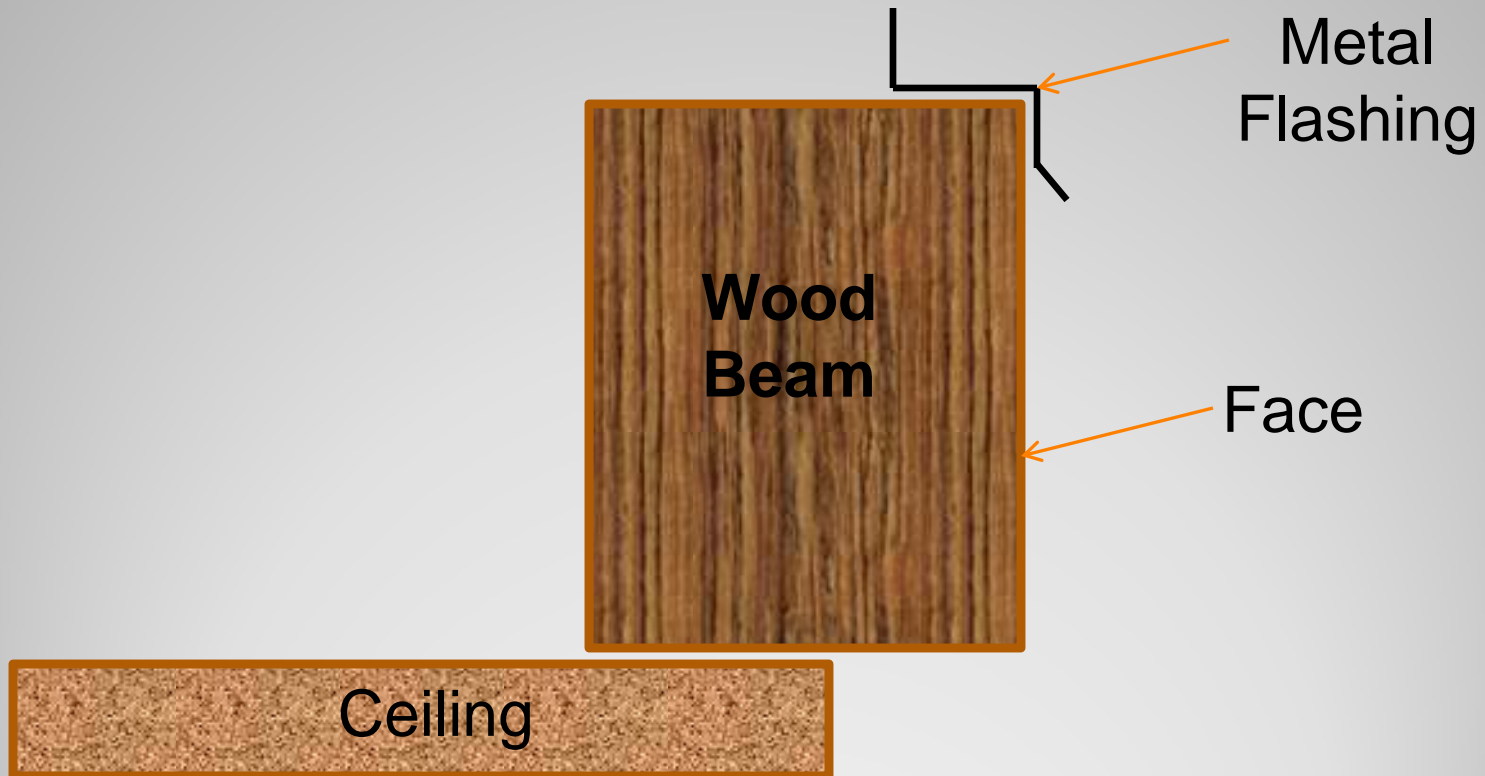
- Hire the Best Contractor that you can find!
- Use the Best Appropriate Materials for the job.
 - Upgrade to a better quality, or
 - Consider alternative materials if applicable.
 - Do the necessary prep work before installation.

Involve your experts to investigate



Side View (Face)
of Pine Beam

Involve your experts early & often



Involve your experts to investigate

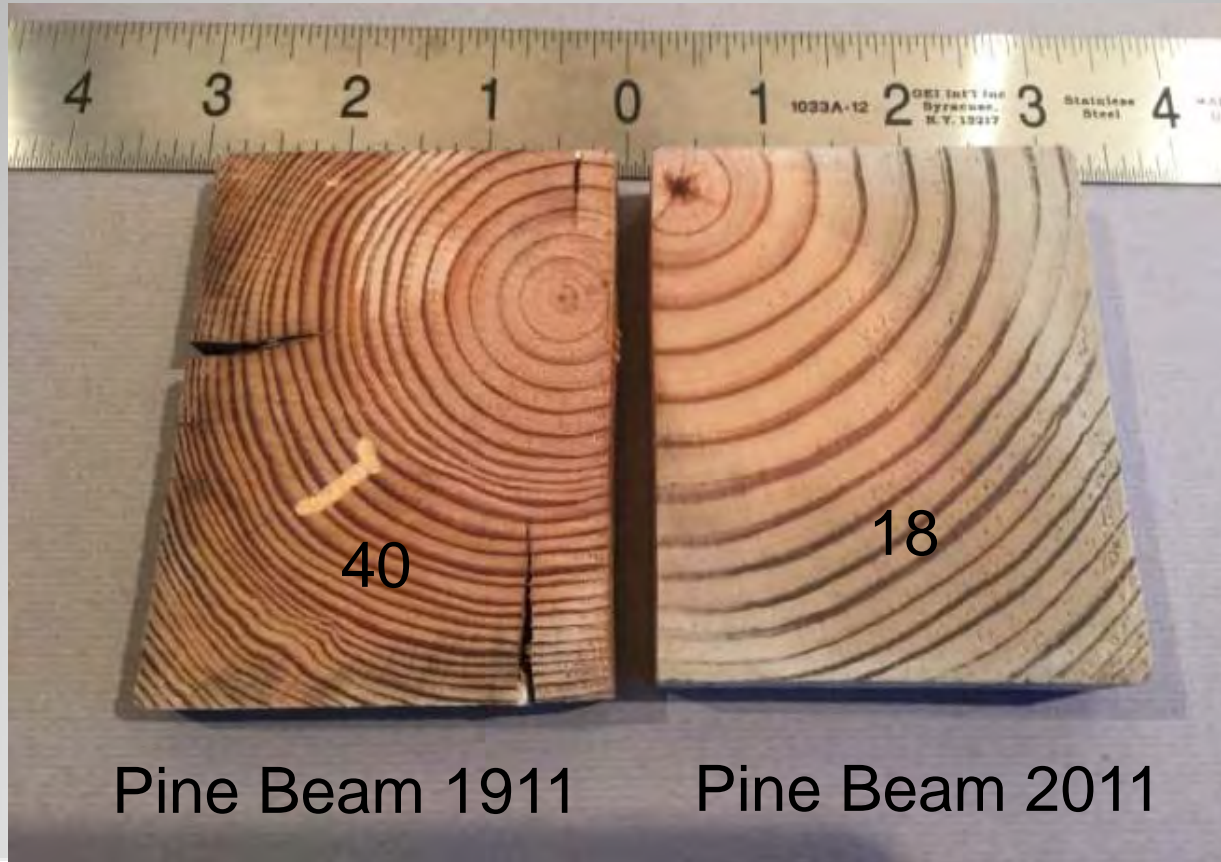


Cross Section
of Pine Beam

Face

Use the Best Materials for the Job

Upgrade or consider alternative material ...



Pine Beam 1911

Pine Beam 2011

Final Thought:

Almost all financial disasters result not from an event, but from lack of planning!

She has spent **\$9,000** on condo association fees over **five years**.



She had to come up with **\$12,000** more in **three months**. She couldn't.

Questions

Speaker BIO

Peter B. Miller, RS

A Principal in the firm of Miller – Dodson Associates, Peter Miller is considered to be one of the nation's leading experts in the field of Reserve Studies and Strategic Financial Planning for community associations. He holds the professional designation of Reserve Specialist (RS). Mr. Miller is a frequent author and lecturer, and was selected to develop and teach the Community Associations Institute's (CAI) Webinar on Reserves and Reserve Studies.

Peter served as the 2004 President of the CAI's Washington Metropolitan Chapter, and was a member of the Board of the CAI South Carolina Chapter. Most recently, he served as the 2014 President of the Southeast Virginia Chapter of CAI. He served as Vice-Chair of the CAI National Reserves Standards Committee, and currently serves on the CAI National Business Partners Council. He has been widely recognized for his efforts in the industry, including the CAI National "President's Award" and "Award for Excellence in Chapter Leadership".

Peter is a graduate of the College of Architecture and Urban Studies at Virginia Tech, and is a member of the Urban Land Institute and The Congress for a New Urbanism.