

BUDGETS, RESERVES AND FINANCIALLY SUSTAINABLE COMMUNITIES

February 11, 2026

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millerdodson | Capital
ASSOCIATES Reserve
Consultants

Topics:

- **Module 1: Importance of Reserves**
- **Module 2: Levels of Reserve Study**
- **Module 3: Basic Tenets**
- **Module 4: Financially Sustainable Communities**
- **Module 5: Sample Reserve Study**
- **Module 6: The Board's Involvement**
- **Module 7: Cash Flow vs. Component**
- **Module 8: Inflation CPI v. PPI**

Module 1

The Importance of Reserves

“Perhaps the greatest
Duty of the Board of
Directors is to **Protect,
Preserve and Enhance**
the value of the homes
within the community!”

Robert Lyles, Esq. Charleston, SC



Why are Reserves Important?

Adequate Reserves help to Protect, Preserve and Enhance the property values in your community.

How Do Reserves protect property values?

- Ensure that funding is available for timely replacement.
- Stabilize Annual Assessment.
- Spread replacement costs equitably over time.

What are Reserves?

- **Replacement Reserves?** Money budgeted each year for the replacement and major repair of common elements.
- **Replacement Reserve Studies?** Financial forecasting report used to assist Boards in establishing appropriate annual Reserve Funding Levels in Budget.

Is the Board Required to do a Reserve Study?

- Not all States require Reserve Studies.
- Governing Docs. may provide Board the authority to establish Reserves in budget.
- Boards are still expected to make prudent, sound, and business-like decisions.
- Maintaining Reserves is considered Industry “Best-Practice” and “Industry Standard”.

What if Reserves are NOT Adequate?

- Delayed Replacements
- Phased Replacements
- Increase in Normal Assessments
- Special Assessments
- Bank Loan

Pros and Cons

Delayed Replacements

- **Pros**

- Allows time to save up funds

- **Cons**

- May adversely effect curb appeal
- May adversely affect operations

Phased Replacements

- **Pros**

- Allows time to save up funds

- **Cons**

- (see previous cons)
- Longer construction timeline
- Inequitable to owners who are at end of schedule
- More Costly – price increases, multiple mobilization costs, etc.

Increase Normal Assessments

- **Pros**

- No additional costs
- Can be phased in increments

- **Cons**

- May take time to save up funds
- May be limited by Gov. Docs.
- May be unpopular

Special Assessment

- **Pros**

- Can be done quickly
- No added costs

- **Cons**

- May be unpopular
- May require member vote
- May trigger delinquencies

Bank Loan

- **Pros**

- Funds available relatively quickly
- Payback spread over time

- **Cons**

- Association may not qualify
- Interest increases overall cost

Inadequate Reserves

For Condominiums and Cooperatives, inadequate reserves may result in inclusion on the “BLACK LIST”. This is a list of properties that are ineligible for Freddie Mac and Fannie Mae backed mortgages.

Betty Jones!

- Retired;
- Lives on a fixed income;
- Has lived in your HOA for 20 years;
- She is the ideal neighbor! Almost family!
- As a member of the Board of Directors,
you are foreclosing on her home!



How Could This Happen?

**Lack of Planning
on the part of the Board!**

**Resulted in a Special Assessment,
or**

**Resulted in precipitous increases in
Normal Assessments!**

Food for Thought:

**Too many CIC financial
crises result, not from
an event, but
from lack of planning!**



Unintended Consequences!

Betty's low-ball price is now the RE Comp for everyone else's home in the community!



“Perhaps the greatest
Duty of the Board of
Directors is to **Protect,
Preserve and Enhance**
the value of the homes
within the community!”



Robert Lyles, Esq. Charleston, SC

What are Reserve Components

- Commonly-Owned Physical Asset
(check governing documents)
- Which require major repair or replacement
- Above cost and replacement timing policy.
- Suggested Resolution of the Board:
 - Normal Economic Life $\geq$ 3 Years
 - Replacement Cost $\geq$ \$X,XXX

National Reserve Study Standards

as Revised 2023

- Must update Study every three years.
- Must include funding for major maintenance.
- Must include funding for periodic Structural Evaluations. *

* For some types of buildings.

Why We Plan For Reserves

- **Legal**
- **Practical/Financial**
- **Ethical**

Legal Considerations

- **State Statutes**
- **Governing Documents**
- **IRS Guidelines**
- **Bank Loan Requirements**
- **Fiduciary Duty of Board**
- **Freddie/Fannie Requirements**

Practical / Financial Considerations

- **PROTECT PROPERTY VALUES!**
- **Sound Financial Planning!**
- **10% - 50% of Annual Budget!**
- **Avoid Special Assessments!**
- **Equitable Distribution of costs over time!**

Ethical Considerations

- **Avoids “kicking the can down the road” (future financial obligations) to future or long-term owners!**
- **Equitable Distribution of costs over time! “Everybody pays their fair share!” ***

*Not an easy sell among some demographics!

Questions?



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Module 2

Levels of Reserve Studies

Reserve Study Levels

- **Level I**
 - Full Study w/ Onsite Condition Assessment.
- **Level II**
 - Reserve Study Update w/ On-site Condition Assessment
- **Level III**
 - Reserve Study Update w/o On-site Condition Assessment
- **Level IV**
 - Preliminary Reserve Study (from Drawings)

Reserve Study Levels

Level	Component Inventory	Visual Condition Assessment	Useful Life & Replacment Costs	Funding Status	Funding Plan
Level I Full	Yes	Yes	Yes	Yes	Yes
Level II Update	Verify Only	Yes	Yes	Yes	Yes
Level III Update w/o	No	No	Yes	Yes	Yes
Level IV Preliminary	From Drawings	No	Yes	Yes	Yes

Module 3

Three Basic Tenets of a Reserve Study

Tenet #1:

The Reserve Study must be readable and understandable in order to be usable!

Tenet #2:

The Reserve Study must reflect the priorities, the plans, the hopes, and the aspirations of the community!

Tenet #3

The Reserve Study funding recommendation must be practical and implementable!

Reasonable Expectations!

- A Reserve Study is a visual condition assessment.
- It is not an in-depth technical study or structural evaluation.
- Increase the accuracy of the Study by bringing in your professional experts!
i.e., HVAC, Bathymetry, Paving, etc.

Questions?

Module 4

Financially Sustainable Communities

Where do the Reserves fit in the budgeting process?

**Maintenance
& Operations**

Reserves

Three distinct purposes

Operations

Maintenance

Reserves

Operations Costs

Costs related to operating the “Corporation”

- **Utilities**
- **Insurance**
- **Management Fees**
- **Personnel**
- **Taxes**
- **Consultants**
 - Attorneys
 - Accountants
 - Architects
 - Engineers
 - Pond Experts
 - Etc.

Maintenance Costs

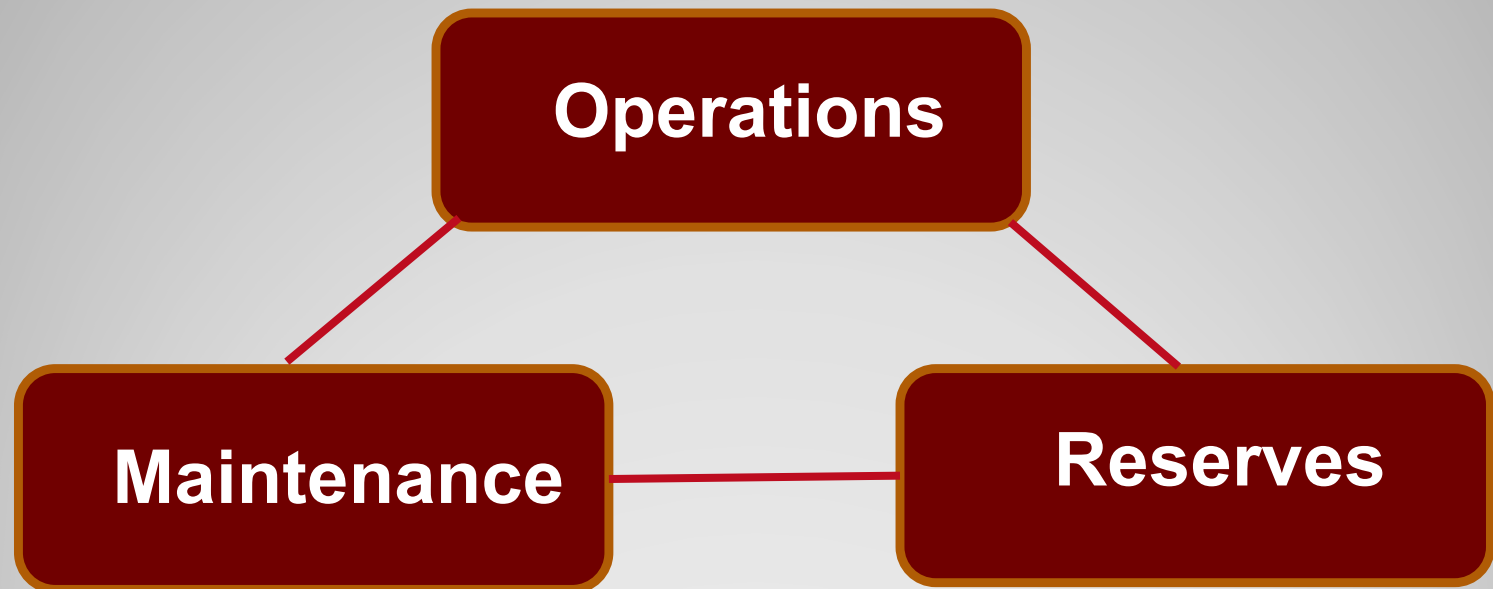
All costs associated with maintaining the “Brick and Mortar” aspects of the “Corporation”.

- Common element
- Non-annual maintenance
- Above cost threshold

Replacement Reserve Costs

Funds set aside as part of the annual budget for the **maintenance, major repair and replacement of the common elements** of the community.

Financially Sustainable Community!

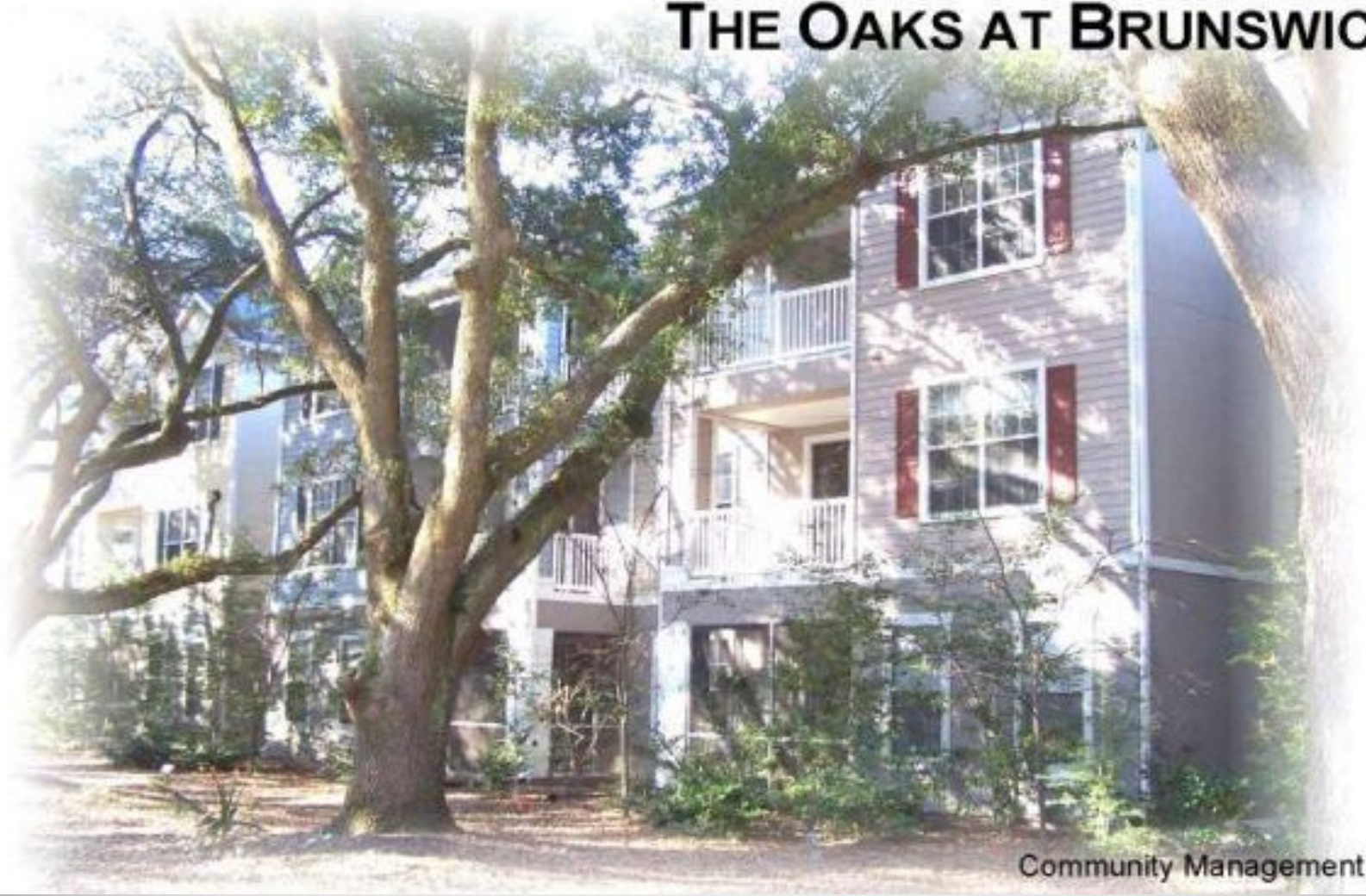


Questions?

Module 5

Sample Reserve Study

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.

Starting Balance	\$77,240
Current Funding	\$90,000
Recommended Funding	\$150,000

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

CONDOMINIUM BUILDING EXTERIORS, Con't (CB)

PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
34	CB Windows, 20%	sf	2,232	\$35.00	30	21	\$78,120
35	CB Windows, 20%	sf	2,232	\$35.00	30	23	\$78,120
36	CB Windows, 20%	sf	2,232	\$35.00	30	25	\$78,120
37	CB Windows, 20%	sf	2,232	\$35.00	30	27	\$78,120
38	CB Windows, 20%	sf	2,232	\$35.00	30	29	\$78,120
39	CB Window shutters	pr	160	\$100.00	15	10	\$16,000
40	CB Doors, 20%	ea	43	\$950.00	25	18	\$41,040
41	CB Doors, 20%	ea	43	\$950.00	25	19	\$41,040
42	CB Doors, 20%	ea	43	\$950.00	25	20	\$41,040
43	CB Doors, 20%	ea	43	\$950.00	25	21	\$41,040
44	CB Doors, 20%	ea	43	\$950.00	25	22	\$41,040
45	CB Patio doors, 20%	ea	12	\$1,470.00	25	18	\$17,640
46	CB Patio doors, 20%	ea	12	\$1,470.00	25	19	\$17,640
47	CB Patio doors, 20%	ea	12	\$1,470.00	25	20	\$17,640
48	CB Patio doors, 20%	ea	12	\$1,470.00	25	21	\$17,640
49	CB Patio doors, 20%	ea	12	\$1,470.00	25	22	\$17,640

CONDOMINIUM BUILDING EXTERIORS, Con't (CB) - Replacement Costs - Subtotal

\$700,000

SWIMMING POOL PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
66	Swimming pool - structure	sf	990	\$70.00	45	40	\$69,300
67	Swimming pool - finish	sf	990	\$3.50	10	4	\$3,465
68	Swimming pool - waterline tile	ft	135	\$40.00	15	10	\$5,400
69	Swimming pool pump (2 - 5 hp)	ea	1	\$3,200.00	10	5	\$3,200
70	Swimming pool filter/chlorinator	sf	990	\$4.00	20	15	\$3,960
71	Swimming pool valves & plumbing	sf	990	\$2.00	20	15	\$1,980
72	Swimming pool - concrete deck, 25%	sf	480	\$10.25	30	5	\$4,920
73	Swimming pool - concrete deck, 25%	sf	480	\$10.25	30	10	\$4,920
74	Swimming pool - concrete deck, 25%	sf	480	\$10.25	30	15	\$4,920
75	Swimming pool - concrete deck, 25%	sf	480	\$10.25	30	20	\$4,920
76	Swimming pool deck coating	sf	1,920	\$10.00	10	6	\$19,200
77	Swimming pool furniture (50%)	ls	1	\$1,950.00	8	1	\$1,950
78	Swimming pool furniture (50%)	ls	1	\$1,950.00	8	3	\$1,950
79	Spa structure	sf	50	\$100.00	45	40	\$5,024
80	Spa finish	sf	50	\$10.00	10	4	\$500
81	Spa waterline tile	lf	25	\$40.00	15	10	\$1,005
82	Spa filter/chlorinator	ls	1	\$2,500.00	20	15	\$2,500
83	Swimming pool lighting	ea	7	\$900.00	30	25	\$6,300
84	Pool perimeter fence - 6" (metal)	ft	186	\$55.00	30	25	\$10,230
85	Swimming pool retaining wall	sf	165	\$40.00	35	30	\$6,600
SWIMMING POOL - Replacement Costs - Subtotal							\$162,244

PROJECTED REPLACEMENTS - YEARS 4 TO 6

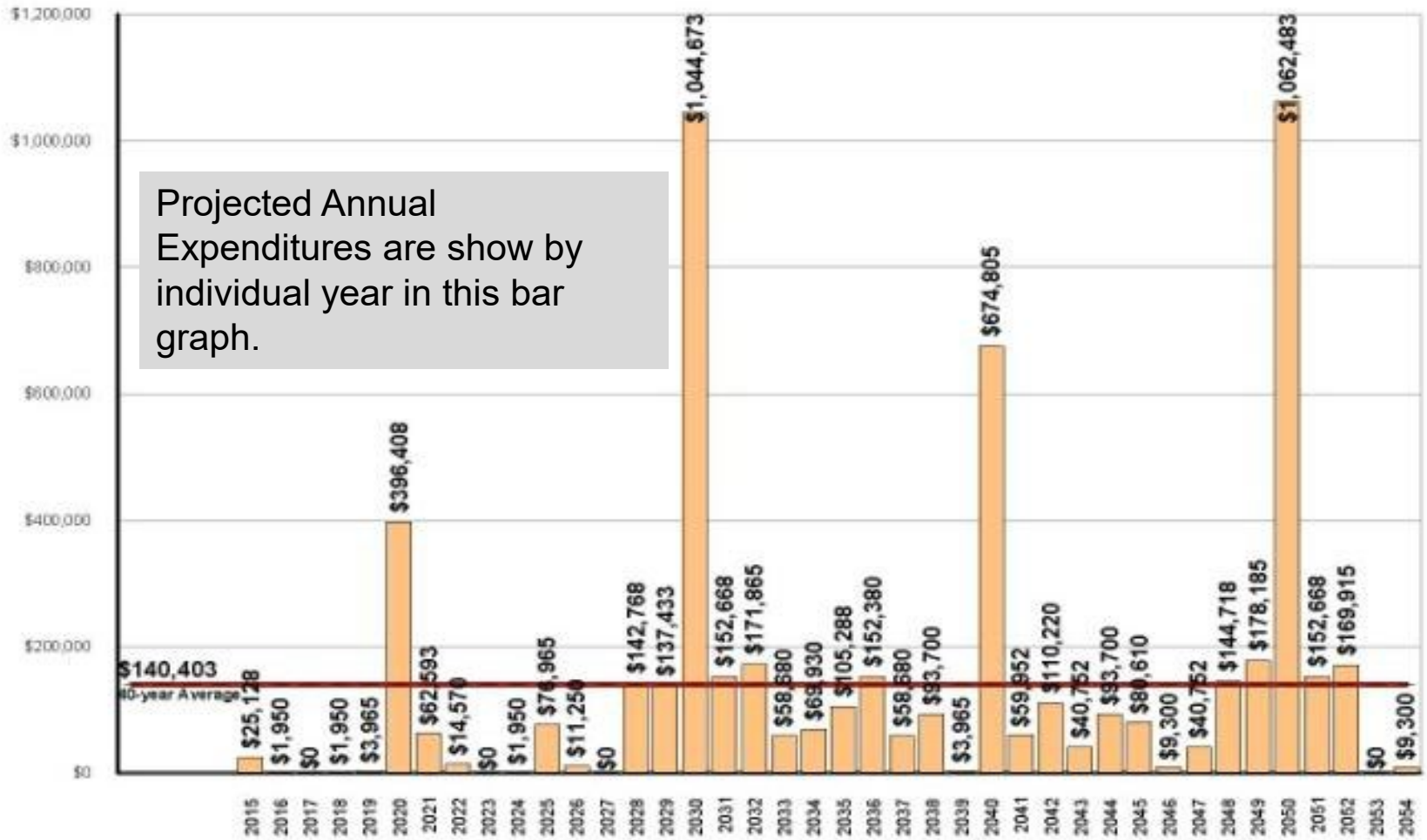
Item	2018 - YEAR 4	\$	Item	2019 - YEAR 5	\$	Item	2020 - YEAR 6	\$
78	Swimming pool furniture (50	\$1,950	67	Swimming pool - finish	\$3,465	2	Seal coat asphalt	\$25,128
			80	Spa finish	\$500	11	Dumpster gates	\$1,000
						27	CB EIFS coating	\$344,960
						69	Swimming pool pump (2 - 5	\$3,200
						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		\$1,950	Total Scheduled Replacements		\$3,965	Total Scheduled Replacements		\$396,408

PROJECTED REPLACEMENTS - YEARS 25 TO 27

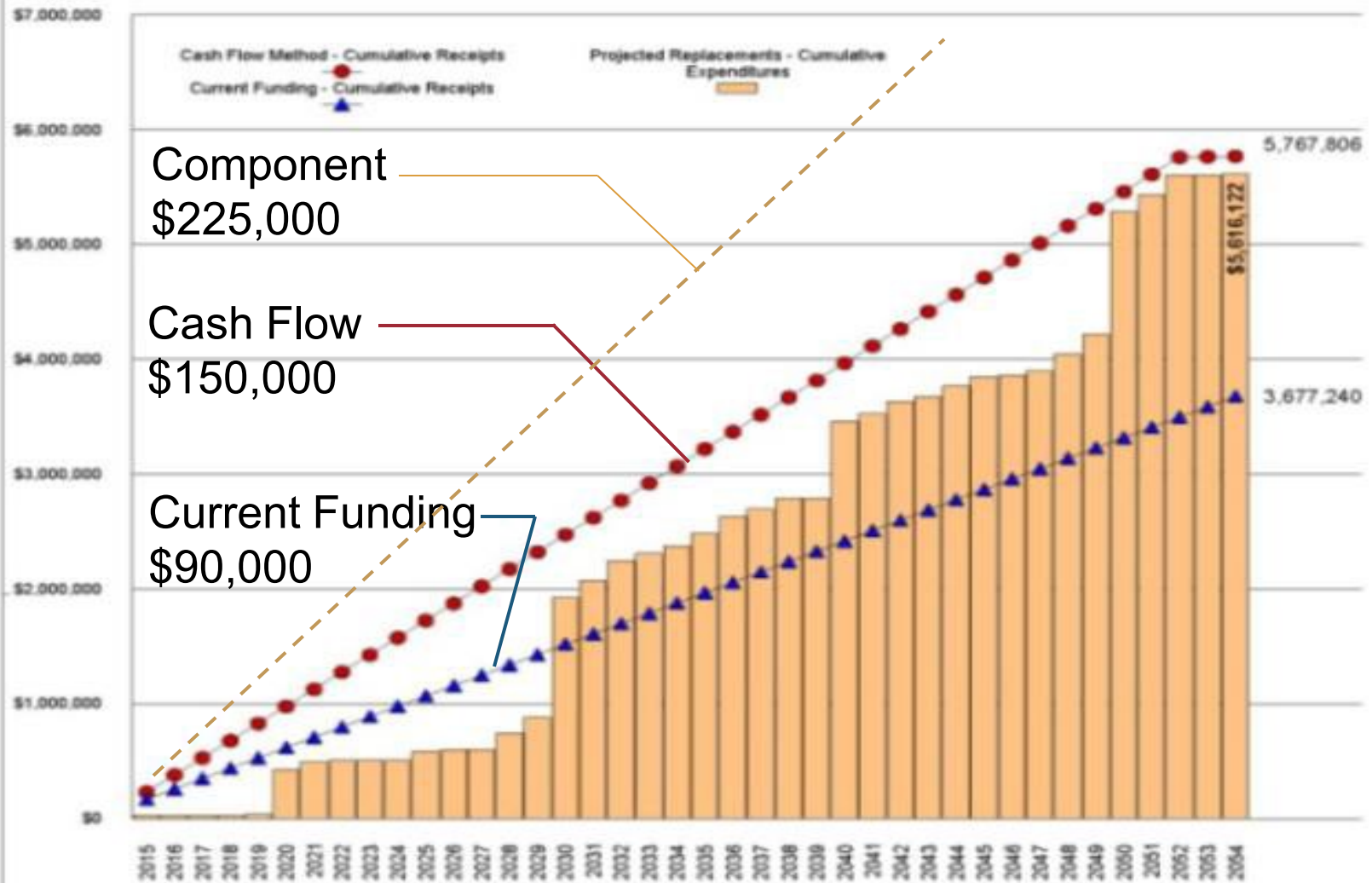
Item	2039 - YEAR 25	\$	Item	2040 - YEAR 26	\$	Item	2041 - YEAR 27	\$
67	Swimming pool - finish	\$3,465	2	Seal coat asphalt	\$25,128	29	CB Vinyl siding, 20%	\$40,752
80	Spa finish	\$500	5	Sandblasted wood signage	\$1,200	76	Swimming pool deck coating	\$19,200
			11	Dumpster gates	\$1,000			
			12	Site 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			
Total Scheduled Replacements		\$3,965	Total Scheduled Replacements		\$674,805	Total Scheduled Replacements		\$59,952

#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



Questions?

Module 6

The Board's Involvement

Engaging a Qualified Reserve Study Provider

- Designated Reserve Specialists (RS).
- DO NOT SELECT BASED UPON LOW BID!
There is a difference between cost and value!
- Board should read Sample Report!
- Provides Cash Flow Method of Calculation*.

*More realistic method of calculating Reserves.

Board Involvement

- Establish inventory.
- Set funding policy: (Board Resolution)
 - Lasts longer than "X" / Costs more than "Y"
- Provide data, guidance, contractor names, and historical context.
- Have other Studies done beforehand.
- Set Minimum Threshold Balance.

Board Involvement (continued)

- Review draft:
 - Provide priorities and other input.
 - Replacement timing, replacement costs, etc.
- Investigate alternatives.
- Develop Strategic Funding Plan.

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~~	~~\$25,126~~
3	Concrete curb & gutter (20%) 6%	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				
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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

CONDOMINIUM BUILDING EXTERIORS, Con't (CB)

PROJECTED REPLACEMENTS

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37	CB Windows, 20%	sf	2,232	\$35.00	30	27	\$78,120
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47	CB Patio doors, 20%	ea	12	\$1,470.00	25	20	\$17,640
48	CB Patio doors, 20%	ea	12	\$1,470.00	25	21	\$17,640
49	CB Patio doors, 20%	ea	12	\$1,470.00	25	22	\$17,640

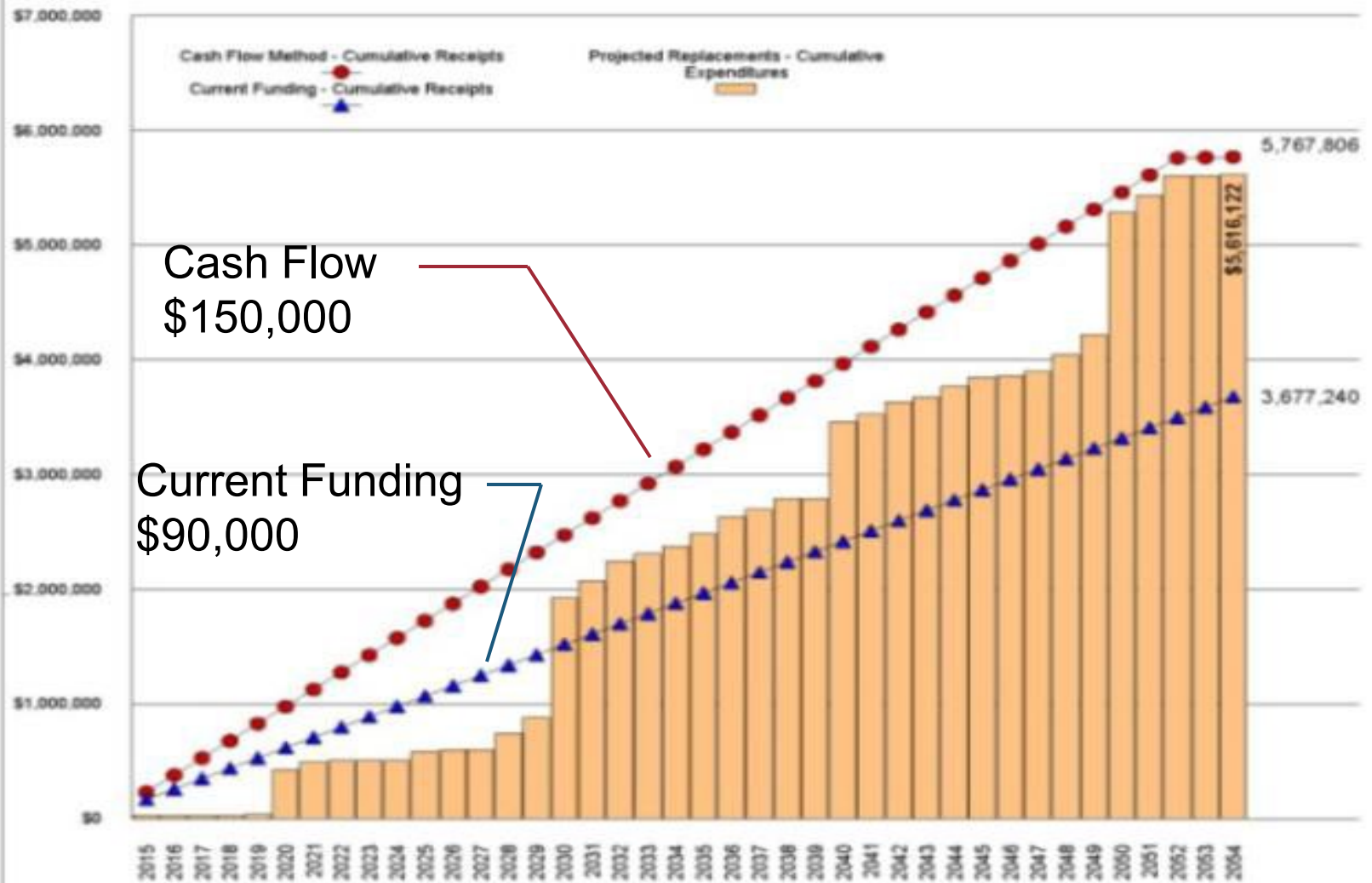
CONDOMINIUM BUILDING EXTERIORS, Con't (CB) - Replacement Costs - Subtotal

\$700,000

PROJECTED REPLACEMENTS - YEARS 4 TO 6

Item	2018 - YEAR 4	\$	Item	2019 - YEAR 5	\$	Item	2020 - YEAR 6	\$
74	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
						84	CO EIFS coating	\$10,836
						85	FC EIFS coating	\$3,864
						99	FC HVAC system	\$2,500
Total Scheduled Replacements		\$1,950	Total Scheduled Replacements		\$3,965	Total Scheduled Replacements		\$396,408

#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:

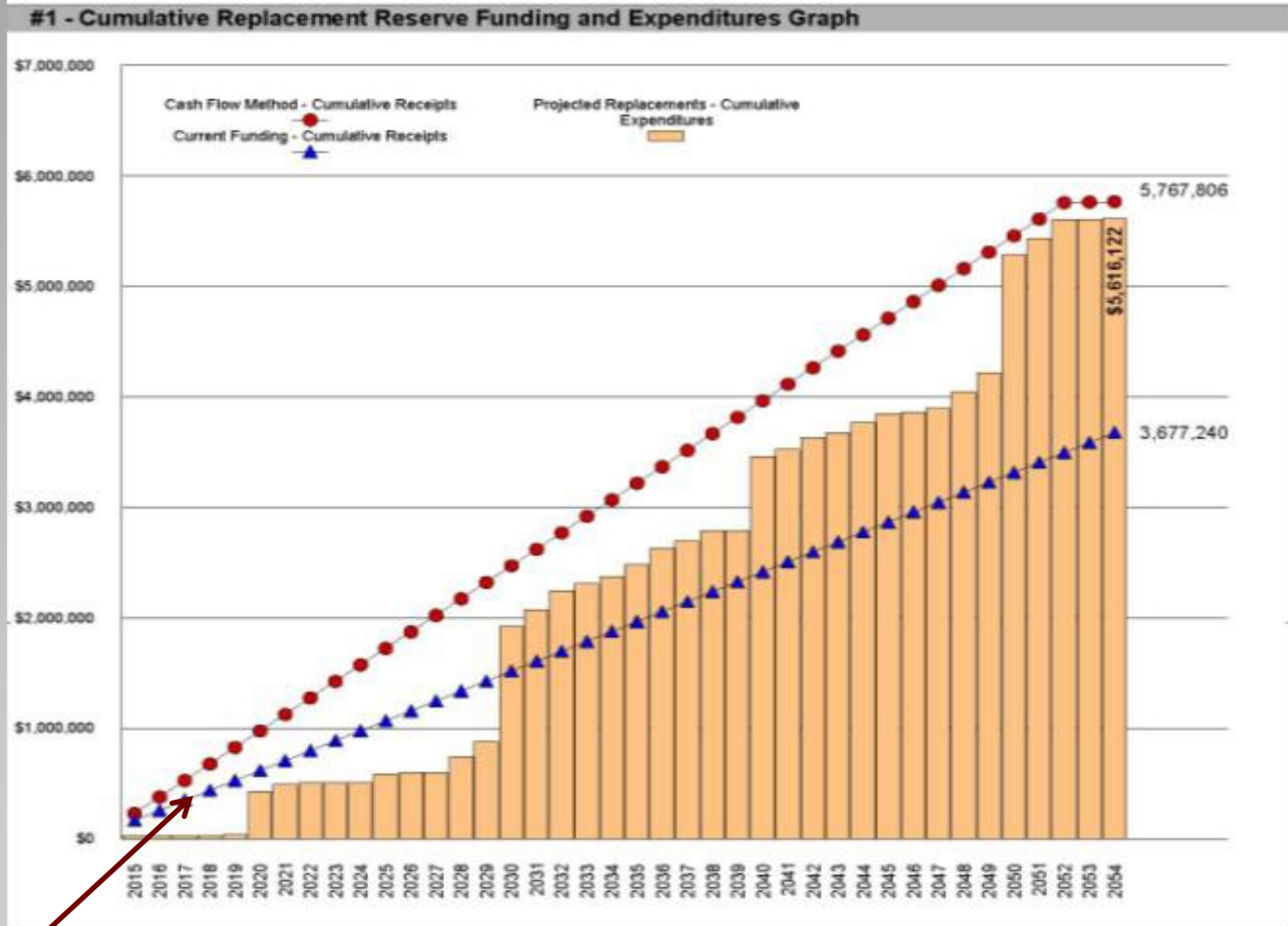
- **Review inventory data.**
- **Re-think replacement priorities.**
- **Check Cash Flow margins.**
- **Develop Strategic Funding Plan.**

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)	(\$386,408)	(\$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)	(\$1,044,673)	(\$152,669)	(\$171,865)	(\$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	\$597,743	\$550,309	(\$404,364)	(\$467,032)	(\$548,897)	(\$517,577)	(\$497,507)
Cumulative Expenditures	(\$585,479)	(\$596,729)	(\$596,729)	(\$739,497)	(\$876,931)	(\$1,921,604)	\$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	(\$512,798)	(\$575,178)	(\$543,856)	(\$547,558)	(\$481,521)	(\$1,046,326)	(\$1,018,278)	(\$1,036,497)	(\$987,249)	(\$990,949)
Cumulative Expenditures	(\$2,480,036)	(\$2,632,416)	(\$2,691,096)	(\$2,784,796)	(\$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)	(\$900,860)	(\$851,612)	(\$908,330)	(\$994,515)	(\$1,986,999)	(\$2,029,687)	(\$2,109,582)	(\$2,019,582)	(\$1,938,882)
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

Year end balance stays positive until year 2030.



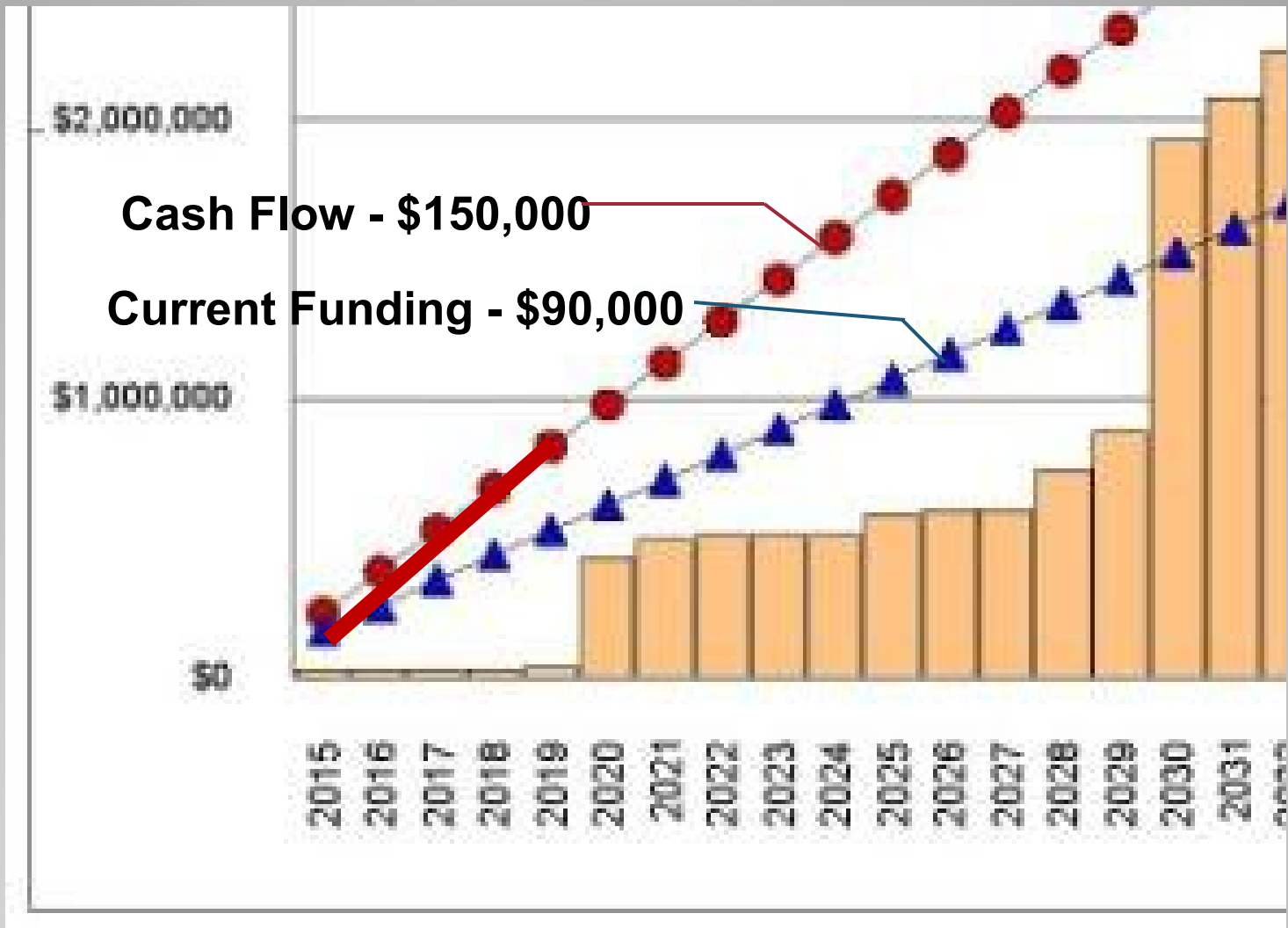
— This association has the latitude to “ramp up” rather than have one large increase.

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?

Module 7

Cash Flow Method Versus Component Method

CASH FLOW vs COMPONENT (Pooling vs. Full Funding)

CASH FLOW ("Pooling") METHOD

Treats Reserves as an aggregate "pool" of funds to provide adequate funding in each year.

COMPONENT ("Full Funding") METHOD

Treats each Reserve Item as a separate "line item" budget that provides adequate funding for each item as a stand-alone line item.

Illustration of the Different Mathematical Models

- **One Project per year,**
 - **Projects repeat every 4 yrs**
 - **Cost of \$12,000 per Project**
 - **Four Projects:**
 - **Year One - Painting Bldg 1**
 - **Year Two - Painting Bldg 2**
 - **Year Three - Painting Bldg 3**
 - **Year Four - Painting Bldg 4**
- (Assume \$Zero Starting Balance) (Assume \$Zero Threshold)

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12					
Painting Building Two	\$12					
Painting Building Three	\$12					
Painting Building Four	\$12					
Total Cost	\$48					

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3				3
Painting Building Two	\$12	3				3
Painting Building Three	\$12	3				3
Painting Building Four	\$12	3				3
Total Cost	\$48	\$12				\$12

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3			6
Painting Building Two	\$12	3	3			6
Painting Building Three	\$12	3	3			6
Painting Building Four	\$12	3	3			6
Total Cost	\$48	12	\$12			\$24

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3	3		9
Painting Building Two	\$12	3	3	3		9
Painting Building Three	\$12	3	3	3		9
Painting Building Four	\$12	3	3	3		9
Total Cost	\$48	12	12	\$12		\$36

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3	3	3	12
Painting Building Two	\$12	3	3	3	3	12
Painting Building Three	\$12	3	3	3	3	12
Painting Building Four	\$12	3	3	3	3	12
Total Cost	\$48	12	12	12	\$12	\$48

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3	3	3	12
Painting Building Two	\$12	3	3	3	3	12
Painting Building Three	\$12	3	3	3	3	12
Painting Building Four	\$12	3	3	3	3	12
Total Cost	\$48	12	12	12	\$12	\$48

As shown above, \$12k was funded as was needed in each year. \$48k was needed over 4 years, and \$48k was funded.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12					
Painting Building Two	\$12					
Painting Building Three	\$12					
Painting Building Four	\$12					
Total Cost	\$48					

Each Component is required to be funded individually. Money can't be borrowed from one to pay component for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12				\$12
Painting Building Two	\$12	6				\$6
Painting Building Three	\$12	4				\$4
Painting Building Four	\$12	3				\$3
Total Cost	\$48	\$25				\$25

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3			\$15
Painting Building Two	\$12	6	6			\$12
Painting Building Three	\$12	4	4			\$8
Painting Building Four	\$12	3	3			\$3
Total Cost	\$48	\$25	\$16			\$38

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3		\$18
Painting Building Two	\$12	6	6	3		\$15
Painting Building Three	\$12	4	4	4		\$12
Painting Building Four	\$12	3	3	3		\$9
Total Cost	\$48	\$25	\$16	\$13		\$54

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3	3	21
Painting Building Two	\$12	6	6	3	3	18
Painting Building Three	\$12	4	4	4	3	15
Painting Building Four	\$12	3	3	3	3	12
Total Cost	\$48	\$25	\$16	\$13	\$12	\$66

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

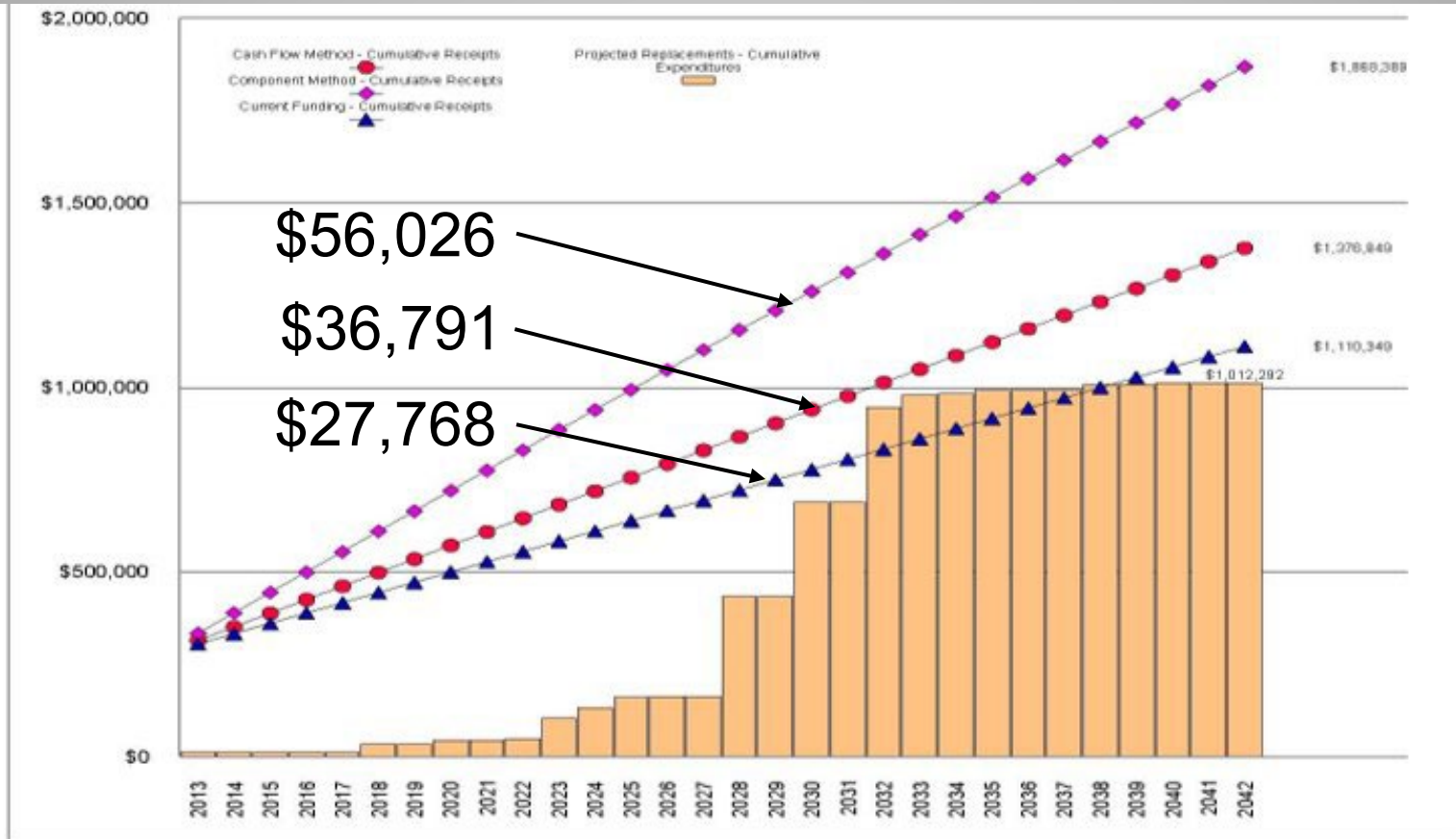
	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3	3	\$21
Painting Building Two	\$12	6	6	3	3	\$18
Painting Building Three	\$12	4	4	4	3	\$15
Painting Building Four	\$12	3	3	3	3	\$12
Total Cost	\$48	\$25	\$16	\$13	\$12	\$66

As seen above, \$48k in Reserve funding was needed. However, \$66k was required to “Fully fund” the Reserves using the Component Method.

Comparison:

- Cash Flow Recommendation: \$48K
- Component Recommendation: \$66K
- Component Method requires 38% more funding than Cash Flow.
- Cash Flow would be 72% of “Full Funding” if using Component Method.

Actual Reserve Study



Questions?

Module 8

Inflation and Reserve Fund Planning

Understand Inflation - CPI vs PPI

- **Consumer Price Index (CPI)**

- Food Costs
- Fuel Costs
- Electricity Costs
- Housing Costs (meaning rent)

- **Producer Price Index (PPI)**

- Manufacturing costs
- Construction costs



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ASSOCIATION



Updated 1/30/2025

Source: BLS: www.bls.gov/cpi for CPI, www.bls.gov/ppi for PPIs; www.bls.gov/ect for ECIs.

Compiled by Ken Simonson (ken.simonson@agc.org), Chief Economist, Associated General Contractors of America, www.agc.org.

Percentage Change in Producer Price Indexes (PPIs) and Employment Cost Indexes (ECIs) for Construction, 2019-2025

BLS Series ID

Average annual percentage change in: to December 2025 since:
2020 2021 2022 2023 2024 11/2025 12/2024 2/2020

BLS Series ID

Average annual percentage change in: to December 2025 since:
2020 2021 2022 2023 2024 11/2025 12/2024 2/2020

Table 1: Changes in consumer, producer & construction prices

CUUR0000SA0	Consumer price index (CPI-U)	1.2	4.7	8.0	4.1	2.9	0.0	2.7	25.3
WPUFD4	Producer price index (PPI) for final demand	0.2	7.0	9.5	2.0	2.3	0.1	3.0	27.2
WPUFD43	Final demand construction	2.4	5.2	19.2	7.6	0.2	0.1	2.7	40.1
WPUFD431	Construction for private capital investment	2.4	5.6	20.9	7.9	0.0	0.1	2.6	42.8
WPUFD432	Construction for government	2.1	4.3	16.1	6.9	0.7	0.1	2.8	35.4
WPU80	Construction (partial)	1.9	5.1	17.5	6.8	0.6	0.2	3.0	37.6
WPU801	New nonresidential building construction	2.5	5.2	19.9	7.9	0.1	0.1	2.6	41.2
WPU801101	New warehouse building construction	1.6	7.6	28.0	4.8	-0.2	0.1	1.6	45.6
WPU801102	New school building construction	2.6	3.6	16.4	7.4	0.5	0.0	2.4	34.9
WPU801103	New office building construction	2.4	6.1	20.7	10.0	0.6	0.1	3.2	48.5
WPU801104	New industrial building construction	3.0	5.2	22.3	7.6	-0.3	0.1	3.4	44.0
WPU801105	New health care building construction	2.4	4.8	17.2	8.2	-0.5	0.2	2.4	36.5
WPU802	Maint & repair of nonres buildings (partial)	0.4	4.8	11.0	4.0	4.2	0.8	5.9	33.7

Table 2: Changes in PPIs for new, repair & maintenance work by subcontractors

PCU23811X23811X	Concrete contractors, nonresidential building work	2.1	6.8	17.6	2.0	1.5	-0.2	4.2	36.9
PCU23816X23816X	Roofing contractors, nonresidential building work	3.2	6.0	18.8	14.9	2.7	0.2	6.5	62.5
PCU23821X23821X	Electrical contractors, nonresidential building work	2.7	4.5	13.7	9.2	-0.4	0.5	3.7	35.9
PCU23822X23822X	Plumbing contractors, nonresidential building work	1.1	3.9	13.3	8.0	1.2	0.2	2.1	30.0

Table 3: Changes in PPIs for inputs to construction industries, excluding capital investment, labor and imports

WPUIP230000	Inputs to construction industries	1.3	18.7	14.5	-1.6	0.9	-0.2	3.4	40.2
WPUIP2300001	Inputs to construction industries, goods	-1.3	18.8	18.4	-0.7	0.5	-0.6	2.8	42.4
WPUIP23000012	Inputs to construction industries, energy	-22.8	59.9	45.2	-16.3	-8.9	-10.4	-6.8	24.1
WPUIP23000013	Inputs to construction industries, goods less foods	2.2	15.2	15.5	1.4	1.6	0.2	3.7	44.5
WPUIP2300002	Inputs to construction industries, services	4.6	18.1	8.5	-3.1	1.6	0.6	4.5	35.8
WPUIP231000	Inputs to new construction	1.3	18.8	14.6	-1.3	0.9	-0.2	3.5	41.0
WPUIP231200	New nonresidential construction	0.3	18.5	15.7	-0.3	0.6	-0.3	3.3	41.6
WPUIP231211	Commercial structures	0.2	18.2	15.9	0.4	0.5	-0.1	4.0	43.6
WPUIP231212	Healthcare structures	0.9	17.8	15.6	0.0	0.7	-0.1	3.9	43.2
WPUIP231220	Industrial structures	0.5	16.6	14.6	1.4	1.1	-0.2	4.1	41.9
WPUIP231230	Other nonresidential	0.1	18.6	15.7	-0.6	0.6	-0.4	3.2	41.0
WPUIP231231	Highways and streets	-1.6	17.2	16.1	0.3	0.5	-0.5	2.8	38.3
WPUIP231232	Power and communications structures	-0.6	19.1	15.7	-1.3	0.2	-0.4	3.3	39.3
WPUIP231233	Educational and vocational structures	1.5	18.0	14.9	-0.4	0.8	-0.1	3.3	41.9
WPUIP231234	Other misc. nonresidential construction	0.1	19.4	15.0	-1.0	0.9	-0.3	3.6	41.7
WPUIP231100	New residential construction	2.4	18.3	12.6	-2.6	1.7	0.1	3.9	39.0
WPUIP231110	Single-family	2.2	18.4	12.0	-2.9	1.7	0.2	3.8	37.7
WPUIP231120	Multifamily	3.3	18.7	11.6	-2.6	2.0	0.2	3.9	40.1
WPUIP232000	Maintenance and repair construction	1.5	18.0	14.0	-2.1	1.1	-0.1	3.6	38.7
WPUIP232200	Nonresidential maintenance and repair	0.9	18.9	14.5	-2.2	0.9	-0.3	3.4	38.8
WPUIP232100	Residential maintenance and repair	2.0	17.1	12.5	-2.3	1.7	0.2	4.2	38.2

Table 4: Changes in PPIs for services important to construction

WPU4531	Architectural services	-0.1	1.3	2.6	1.8	2.1	0.1	0.8	9.7
WPU4532	Engineering services	0.4	3.0	5.5	3.8	2.5	0.0	3.1	18.6
WPU3012	Truck transportation of freight	-0.6	12.5	18.5	-7.9	-1.5	-0.7	3.0	24.2
WPU443	Const. mining & forestry mach & eq rental & leasing	-2.8	-1.3	4.7	5.6	0.1	1.2	0.2	7.0

WPU057303	#2 diesel fuel	-20.6	79.8	66.0	-24.9	-15.2	-18.5	-8.2	39.9
WPU1394	Paving mixtures and blocks (asphalt)	-3.0	3.6	16.7	4.5	2.5	0.8	3.1	22.2
WPU136	Asphalt felts and coatings	1.8	10.5	16.9	3.9	2.3	-0.8	0.8	40.9
WPU1361	Prepared asphalt & tar roofing & siding products	2.2	11.5	17.7	3.8	3.2	-0.9	0.6	44.4
WPU1322	Cement	1.0	4.0	9.6	12.2	5.9	-0.2	0.7	38.4
WPU133	Concrete products	2.7	4.9	12.7	11.0	5.1	0.2	2.0	42.5
WPU1331	Concrete block and brick	3.0	4.2	12.0	11.0	5.8	0.0	3.4	44.7
WPU1332	Concrete pipe	5.1	4.6	19.6	13.0	6.5	0.0	2.3	65.6
WPU1333	Ready-mixed concrete	2.6	3.8	10.3	11.1	5.8	0.1	-0.2	35.5
WPU1334	Precast concrete products	2.9	8.1	13.8	8.7	3.3	0.7	7.5	50.6
WPU1335	Prestressed concrete products	1.7	7.7	25.6	11.3	2.1	0.0	1.4	54.9
WPU1342	Brick and structural clay tile	2.2	4.7	9.3	7.4	4.6	0.0	1.6	33.1
WPU0721	Plastic construction products	1.8	22.3	23.2	-1.5	-1.0	0.8	0.0	48.7
WPU1311	Flat glass	1.5	5.3	10.3	5.8	1.2	0.2	3.5	29.4
WPU13710102	Gypsum building materials	0.1	18.1	19.9	4.0	3.0	0.0	0.2	52.5
WPU1392	Insulation materials	1.1	11.2	16.7	5.4	5.4	1.0	0.2	47.1
WPU1004011	Lumber and plywood	17.0	41.1	-0.8	-23.1	-1.7	0.0	-1.8	23.7
WPU062101	Architectural coatings	2.6	8.3	26.8	5.1	0.3	0.0	3.5	52.5
WPU1017	Steel mill products	-9.6	90.3	8.7	-16.2	-8.8	6.8	17.0	66.4
WPU101706	Steel pipe and tube	-5.2	44.9	26.9	-17.2	-8.6	2.9	9.4	44.4
WPU102502	Copper and brass mill shapes	2.9	41.8	2.9	-1.6	6.7	3.1	11.8	88.3
WPU102501	Aluminum mill shapes	-8.6	24.9	12.8	-8.4	0.9	2.7	30.5	71.2
WPU1073	Sheet metal products	-0.5	19.6	20.8	1.1	1.4	0.1	6.4	55.7
WPU107405	Fabricated structural metal	-2.3	26.7	27.7	-0.5	-7.1	0.3	10.0	59.9
WPU1074051	Fabricated structural metal bar joists & rebar	0.2	34.2	24.7	0.5	-17.3	2.1	20.0	53.5
WPU10740514	Fabricated structural metal for non-industrial buildin	0.0	36.8	25.6	1.7	-23.5	2.6	22.2	45.9
WPU10740553	Fabricated structural metal for bridges	-7.5	28.5	25.6	-1.2	-3.9	-	-	-
WPU107408	Ornamental and architectural metal work	3.2	29.2	28.1	1.5	6.8	-0.1	11.5	109.4
WPU1076	Fabricated steel plate	-2.5	30.4	17.4	-0.9	-	-	-	-
WPU1079	Prefabricated metal buildings	0.9	35.1	12.5	1.4	1.7	0.6	5.7	67.9
WPU112	Construction machinery and equipment	1.7	4.9	10.6	8.8	2.9	0.8	5.6	37.5
WPU07120105	Truck & bus (incl. off-the-highway) pneumatic tires	-0.3	6.6	17.4	3.3	-3.0	0.2	4.8	31.8

Table 6: Changes in PPIs for unprocessed goods important to construction

WPU058102	Asphalt (at refinery)	-26.9	43.8	43.5	-24.9	0.0	-1.4	-4.1	14.9
WPU1321	Construction sand/gravel/crushed stone	4.5	4.0	10.1	9.9	7.5	0.2	6.1	47.2
WPU1012	Iron and steel scrap	-1.6	69.6	-6.7	-9.4	-6.9	4.1	4.0	34.6
WPU101212	Stainless and alloy steel scrap	-0.4	52.2	2.3	-18.9	-0.7	-9.2	-19.9	0.6
WPU102301	Copper base scrap	2.5	48.0	-1.4	-1.2	7.6	3.4	19.7	100.4

Table 7: Changes in ECIs for total compensation, wages & salaries (through Sep 2025)

CIU20100000000000000000	Private industry--total compensation	2.6	3.6	5.2	4.4	3.8	3.5	23.0
CIU20123000000000000000	Construction--total compensation	2.8	3.1	4.0	4.3	3.0	3.8	20.0
CIU20200000000000000000	Private industry--wages and salaries	2.9	4.0	5.3	4.6	4.0	3.6	24.3
CIU20223000000000000000	Construction--wages and salaries	3.2	3.3	4.4	4.8	3.1	4.1	21.7

Updated 1/30/2025

Source: BLS: www.bls.gov/cpi for CPI, www.bls.gov/ppi for PPIs; www.bls.gov/ect for ECIs.

Compiled by Ken Simonson (ken.simonson@agc.org), Chief Economist, Associated General Contractors of America, www.agc.org.

BLS Series ID

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WPUFD43	Final demand construction	2.4	5.2	19.2	7.6	0.2	0.1	2.7	40.1
WPUFD431	Construction for private capital investment	2.4	5.6	20.9	7.9	0.0	0.1	2.6	42.8
WPUFD432	Construction for government	2.1	4.3	16.1	6.9	0.7	0.1	2.8	35.4
WPU80	Construction (partial)	1.9	5.1	17.5	6.8	0.6	0.2	3.0	37.6
WPU801	New nonresidential building construction	2.5	5.2	19.9	7.9	0.1	0.1	2.6	41.2
WPU801101	New warehouse building construction	1.6	7.6	28.0	4.8	-0.2	0.1	1.6	45.6
WPU801102	New school building construction	2.6	3.6	16.4	7.4	0.5	0.0	2.4	34.9
WPU801103	New office building construction	2.4	6.1	20.7	10.0	0.6	0.1	3.2	48.5
WPU801104	New industrial building construction	3.0	5.2	22.3	7.6	-0.3	0.1	3.4	44.0
WPU801105	New health care building construction	2.4	4.8	17.2	8.2	-0.5	0.2	2.4	36.5
WPU802	Maint & repair of nonres buildings (partial)	0.4	4.8	11.0	4.0	4.2	0.8	5.9	33.7

BLS Series ID

Average annual percentage change in: to December 2025 since:

2020 2021 2022 2023 2024 11/2025 12/2024 2/2020

Table 3: Changes in PPIs for inputs to construction industries, excluding capital investment, labor and imports

WPUIP230000	Inputs to construction industries	1.3	18.7	14.5	-1.6	0.9	-0.2	3.4	40.2
WPUIP2300001	Inputs to construction industries, goods	-1.3	18.8	18.4	-0.7	0.5	-0.6	2.8	42.4
WPUIP23000012	Inputs to construction industries, energy	-22.8	59.9	45.2	-16.3	-8.9	-10.4	-6.8	24.1
WPUIP23000013	Inputs to construction industries, goods less foods :	2.2	15.2	15.5	1.4	1.6	0.2	3.7	44.5
WPUIP2300002	Inputs to construction industries, services	4.6	18.1	8.5	-3.1	1.6	0.6	4.5	35.8
WPUIP231000	Inputs to new construction	1.3	18.8	14.6	-1.3	0.9	-0.2	3.5	41.0
WPUIP231200	New nonresidential construction	0.3	18.5	15.7	-0.3	0.6	-0.3	3.3	41.6
WPUIP231211	Commercial structures	0.2	18.2	15.9	0.4	0.5	-0.1	4.0	43.6
WPUIP231212	Healthcare structures	0.9	17.8	15.6	0.0	0.7	-0.1	3.9	43.2
WPUIP231220	Industrial structures	0.5	16.6	14.6	1.4	1.1	-0.2	4.1	41.9
WPUIP231230	Other nonresidential	0.1	18.6	15.7	-0.6	0.6	-0.4	3.2	41.0
WPUIP231231	Highways and streets	-1.6	17.2	16.1	0.3	0.5	-0.5	2.8	38.3
WPUIP231232	Power and communications structures	-0.6	19.1	15.7	-1.3	0.2	-0.4	3.3	39.3
WPUIP231233	Educational and vocational structures	1.5	18.0	14.9	-0.4	0.8	-0.1	3.3	41.9
WPUIP231234	Other misc. nonresidential construction	0.1	19.4	15.0	-1.0	0.9	-0.3	3.6	41.7
WPUIP231100	New residential construction	2.4	18.3	12.6	-2.6	1.7	0.1	3.9	39.0
WPUIP231110	Single-family	2.2	18.4	12.0	-2.9	1.7	0.2	3.8	37.7
WPUIP231120	Multifamily	3.3	18.7	11.6	-2.6	2.0	0.2	3.9	40.1
WPUIP232000	Maintenance and repair construction	1.5	18.0	14.0	-2.1	1.1	-0.1	3.6	38.7
WPUIP232200	Nonresidential maintenance and repair	0.9	18.9	14.5	-2.2	0.9	-0.3	3.4	38.8
WPUIP232100	Residential maintenance and repair	2.0	17.1	12.5	-2.3	1.7	0.2	4.2	38.2

BLS Series ID		Average annual percentage change in:					to December 2025 since:		
		2020	2021	2022	2023	2024	11/2025	12/2024	2/2020
WPU057303	#2 diesel fuel	-20.6	79.8	66.0	-24.9	-15.2	-18.5	-8.2	39.9
WPU1394	Paving mixtures and blocks (asphalt)	-3.0	3.6	16.7	4.5	2.5	0.8	3.1	22.2
WPU136	Asphalt felts and coatings	1.8	10.5	16.9	3.9	2.3	-0.8	0.8	40.9
WPU1361	Prepared asphalt & tar roofing & siding products	2.2	11.5	17.7	3.8	3.2	-0.9	0.6	44.4
WPU1322	Cement	1.0	4.0	9.6	12.2	5.9	-0.2	0.7	38.4
WPU133	Concrete products	2.7	4.9	12.7	11.0	5.1	0.2	2.0	42.5
WPU1331	Concrete block and brick	3.0	4.2	12.0	11.0	5.8	0.0	3.4	44.7
WPU1332	Concrete pipe	5.1	4.6	19.6	13.0	6.5	0.0	2.3	65.6
WPU1333	Ready-mixed concrete	2.6	3.8	10.3	11.1	5.8	0.1	-0.2	35.5
WPU1334	Precast concrete products	2.9	8.1	13.8	8.7	3.3	0.7	7.5	50.6
WPU1335	Prestressed concrete products	1.7	7.7	25.6	11.3	2.1	0.0	1.4	54.9
WPU1342	Brick and structural clay tile	2.2	4.7	9.3	7.4	4.6	0.0	1.6	33.1
WPU0721	Plastic construction products	1.8	22.3	23.2	-1.5	-1.0	0.8	0.0	48.7
WPU1311	Flat glass	1.5	5.3	10.3	5.8	1.2	0.2	3.5	29.4
WPU13710102	Gypsum building materials	0.1	18.1	19.9	4.0	3.0	0.0	0.2	52.5
WPU1392	Insulation materials	1.1	11.2	16.7	5.4	5.4	1.0	0.2	47.1
WPUSI004011	Lumber and plywood	17.0	41.1	-0.8	-23.1	-1.7	0.0	-1.8	23.7
WPU062101	Architectural coatings	2.6	8.3	26.8	5.1	0.3	0.0	3.5	52.5
WPU1017	Steel mill products	-9.6	90.3	8.7	-16.2	-8.8	6.8	17.0	66.4
WPU101706	Steel pipe and tube	-5.2	44.9	26.9	-17.2	-8.6	2.9	9.4	44.4
WPU102502	Copper and brass mill shapes	2.9	41.8	2.9	-1.6	6.7	3.1	11.8	88.3
WPU102501	Aluminum mill shapes	-8.6	24.9	12.8	-8.4	0.9	2.7	30.5	71.2
WPU1073	Sheet metal products	-0.5	19.6	20.8	1.1	1.4	0.1	6.4	55.7
WPU107405	Fabricated structural metal	-2.3	26.7	27.7	-0.5	-7.1	0.3	10.0	59.9
WPU1074051	Fabricated structural metal bar joists & rebar	0.2	34.2	24.7	0.5	-17.3	2.1	20.0	53.5
WPU10740514	Fabricated structural metal for non-industrial buildin	0.0	36.8	25.6	1.7	-23.5	2.6	22.2	45.9

BLS Series ID

Average annual percentage change in:

to December 2025 since:

2020

2021

2022

2023

2024

11/2025

12/2024

2/2020

Table 6: Changes in PPIs for unprocessed goods important to construction

WPU058102	Asphalt (at refinery)	-26.9	43.8	43.5	-24.9	0.0	-1.4	-4.1	14.9
WPU1321	Construction sand/gravel/crushed stone	4.5	4.0	10.1	9.9	7.5	0.2	6.1	47.2
WPU1012	Iron and steel scrap	-1.6	69.6	-6.7	-9.4	-6.9	4.1	4.0	34.6
WPU101212	Stainless and alloy steel scrap	-0.4	52.2	2.3	-18.9	-0.7	-9.2	-19.9	0.6
WPU102301	Copper base scrap	2.5	48.0	-1.4	-1.2	7.6	3.4	19.7	100.4



ECONOMICS

Double-digit Increases In Aluminum, Steel And Copper Costs Drive Up Producer Price Indexes For Construction Materials And Equipment In 2025

January 30, 2026



The producer price index for materials and services used in nonresidential construction rose 3.3 percent from December 2024 to December 2025, propelled by double-digit increases in aluminum, steel and copper prices, according to an analysis by the Associated General Contractors of America of government data released today.



TAKE AWAYS:

- ✓ **Reserves** help **protect property values!**
- ✓ Reserves are necessary to establish a **Financially Sustainable Community!**
- ✓ **Board** and **Manager** both **have an active role** in producing an accurate Reserve Study!
- ✓ **Cash Flow Method** is more realistic!
- ✓ **Inflation is an important consideration** in Reserve Planning.

Questions?

PDF of this presentation is available at

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Questions

Speaker Profile



Peter B. Miller, RS, EBP, has worked professionally with community associations, both as an Architect and a Reserve Specialist, for over 35 years. He is one of the most widely recognized authorities in the field of Replacement Reserves and Reserve Fund Planning. A frequent author and speaker, his article *“The Reserve Truth – What We Must Learn from the Surfside Florida Tragedy”* was published in CAI’s internationally distributed *Common Ground* magazine.

Peter served on the Community Associations Institute’s (CAI) *National Reserve Study Standards Committee* that developed the CAI National Reserve Study Standards in the 1990’s and was appointed by CAI’s President a Co-Chair for the “Reserve, Maintenance, and Building Safety Task Force”. Peter served on CAI’s National Board of Trustees from 2018 through 2022. Peter has also served as a “Subject Matter Expert” on Reserve Study legislation for the Commonwealth of Virginia, as well as the States of Maryland and Delaware.

The Firm of Miller Dodson Associates specializes in Reserve Studies and conducts between 850 – 1,000 Reserve Studies annually.

Peter and his wife, Kathy, split their time between their award-winning historic home in Annapolis, Maryland and their home in Cape Charles on the lower Eastern Shore of Virginia.



Thank You!