

The Good,  
the Bad, &  
the Ugly  
of

# Reserve Studies





# Housekeeping Note:

You can download a color PDF  
of this presentation at:

**[www.MillerDodson.com](http://www.MillerDodson.com)**



# The Good...

A Reserve Study that you can  
read and understand!



# The Bad ...

**A Reserve Study that you can't  
read or understand, much less  
explain it to others!**



# The Ugly ...

A Reserves Funding plan that isn't implemented! Why?

Because the Board can't explain it clearly enough to get support from community members!

# Where does that Study Belong?





## The Good...

**A Reserve Study that accurately reflects the community's plans, hopes and aspirations!**



## The Bad ...

- Board and Committees that don't:
- Review the Reserve Study, and don't provide feedback, or, worst still ...
- Never share their 3 year, or five year, or 10 year plan!





# The Ugly ...

**Investing time, money and energy  
in a Reserve Study that doesn't  
reflect the goals, hopes and  
aspirations of the community!**

# Where does that Study Belong?





# The Good ...

**A Reserve Study that shows the Board how they can effectively reach their “Funding Goal”.**



# The Bad ...

**A Reserve Study that proposes a major increase in Reserve Funding.**



# The Ugly ...

**A Reserve Study that establishes a “pie-in-the-sky” high recommendation for Reserve Funding that the community can’t possibly implement!**

# Where does that Study Belong?



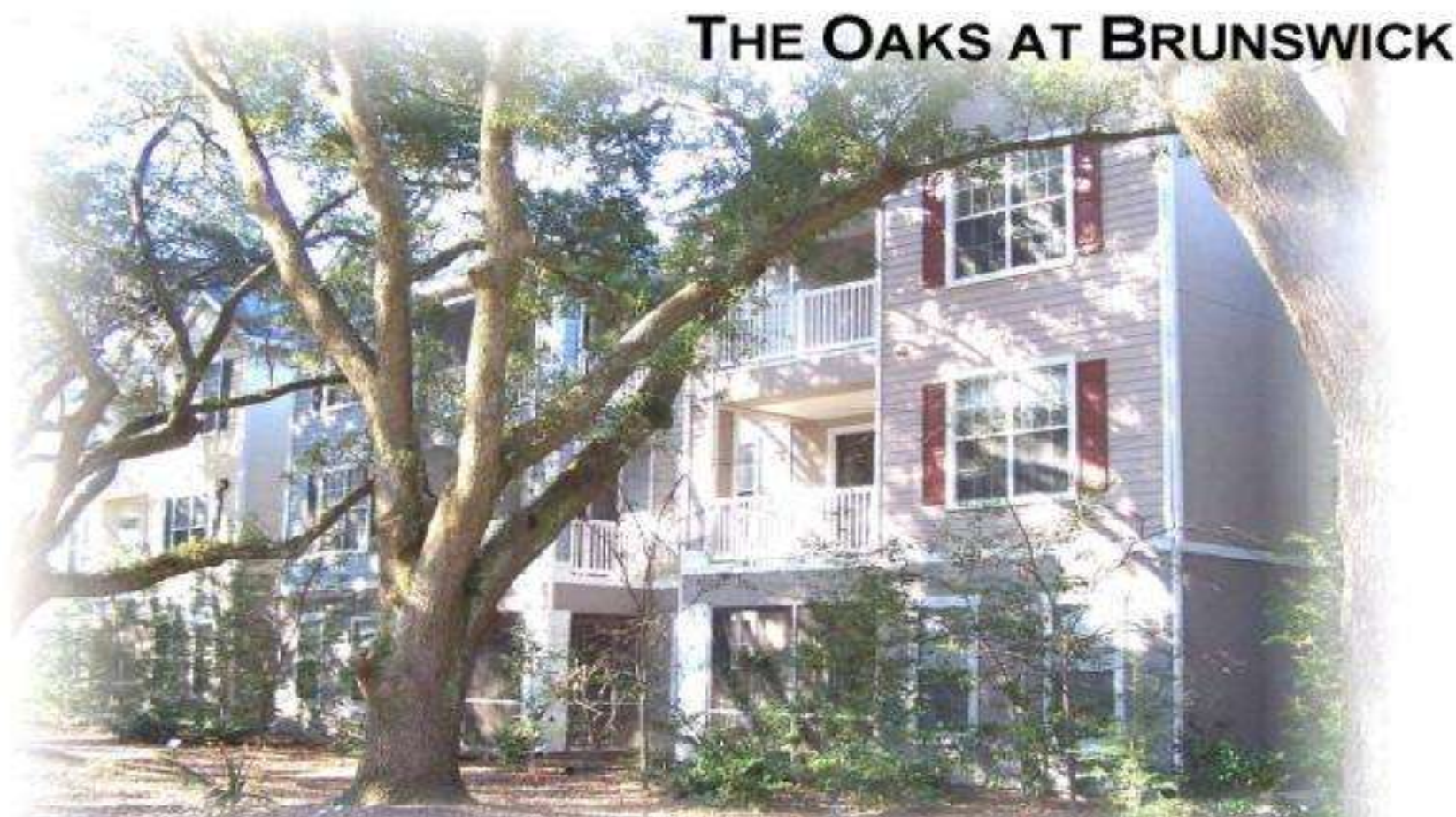


# Questions?



# REPLACEMENT RESERVE REPORT FY 2015

## **THE OAKS AT BRUNSWICK**



Community Management by:







## EXECUTIVE SUMMARY

The Oaks at Brunswick Replacement Reserve Analysis uses the Cash Flow Method (CFM) to calculate Replacement Reserve funding for the periodic replacement of the 103 Projected Replacements identified in the Replacement Reserve Inventory.

**\$149,507**

### **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR THE STUDY YEAR, 2015**

\$57.68 Per unit (average), minimum monthly funding of Replacement Reserves

We recommend the Association adopt a Replacement Reserve Funding Plan based on the annual funding recommendation above. Inflation adjusted funding for subsequent years is shown on Page A5.

Oaks at Brunswick reports a Starting Balance of **\$77,240** and Annual Funding totaling **\$90,000**. Current funding is inadequate to fund the \$5,616,122 of Projected Replacements scheduled in the Replacement Reserve Inventory over the 40-year Study Period. See Page A3 for a more detailed evaluation.

## GENERAL SITE IMPROVEMENTS PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
1	Asphalt road and parking area	sf	157,053	\$1.30	20	15	\$204,169
2	Seal coat asphalt	sf	157,053	\$0.16	5	none	\$25,128
3	Concrete curb & gutter (20%)	lf	1,072	\$34.00	54	6	\$36,448
4	Concrete flatwork (6%)	sf	817	\$8.50	60	6	\$6,945
	Repoint masonry entrance feature	sf	20				
5	Sandblasted wood signage	ls	1	\$1,200.00	15	10	\$1,200
6	Segmental retaining wall, 30%	sf	697	\$45.00	40	35	\$31,361
7	Mailboxes	ls	1	\$18,000.00	25	15	\$18,000
8	Dumpster pad	sf	816	\$10.00	25	20	\$8,160
9	Dumpster enclosure stucco repair	sf	805	\$12.75	50	45	\$10,264
10	Dumpster trellace	ls	1	\$1,500.00	20	15	\$1,500
11	Dumpster gates	pr	1	\$1,000.00	10	5	\$1,000
12	Site lighting	ea	26	\$2,100.00	30	25	\$54,600
13	Sanitary sewer - mains (10%)	unit	216	\$155.00	20	15	\$33,480
14	Domestic water - mains (10%)	unit	216	\$95.00	20	15	\$20,520
15	Storm water - structure & pipe (10%)	unit	216	\$185.00	20	15	\$39,960
16	Storm water pond dredging	ls	1	\$50,000.00	20	15	\$50,000
GENERAL SITE IMPROVEMENTS - Replacement Costs - Subtotal							\$542,734

**PROJECTED REPLACEMENTS - YEARS 4 TO 6**

Item	2018 - YEAR 4	\$	Item	2019 - YEAR 5	\$	Item	2020 - YEAR 6	\$
78	Swimming pool furniture (50	\$1,950	67	Swimming pool - finish	\$3,465	2	Seal coat asphalt	\$25,128
			80	Spa finish	\$500	11	Dumpster gates	\$1,000
						27	CB EIFS coating	\$344,960
						69	Swimming pool pump (2 - 5	\$3,200
						72	Swimming pool - concrete d	\$4,920
						88	CO EIFS coating	\$10,836
						95	FC EIFS coating	\$3,864
						99	FC HVAC system	\$2,500
Total Scheduled Replacements			Total Scheduled Replacements			Total Scheduled Replacements		
\$1,950			\$3,965			\$396,408		



### PROJECTED REPLACEMENTS - YEARS 25 TO 27

Item	2039 - YEAR 25	\$
87	Swimming pool - finish	\$3,485
80	Spa finish	\$500

Item	2040 - YEAR 26	\$
2	Seal coat asphalt	\$25,128
5	Sandblasted wood signage	\$1,200
11	Dumpster gates	\$1,000
12	Site lighting	\$54,600
27	CB EIFS coating	\$344,960
36	CB Windows, 20%	\$78,120
39	CB Window shutters	\$16,000
55	CB Balcony structure	\$58,800
56	CB Balcony surface	\$21,112
60	CB Stairs, 20%	\$15,580
65	CB Exit lights	\$4,500
68	Swimming pool - waterline ti	\$5,400
69	Swimming pool pump (2 - 5	\$3,200
77	Swimming pool furniture (50	\$1,950
81	Spa waterline tile	\$1,005
83	Swimming pool lighting	\$6,300
84	Pool perimeter fence - 6" (m	\$10,230
88	CO EIFS coating	\$10,836
90	CO Windows	\$8,820
91	CO Window shutters	\$1,000
95	FC EIFS coating	\$3,864
100	FC HVAC condensing unit	\$1,200

Item	2041 - YEAR 27	\$
29	CB Vinyl siding, 20%	\$40,752
76	Swimming pool deck coating	\$19,200

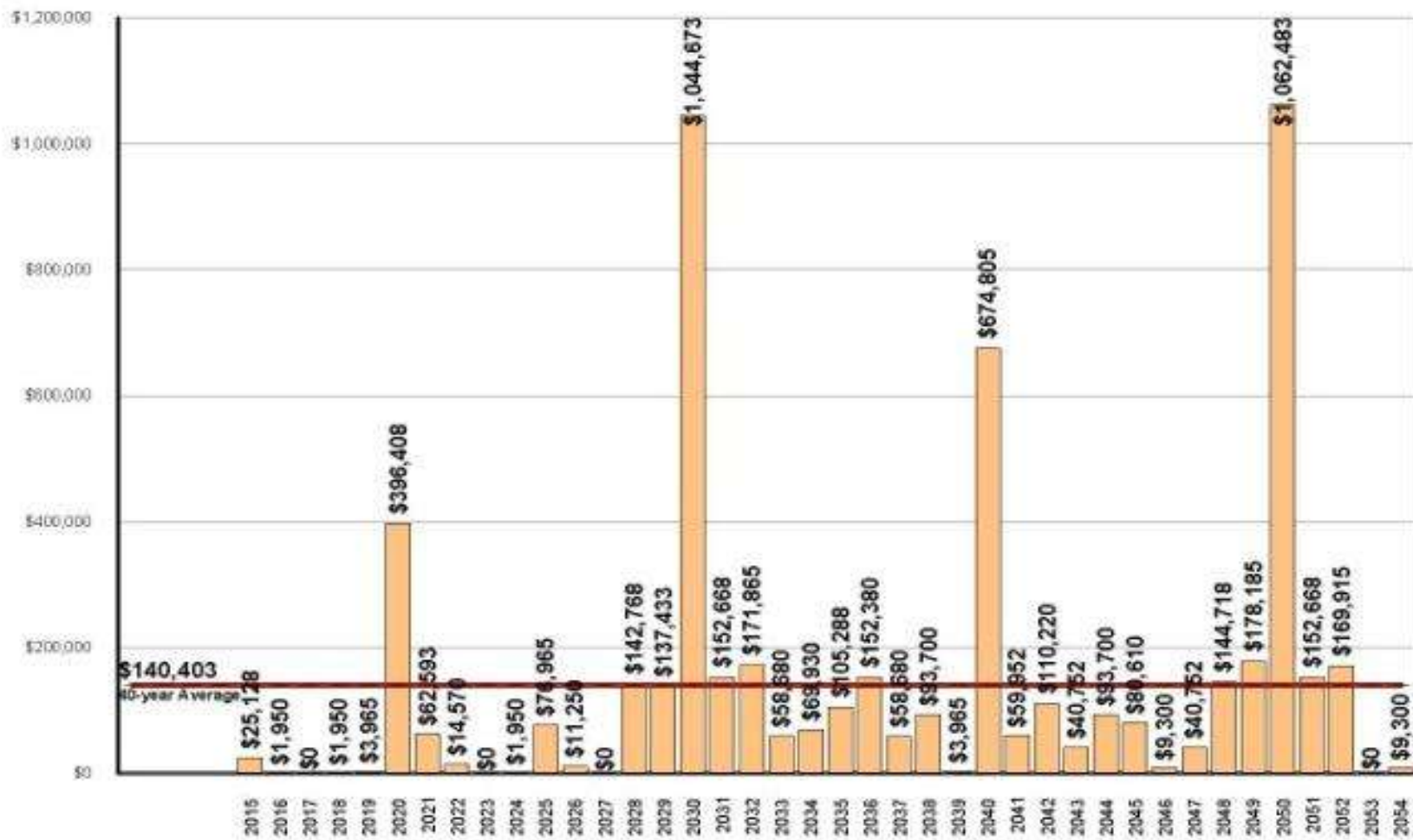
Total Scheduled Replacements	\$3,965
------------------------------	---------

Total Scheduled Replacements	\$674,805
------------------------------	-----------

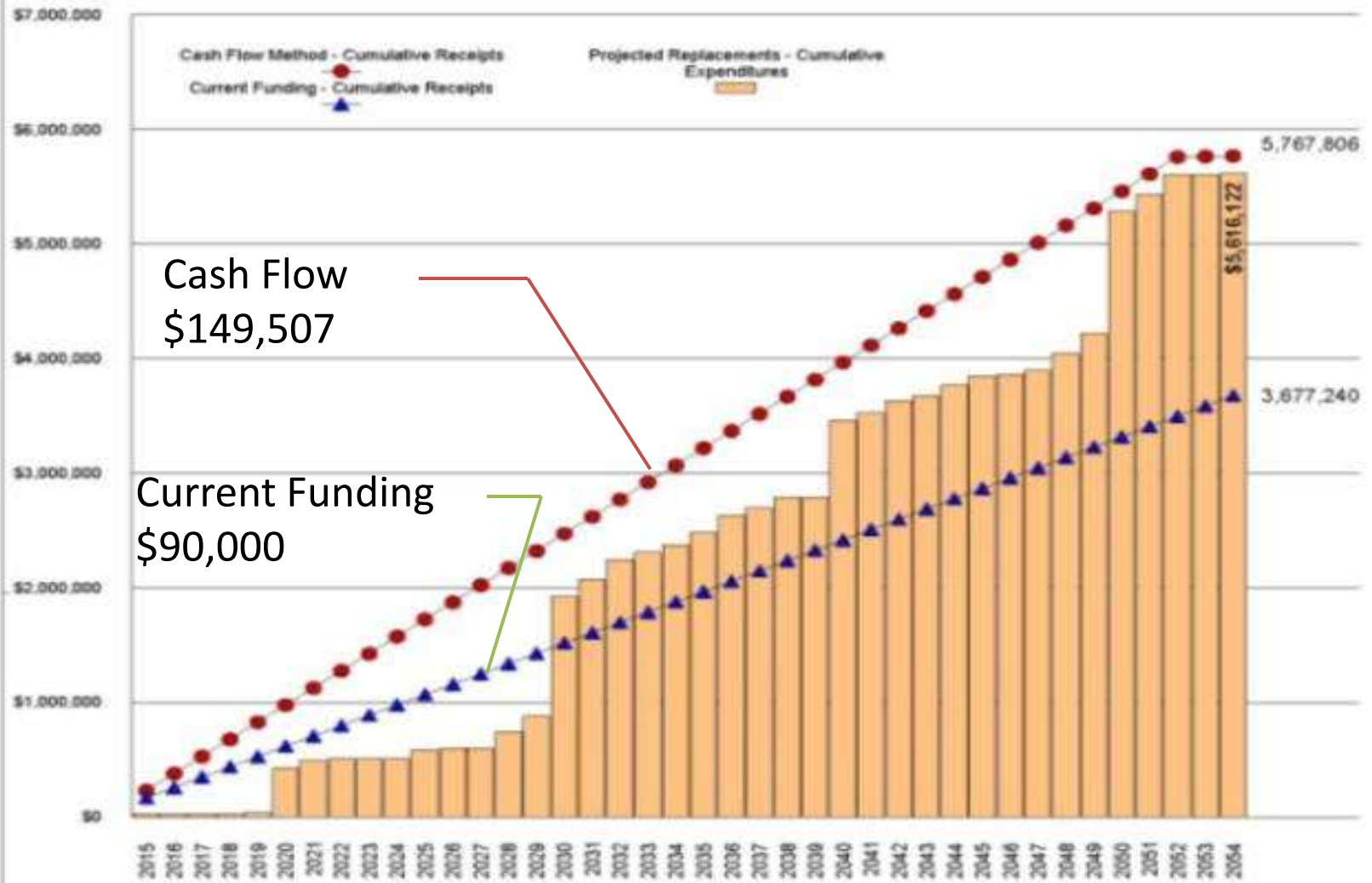
Total Scheduled Replacements	559,952
------------------------------	---------

## #2 - Annual Expenditures for Projected Replacements Graph

This graph shows annual expenditures for Projected Replacements over the 40-year Study Period. The red line shows the average annual expenditure of \$140,403. Section C provides a year by year Calendar of these expenditures.



#1 - Cumulative Replacement Reserve Funding and Expenditures Graph





# What's the Next Step?

- You as the Manager...
- You as a Board Member...
- You as a Finance Committee Member...





# What's the Next Step?

**You just were handed this report!**

**It says to increase the Reserve Funding from  
\$90K to \$150K!**

**What?**

**That's a \$60K annual increase!**

**Holy Cr@p!**



# What Are Your Alternatives?

- **Increase Normal Assessments**
- **Special Assessment**
- **Commercial Bank Loan**
- **Combination of two or more**



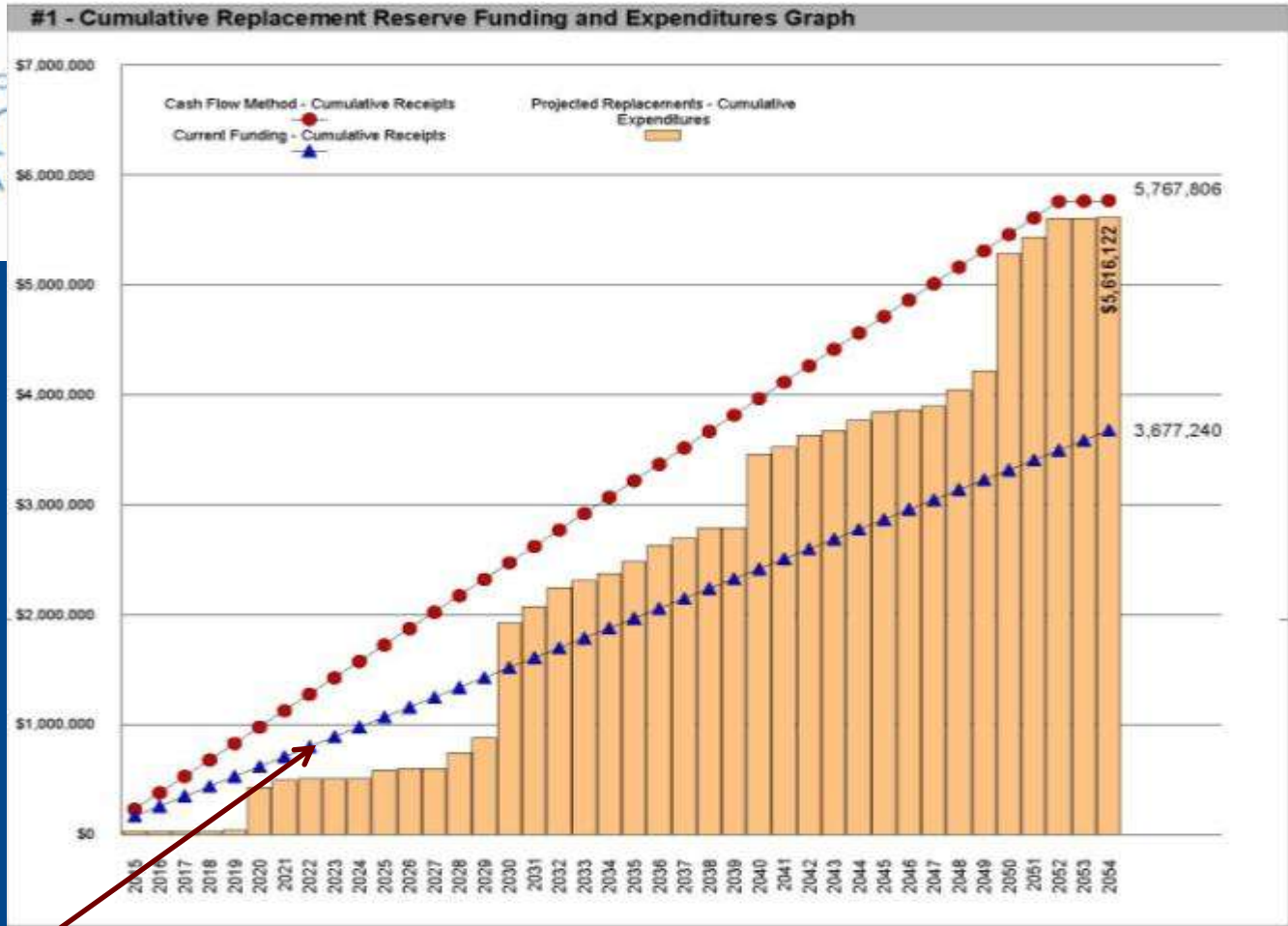
## Next Step:

- Review inventory data.
- Re-think replacement priorities.
- Check Cash Flow margins.
- Develop Strategic Funding Plan.

# Check Cash Flow Margins

#3 - Table of Annual Expenditures and Current Funding Data - Years 1 through 40

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Starting Balance	\$77,240									
Projected Replacements	(\$25,128)	(\$1,950)		(\$1,950)	(\$3,965)	(\$396,408)	(\$62,593)	(\$14,570)		(\$1,950)
Annual Deposit	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
End of Year Balance	\$142,112	\$230,162	\$320,182	\$408,212	\$494,247	\$187,838	\$215,246	\$290,676	\$380,676	\$468,726
Cumulative Expenditures	(\$25,128)	(\$27,078)	(\$27,078)	(\$29,028)	(\$32,993)	(\$429,402)	(\$491,994)	(\$506,564)	(\$506,564)	(\$508,514)
Cumulative Receipts	\$167,240	\$257,240	\$347,240	\$437,240	\$527,240	\$617,240	\$707,240	\$797,240	\$887,240	\$977,240
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Projected Replacements	(\$76,965)	(\$11,250)		(\$142,768)	(\$137,433)	(\$1,844,673)	(\$152,668)	(\$171,885)	(\$58,680)	(\$89,930)
Annual Deposit	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
End of Year Balance	\$481,761	\$560,511	\$650,511	\$587,743	\$550,309	(\$404,364)	(\$467,032)	(\$548,887)	(\$517,577)	(\$497,507)
Cumulative Expenditures	(\$585,479)	(\$586,729)	(\$586,729)	(\$739,497)	(\$876,931)	(\$1,821,604)	(\$2,074,272)	(\$2,246,137)	(\$2,304,817)	(\$2,374,747)
Cumulative Receipts	\$1,067,240	\$1,157,240	\$1,247,240	\$1,337,240	\$1,427,240	\$1,517,240	\$1,607,240	\$1,697,240	\$1,787,240	\$1,877,240
Year	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Projected Replacements	(\$105,288)	(\$152,380)	(\$58,680)	(\$93,700)	(\$3,965)	(\$674,805)	(\$59,952)	(\$110,220)	(\$40,752)	(\$93,700)
Annual Deposit	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
End of Year Balance	(\$512,706)	(\$575,176)	(\$543,856)	(\$547,558)	(\$481,521)	(\$1,046,326)	(\$1,016,278)	(\$1,036,497)	(\$987,249)	(\$890,949)
Cumulative Expenditures	(\$2,480,036)	(\$2,632,416)	(\$2,691,096)	(\$2,784,798)	(\$2,798,761)	(\$3,463,566)	(\$3,523,518)	(\$3,633,737)	(\$3,674,489)	(\$3,768,189)
Cumulative Receipts	\$1,967,240	\$2,057,240	\$2,147,240	\$2,237,240	\$2,327,240	\$2,417,240	\$2,507,240	\$2,597,240	\$2,687,240	\$2,777,240
Year	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Projected Replacements	(\$80,610)	(\$9,300)	(\$40,752)	(\$144,718)	(\$178,185)	(\$1,062,483)	(\$152,668)	(\$169,915)		(\$9,300)
Annual Deposit	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
End of Year Balance	(\$981,580)	(\$900,660)	(\$851,612)	(\$908,330)	(\$994,515)	(\$1,988,999)	(\$2,029,887)	(\$2,109,582)	(\$2,019,582)	(\$1,939,882)
Cumulative Expenditures	(\$3,848,800)	(\$3,858,100)	(\$3,898,852)	(\$4,043,570)	(\$4,221,755)	(\$5,284,239)	(\$5,436,907)	(\$5,606,822)	(\$5,606,822)	(\$5,616,122)
Cumulative Receipts	\$2,867,240	\$2,957,240	\$3,047,240	\$3,137,240	\$3,227,240	\$3,317,240	\$3,407,240	\$3,497,240	\$3,587,240	\$3,677,240

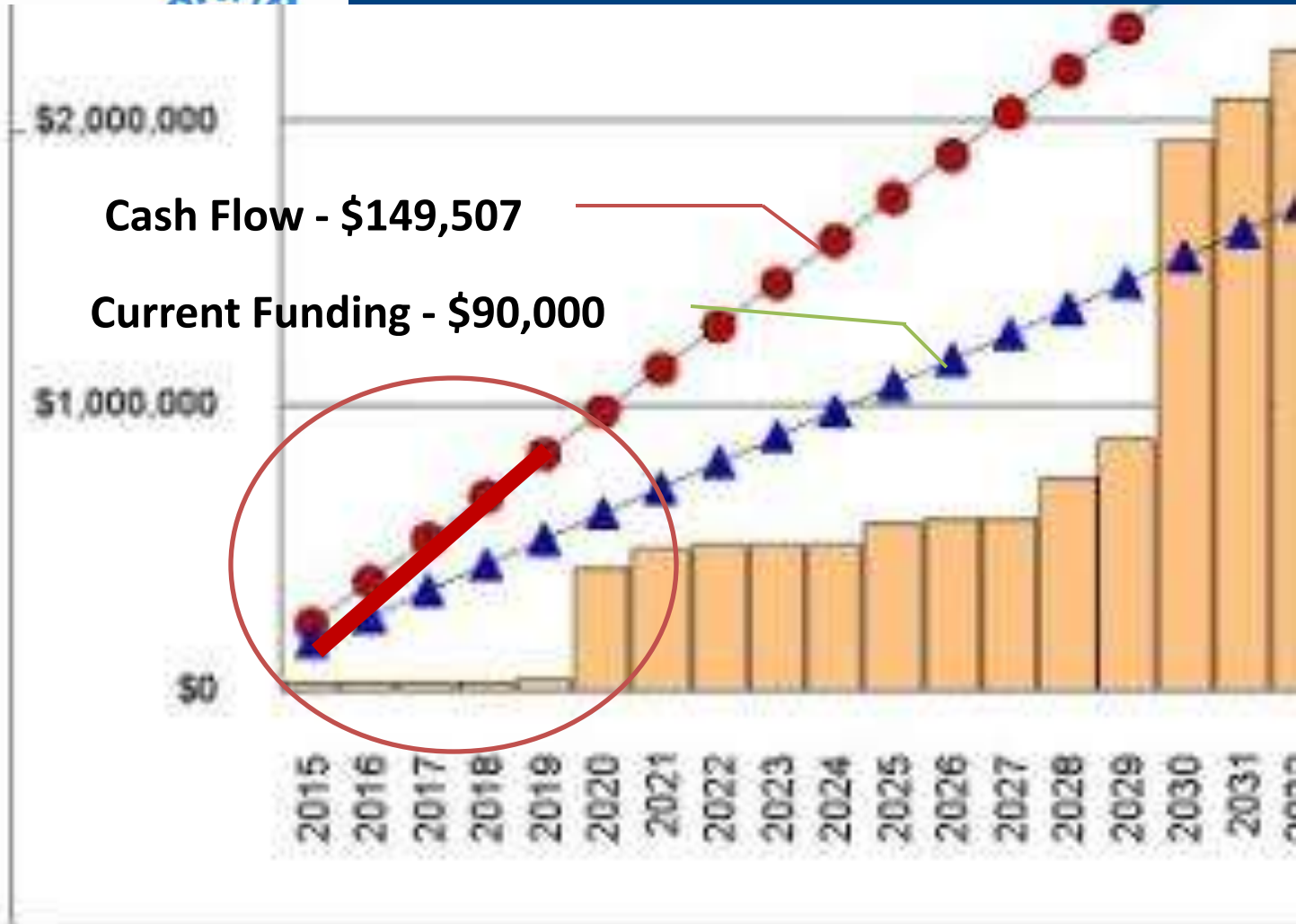


This association has the latitude to “ramp up” rather than have one large increase.



**Cash Flow - \$149,507**

**Current Funding - \$90,000**





# Strategic Funding Plan

## Ramp Up Annual Funding over five years:

**Year 1: \$90K to \$102K**

**Year 2: \$102K to \$114K**

**Year 3: \$114K to \$126K**

**Year 4: \$126K to \$138K**

**Year 5: \$138K to \$150K \***

\*Year 5 would bring Reserve Study update and would adjust for inflation, underfunding, changed conditions.



# Questions



# The Good ...





# The Good ...



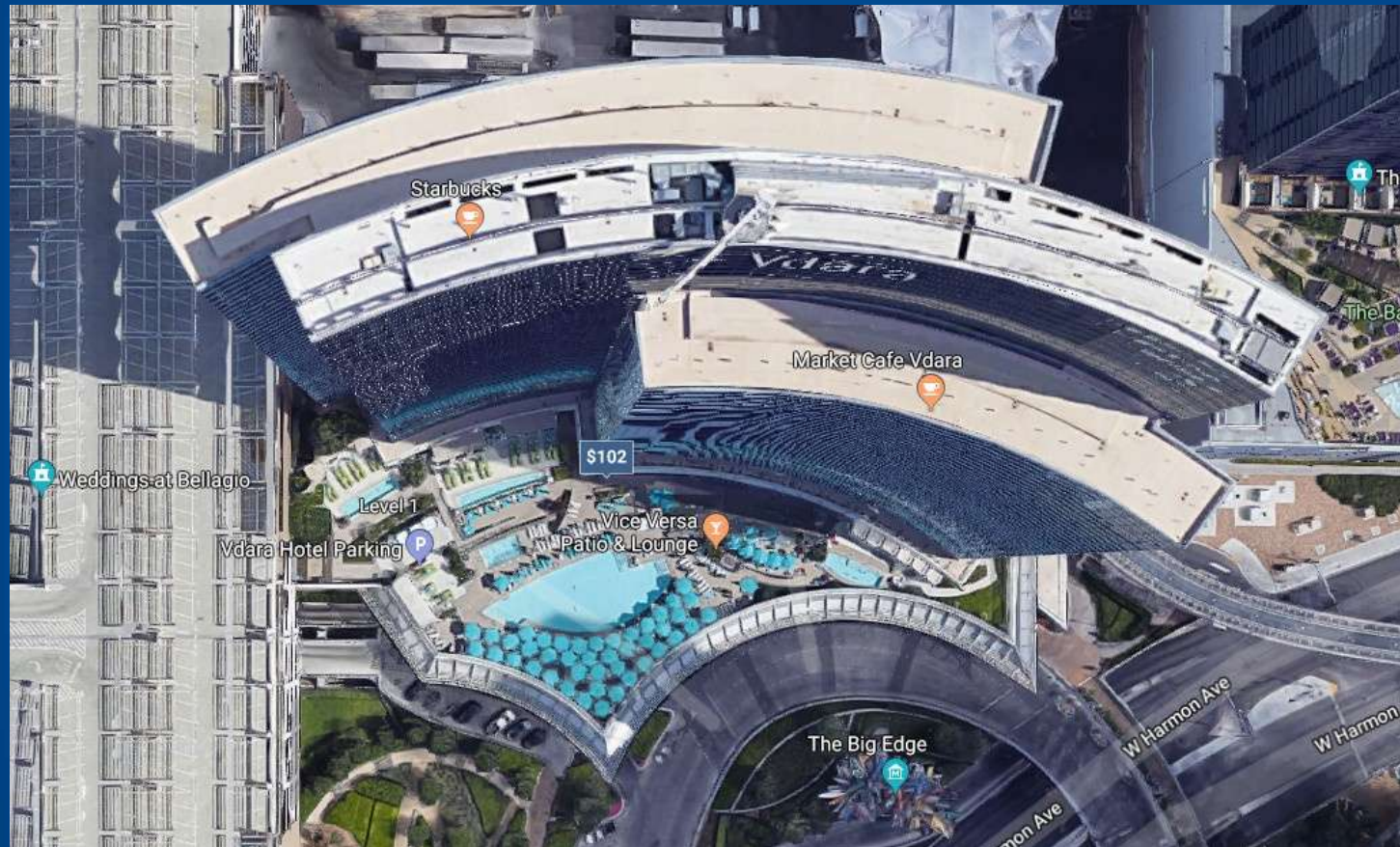


# The Bad ...



## Vdara - Las Vegas

# The Bad ...



**Vdara - Las Vegas**



# The Ugly!



She has Spent \$5,000 in  
condo fees over Five years!

**Good!**  
**Bad!**  
and  
**Ugly!**



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



[www.MillerDodson.com](http://www.MillerDodson.com)