

# Vintage on the Bluffs Reserve Study

March 2010



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Vintage on the Bluffs  
Job# UT09-350



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Vintage on the Bluffs  
Attn: Board of Directors  
c/o Mr. Barry Williams  
Advantage Management  
PO Box 1006  
Orem, Utah 84059

Dear Board of Directors,  
Western Architectural would like to thank you for the opportunity to provide this reserve study analysis for the Vintage on the Bluffs community, located on W Napa Way in Bluffdale, Utah.

This reserve study is a budget-planning tool that identifies the status of the reserve fund and schedules the anticipated major commonly owned item replacements. This reserve study will also estimate the expected useful life and remaining useful life of building and site components or systems, and will provide an estimated replacement or refurbishment cost for those components or systems. Major components or systems may include, but are not limited to roofing, siding, windows, paving, mechanical equipment, common area finishes and amenities, and other commonly owned systems or items.

The scope of work identified within our contract is to provide you with a “full” reserve study, which includes:

- Component/System Inventory
- Expected Useful Life and Remaining Useful Life Estimates
- Condition Assessment (based upon on-site visual observations using Good/Fair/Poor grading scale)
- Component/System Replacement Schedule and Estimated Pricing
- Identify Current Reserve Account Balance
- 30 Year Funding Plan

### **How to Use a Reserve Study**

The documents included within the reserve study are intended to be used as guidelines and estimates. It is nearly impossible to know exactly when a building component or system will fail; however, an estimation of useful life based on similar product history and professional experience is used to estimate the time of replacement and associated costs. All costs included within this reserve study should be used as budgeting figures. For exact pricing, a qualified, licensed contractor should be contacted to provide a bid for any anticipated replacements.

The replacement schedule lists all components and systems that are anticipated to 'wear out' or fail within 30 years. Items which are anticipated to be replaced or repaired in the current year (2010) are included within the reserve study and these items should already be budgeted for, and scheduled to be replaced.

On the reserve schedule, review which items are anticipated to fail in the near future, and keep a close eye on them. It is always better to replace items prior to failure to eliminate the opportunity for surrounding components or associated systems to be affected. Be aware of items scheduled within 2-3 years of the current year. Remember, items listed are scheduled based on history and replacement is scheduled as an estimate. Items commonly fail sooner or later than the estimated date.

If items fail prematurely, a warranty may still be valid. Be sure to check with the manufacturer about warranty coverage prior to replacing the item. Warranty information may be available on the actual item, such as a boiler, elevator, or booster pump. This reserve study is not a guarantee or warranty for any components or systems. The product manufacturer or installation contractor generally provides warranties. The manufacturer and/or installation contractor may not be identified for some components or systems and therefore may be difficult to obtain warranty information.

The funds that are anticipated per unit assume all units are participating. If vacant units exist and are not contributing to the reserve fund, adjustments may need to be made to compensate for that loss.

The reserve account anticipates earning 0.45% interest annually on the reserve account. If a higher or lower interest rate is earned, please contact the reserve analyst (Western Architectural) to make the proper adjustments.

Over time, deposits, interest rates, inflation, and replacement costs will vary, making the reserve study inaccurate. It is recommended to update this reserve study annually to ensure accuracy and adequate funding.

## **Preparation of a Reserve Study**

Data is collected from many sources to prepare a reserve study as a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The following sources and methods were utilized in preparation of this reserve study document:

- Property Management Personnel Interviews
- As-built Plans and Specifications Document Reviews
- On-site Observations
- In-house Architects and Engineers Consulting
- Interviewing Engineering Consultants
- RS Means Facilities Maintenance & Repair Cost Data, 16<sup>th</sup> Edition (2009) printed manual
- Interviewing General Contractor Consultants

A tabular list of commonly owned items is developed and given a current condition grade, expected useful life, and remaining useful life. This document is called a “Remaining Useful Life Analysis” and also determines which items are to be replaced over the upcoming 30 years.

A “Reserve Schedule” identifies the quantity of items throughout the development and a current replacement or refurbishment cost. Based on the remaining useful life of the item (per the Remaining Useful Life Analysis), it is scheduled to be replaced if expected to fail or wear out within the next 30 years.

The “Funding Plan” portion of the reserve study is the association’s plan to provide income to a reserve fund in order to pay for anticipated expenditures (per the Reserve Schedule) to maintain the development. The funding plan is developed through a “Cash Flow Method”, which is a method of developing a reserve-funding plan where contributions into the reserve account are designed to offset the variable annual expenditures in order to maintain the development. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

The goal of the Funding Plan is to achieve a fully funded status, which means the reserve account balance is equal to the anticipated expenditures identified in the Reserve Schedule. As monthly deposits are made into the reserve account in order to save for future costs, the funding plan rarely reaches a “fully funded” status. The motivation of achieving a “fully funded” status is to save enough money to afford the replacement of items as they are expected to fail or wear out. Depositing the adequate amount of money into the reserve account each month will result in being “fully funded” when items are expected to be replaced.

### **Property Information**

Site observations were performed on December 14, 2009 at the Vintage on the Bluff development. The following is a description of the subject development based on information collected during the site observation and plan review.

- Residential Units: 184
- Constructed: 2004
- Height: 1-3 stories
- County: Salt Lake

### **Building Description**

Vintage on the Bluffs was completed and ready for occupancy in the year 2004. The development contains 184 residential units within 27 1-3 story buildings. Off-street parking is included in the development in the form of surface parking and carport parking. The subject development is located near hwy 154 and hwy 68 at W Napa Way in Bluffdale, Utah. The site is relatively flat and contains small hills at the north and west edges of the property.

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## **Disclosures**

1. **General** – Vintage on the Bluffs and Western Architectural have no professional or personal involvements with each one another, other than the scope of work identified in the reserve study contract. This relationship cannot be perceived as a conflict of interest.
2. **Physical Analysis** - On-site observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this report.
3. **Measurements** - Measuring and inventory were identified via a combination of on-site physical measurements and drawing take-offs. Drawing sets were provided by the property management for our use relating only to the reserve study scope of work.
4. **Completeness** - Western Architectural has found no material issues which, if not disclosed, would cause a distortion of the association's situation.
5. **Reliance on Client Data** - Data received by property management and association representatives is deemed reliable by Western Architectural. Such data received may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.
6. **Scope** - This reserve study is a reflection of information provided by Western Architectural and was assembled for use by Vintage on the Bluffs. The intent of this reserve study is not to be used for performing an audit, quality or forensic analysis, or background checks of historical records.
7. **Reserve Balance** - The actual or projected total presented in the reserve study is based upon information provided or collected and was not audited.
8. **Reserve Projects** - Information provided or collected for the purpose of the reserve study will be considered reliable and should not be considered a project audit or quality inspection.



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### **Reserve Provider Personal Credentials**

Mr. Mike J. Poirier has prepared over 100 reserve studies since 2004. He has provided reserve studies for high-rise condominiums in Downtown Portland of more than 300 residential units, to rural apartment-style condominiums containing less than 10 residential units.

- Awarded the Reserve Specialist (RS) designation through Community Associations Institute (CAI) (RS designation #166).
- Issued State of Nevada Reserve Study Specialist Permit #RSS.0000020.
- Certified window installer, by Installation Masters I.D. #700006048.
- Conducted over 100 reserve studies in four states since 2004.
- Active member of ASTM International and Community Associations Institute (CAI).
- Excels in programs such as ASTM training for property condition assessments & RS Means Maintenance & Facilities Cost Estimating.
- Developed the reserve study and maintenance plan department for Western Architectural.
- Reserve study clients range from management companies, new construction contractors, and community associations.

Mike J. Poirier



Manager, Maintenance Plan and Reserve Study Department



REMAINING USEFUL LIFE ANALYSIS

Current Year 2010  
Year Constructed 2004

CSI Division	Component Description	Condition	Installation Date (Year)	Expected Useful Life (Years)	Remaining Useful Life (Years)	Estimated Replacement Date	Included in Reserve Schedule?	Effective Age
03 - Concrete								
033000	Concrete Foundations	Good	2004	50	44	2054	NO	6
04 - Masonry								
044000	Stone Cladding or Veneer	Good	2004	50	44	2054	NO	6
05 - Metals								
055100	Metal Stair Assemblies	Fair	2004	40	34	2044	NO	6
055200	Metal Railings	Good	2004	45	39	2049	NO	6
06 - Wood, Plastics, and Composites								
061533	Wood Decking	Fair	2004	25	19	2029	YES	6
062000	Wood Finish Carpentry	Good	2004	30	24	2034	YES	6
07 - Thermal and Moisture Protection								
070190	Caulking and Joint Sealant	Good	2004	10	4	2014	YES	6
073113	Asphalt Shingles (Stagger Replacement)	Good	2004	30	24	2034	YES	6
074626	Hardboard Siding	Good	2004	50	44	2054	NO	6
074646	Stucco Siding	Good	2004	40	34	2044	NO	6
077123	Rain Gutters and Downspouts	Good	2004	50	44	2054	NO	6
08 - Openings								
080190	Louvers, Vents and Screens	Good	2004	50	44	2054	NO	6
081100	Metal Doors and Frames	Good	2004	45	39	2049	NO	6
081400	Wood Doors and Frames	Good	2004	40	34	2044	NO	6
085313	Vinyl Windows	Good	2004	40	34	2044	NO	6
09 - Finishes								
096340	Stone Flooring	Good	2004	50	44	2054	NO	6
096516	Resilient Flooring (Rubber Gym Floor)	Good	2004	20	14	2024	YES	6
096816	Carpeting	Good	2004	10	4	2014	YES	6
099113	Exterior Paint Finishes	Fair	2004	10	4	2014	YES	6
099123	Interior Paint Finishes	Good	2004	10	4	2014	YES	6

REMAINING USEFUL LIFE ANALYSIS

Current Year 2010  
Year Constructed 2004

CSI Division	Component Description	Condition	Installation Date (Year)	Expected Useful Life (Years)	Remaining Useful Life (Years)	Estimated Replacement Date	Included in Reserve Schedule?	Effective Age
10 - Specialties								
102113	Toilet Stall Components	Good	2004	20	14	2024	YES	6
105523	Mailboxes	Fair	2004	25	19	2029	YES	6
107113.13	Exterior Window Shutters	Good	2004	25	19	2029	YES	6
107323	Carport Structures	Good	2004	50	44	2054	NO	6
11 - Equipment								
116600	Athletic Equipment	Good	2004	20	14	2024	YES	6
116800	Playground Equipment	Good	2004	20	14	2024	YES	6
12 - Furnishings								
122100	Window Blinds	Good	2004	15	9	2019	YES	6
125000	Sofas, Tables, Chairs, Artwork, Décor	Good	2004	15	9	2019	YES	6
13 - Special Construction								
131100	Pool Equipment	Fair	2004	15	9	2019	YES	6
131700	Pool Surfaces	Not Visible	2004	15	9	2019	YES	6
21 - Fire Suppression								
211300	Fire Sprinkler System	Good	2004	50	44	2054	NO	6
22 - Plumbing								
221113	Domestic Water Distribution Piping	Not Visible	2004	50	44	2054	NO	6
221319	Waste Piping	Not Visible	2004	50	44	2054	NO	6
223430	Gas Fired Residential Water Heaters	Good	2004	25	19	2029	YES	6
224700	Drinking Fountains	Good	2004	20	14	2024	YES	6
23 - Heating, Ventilating, and Air Conditioning								
230900	HVAC Control Panels	Good	2004	20	14	2024	YES	6
233100	HVAC Ducts	Not Visible	2004	50	44	2054	NO	6
233118	Dryer Exhaust Ducts	Not Visible	2004	50	44	2054	NO	6
233400	Mechanical Ventilation	Good	2004	25	19	2029	YES	6
236000	Central Cooling Equipment	Good	2004	15	9	2019	YES	6
235400	Furnace (Clubhouse)	Good	2004	15	9	2019	YES	6

REMAINING USEFUL LIFE ANALYSIS

Current Year 2010  
Year Constructed 2004

CSI Division	Component Description	Condition	Installation Date (Year)	Expected Useful Life (Years)	Remaining Useful Life (Years)	Estimated Replacement Date	Included in Reserve Schedule?	Effective Age
26 - Electrical								
262400	Breaker Panels	Good	2004	50	44	2054	NO	6
265100	Interior Lighting	Good	2004	20	14	2024	YES	6
265300	Illuminated Exit Signs	Good	2004	20	14	2024	YES	6
265529	Underwater Lighting	Not Visible	2004	15	9	2019	YES	6
265600	Building Lighting	Good	2004	20	14	2024	YES	6
265613	Site Lighting	Good	2004	50	44	2054	NO	6
28 - Electronic Safety and Security								
283100	Fire Detection Systems and Alarms	Good	2004	50	44	2054	NO	6
283133	Fire Alarm Panels	Good	2004	50	44	2054	NO	6
283146	Smoke Detectors	Good	2004	15	9	2019	YES	6
32 - Exterior Improvements								
321216	Asphalt Paving	Good	2004	30	24	2034	YES	6
321236	Asphalt Sealants	Poor	2004	7	1	2011	YES	6
321313	Concrete Sidewalks (10% allowance @ 5 years)	Fair	2004	25	19	2029	YES	6
321613.16	Concrete Curbs	Good	2004	40	34	2044	NO	6
321723	Parking Area Striping	Fair	2004	7	1	2011	YES	6
323123	Vinyl Fencing (Maintenance and Repair Allowance)	Good/Fair	2004	30	24	2034	YES	6
328000	Irrigation Systems	Not Visible	2004	30	24	2034	YES	6
329343	Trees (Annual Allowance)	Good	2004	30	24	2034	YES	6



Total Per Unit Per Month in 2009	<b>\$47.55</b>
Year Built	2004
Number of Units	184

March 2010
Inflation Rate (%) 2.16

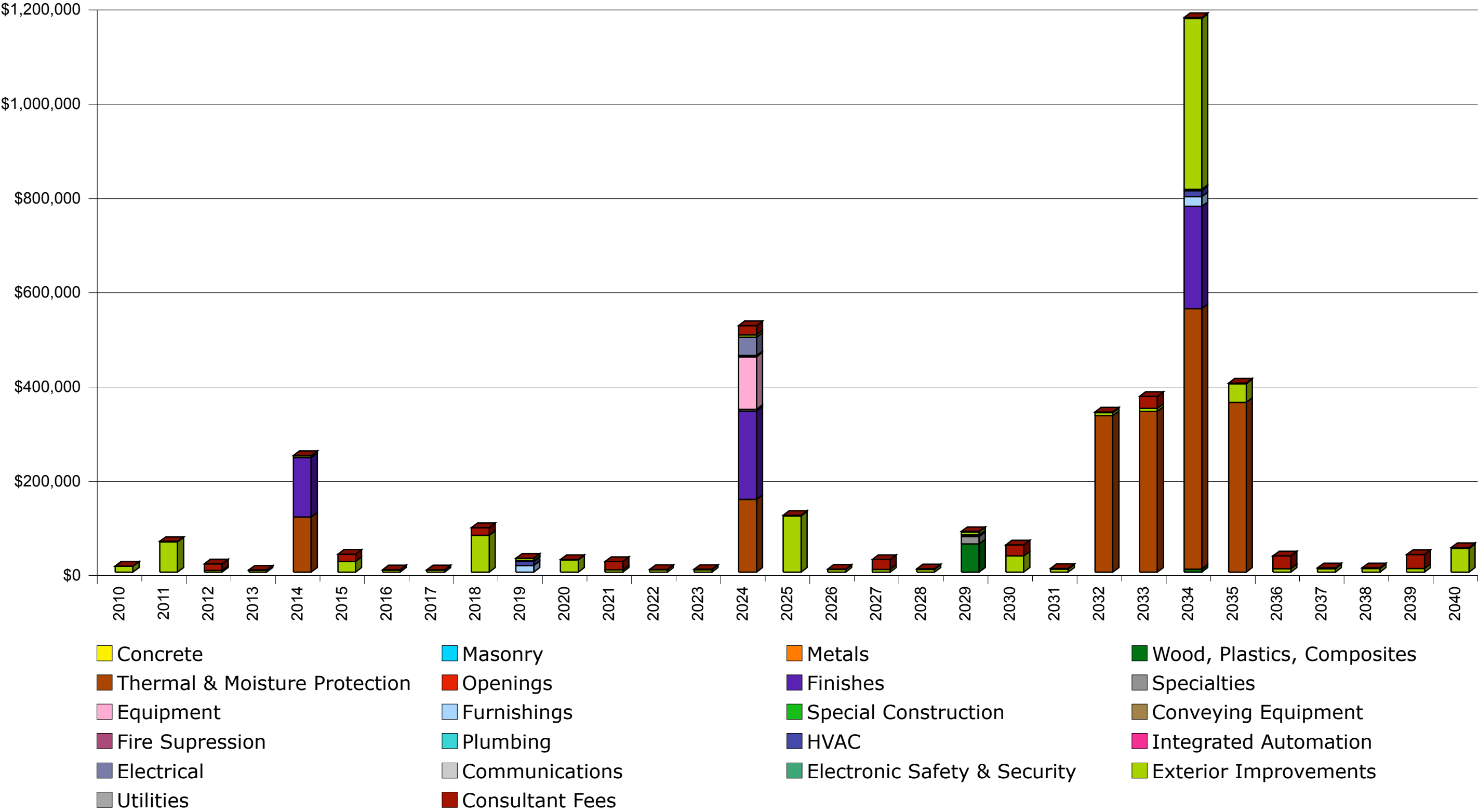
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Reserve Study Schedule

Total Per Unit Per Month in 2009		\$47.55		March 2010		Inflation Rate (%) 2.76																																
Year Built 2004																																						
Number of Units 184																																						
Component Description		Remaining Useful Life (Years)	Quantity (SF, LF, or Each)	Cost Per SF, LF, or Each	Total Cost in 2010	Replacement Date	Total Spent Over 30 Years	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
								2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
28 - Electronic Safety and Security							\$2,121																															
Smoke Detectors		9	3	\$221.00	\$663	2019	\$2,121										\$847																					
32 - Exterior Improvements							\$924,941																															
Asphalt Paving		24	109686	\$0.90	\$98,717	2034	\$189,746																															
Asphalt Sealants		1	109686	\$0.52	\$57,037	2011	\$324,964		\$58,611							\$70,917																						
Concrete Sidewalks (10% allowance @ 5 years)		19	22880	\$3.00	\$68,640	2029	\$68,127						\$7,865																									
Parking Area Striping		1	4980	\$0.45	\$2,241	2011	\$17,840		\$2,303							\$2,786																						
Vinyl Fencing (Maintenance and Repair Allowance)		24	5453	\$35.00	\$190,855	2034	\$104,257	\$9,543					\$10,934																									
Irrigation Systems		24	1	\$27,000.00	\$27,000	2034	\$51,897																															
Trees (Annual Allowance)		24	1	\$3,500.00	\$3,500	2034	\$168,110	\$3,500	\$3,597	\$3,696	\$3,798	\$3,903	\$4,010	\$4,121	\$4,235	\$4,352	\$4,472	\$4,595	\$4,722	\$4,852	\$4,986	\$5,124	\$5,265	\$5,411	\$5,560	\$5,713	\$5,871	\$6,033	\$6,200	\$6,371	\$6,547	\$6,727	\$6,913	\$7,104	\$7,300	\$7,501	\$7,708	\$7,921
Inspection/Consultant Fees							\$0																															
Reserve Study Update		1	1	\$825.00	\$825	2011	\$25,870		\$848		\$895	\$920		\$971	\$998		\$1,054	\$1,083		\$1,144	\$1,175		\$1,241	\$1,275		\$1,347	\$1,384		\$1,461	\$1,502		\$1,586	\$1,630		\$1,721	\$1,768		\$1,867
Reserve Study Update w/ Site Visit		3	1	\$1,485.00	\$1,485	2013	\$23,275			\$1,568			\$1,702			\$1,846			\$2,004			\$2,174			\$2,359			\$2,560			\$2,778			\$3,014			\$3,271	
Building Envelope Thorough Inspection		3	1	\$12,045.00	\$12,045	2013	\$188,784			\$12,719			\$13,802			\$14,976			\$16,251			\$17,634			\$19,134			\$20,763			\$22,530			\$24,447			\$26,528	
(Services within this section are available through Western Architectural)																																						
Total Expenditures		\$3,981,260						\$13,043	\$65,358	\$17,983	\$4,693	\$247,785	\$38,313	\$5,092	\$5,233	\$94,877	\$80,722	\$27,219	\$22,976	\$5,996	\$6,162	\$523,102	\$120,366	\$6,686	\$27,054	\$7,060	\$86,512	\$57,638	\$7,661	\$340,013	\$373,162	\$1,252,844	\$401,356	\$34,565	\$9,021	\$9,270	\$37,507	\$51,992
Recommended Reserve Contributions		\$105,000						\$105,000	\$107,898	\$110,876	\$113,936	\$117,081	\$120,312	\$123,633	\$127,045	\$130,552	\$134,155	\$137,857	\$141,662	\$145,572	\$149,590	\$153,719	\$157,961	\$162,321	\$166,801	\$171,405	\$176,136	\$180,997	\$185,992	\$191,126	\$196,401	\$201,822	\$207,392	\$213,116	\$218,998	\$225,042	\$231,253	\$237,636
Interest Rate on Reserves		0.45%						0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	
Ending Balance		\$98,000						\$203,914	\$247,562	\$341,987	\$453,261	\$324,009	\$407,835	\$528,744	\$653,484	\$692,259	\$749,048	\$863,555	\$986,661	\$1,131,305	\$1,280,470	\$915,186	\$957,069	\$1,117,711	\$1,263,117	\$1,433,886	\$1,530,365	\$1,661,166	\$1,847,775	\$1,706,533	\$1,536,657	\$487,820	\$295,178	\$475,860	\$688,923	\$908,767	\$1,107,475	\$1,298,938



Annual Expenditures





## Funding Statistics

### Baseline Statement

Number of Residential Units	184
Fiscal Year End	January 1
Fiscal Year Begin	December 31
Starting Reserve Account Balance	\$98,000

The purpose of the Baseline Statement section is to identify conditions prior to preparing this reserve study. These statements set the baseline to compare new budgeting figures with existing budgeting figures and to calculate contribution increases or decreases.

### Economic Variables

Projected Annual Inflation (%)	2.76%
Based on inflation history 1998-2008 by <a href="http://www.Inflationdata.com">www.Inflationdata.com</a>	
Reserve Account Interest Rate	0.45%
Estimated average interest rates	

The purpose of the Economic Variables section is to identify estimates of inflation and interest rates based on relative history of these figures. Inflation and interest rates are subject to change and may not reflect the actual future rates.

### Recommended Reserve Contributions

Minimum Reserve Contribution (Annually)	\$105,000
Increase reserve contribution each year by current inflation rate. See the Funding Plan Summary for details	
Minimum Reserve Contribution (Monthly per unit)	\$47.55

The purpose of the Recommended Reserve Contributions section is to summarize the focal points of the reserve schedule. This section identifies changes from previous reserve contributions. Calculations within this section are based on the reserve schedule.



Funding Plan Summary

Year #	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Year Date	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Ideal Reserve Account Balance	\$437,959	\$513,863	\$553,649	\$631,990	\$728,401	\$613,341	\$679,378	\$783,817	\$909,300	\$932,911	\$995,910	\$1,113,950	\$1,225,265	\$1,359,976	\$1,519,790	\$1,161,926
Actual Reserve Account Balance	\$98,000	\$203,914	\$247,562	\$341,987	\$453,261	\$324,009	\$407,835	\$528,744	\$653,484	\$692,259	\$749,048	\$863,555	\$986,661	\$1,131,305	\$1,280,470	\$915,186
Total Annual Deposit	\$0	\$107,898	\$110,876	\$113,936	\$117,081	\$120,312	\$123,633	\$127,045	\$130,552	\$134,155	\$137,857	\$141,662	\$145,572	\$149,590	\$153,719	\$157,961
Expenditures	\$13,043	\$65,358	\$17,983	\$4,693	\$247,785	\$38,313	\$5,092	\$5,233	\$94,877	\$80,722	\$27,219	\$22,976	\$5,996	\$6,162	\$523,102	\$120,366
Percent Funded	47%	40%	45%	54%	62%	53%	60%	67%	72%	74%	75%	78%	81%	83%	84%	79%

Year #	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Year Date	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Ideal Reserve Account Balance	\$1,186,474	\$1,351,906	\$1,484,086	\$1,643,845	\$1,780,031	\$1,903,039	\$2,084,471	\$2,298,234	\$2,473,368	\$1,761,994	\$416,052	\$548,744	\$715,674	\$919,382	\$1,113,413
Actual Reserve Account Balance	\$957,069	\$1,117,711	\$1,263,117	\$1,433,886	\$1,530,365	\$1,661,166	\$1,847,775	\$1,706,533	\$1,536,657	\$487,820	\$295,178	\$475,860	\$688,923	\$908,767	\$1,107,475
Total Annual Deposit	\$162,321	\$166,801	\$171,405	\$176,136	\$180,997	\$185,992	\$191,126	\$196,401	\$201,822	\$207,392	\$213,116	\$218,998	\$225,042	\$231,253	\$237,636
Expenditures	\$6,686	\$27,054	\$7,060	\$86,512	\$57,638	\$7,661	\$340,013	\$373,162	\$1,252,844	\$401,356	\$34,565	\$9,021	\$9,270	\$37,507	\$51,992
Percent Funded	81%	83%	85%	87%	86%	87%	89%	74%	62%	28%	71%	87%	96%	99%	99%

Current Reserve Fund Status

Measure of Strength for Reserve Funding Plan

The reserve account balance is currently in a **Fair** financial position. This condition indicates that in 2010, reserves are insufficient to adequately meet the financial needs necessary to maintain this property, but is improving

**0% - 30% Funded** is a weak financial position. Reserve accounts which fall into this category are subject to special assessment charges and deferred maintenance which may harm the property value and building performance. If the reserve account is in this position, immediate action should be taken to improve the reserve

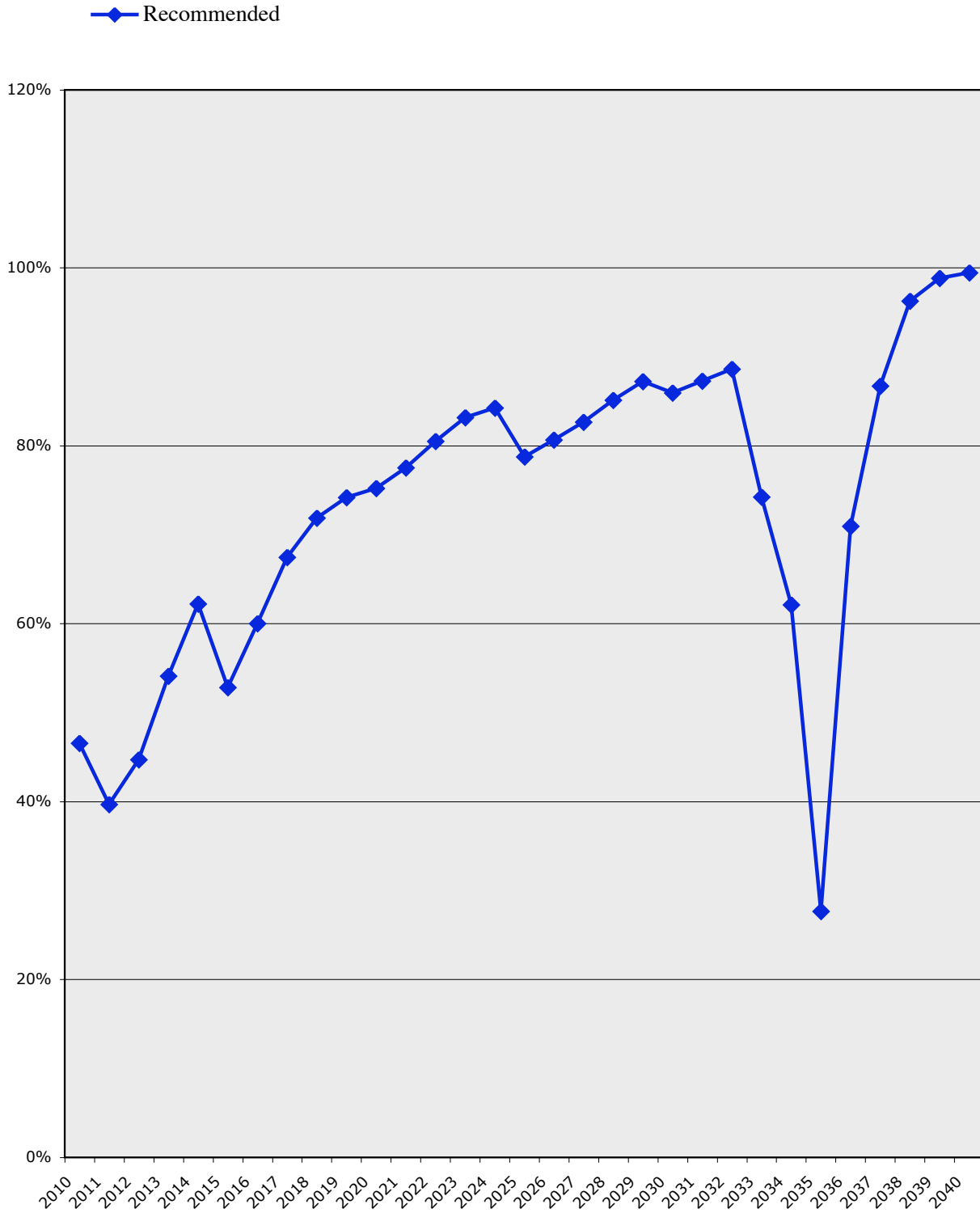
**31% - 69% Funded** is a fair financial position. The majority of reserve accounts are within this range. Special assessments probably won't occur in this position; however, improvements should be made to the reserve account to stabilize the balance.

**70% - 99% Funded** is a strong financial position. This position indicates a near-adequate reserve account balance and special assessments are likely to be omitted in this category. Efforts should be taken to maintain this level of status of the reserve account.

**100% or more Funded** is an ideal financial position. This means the reserve account is equal to, or exceeds, the amount of money needed to maintain the development. A 100% or more funding status does not necessarily indicate halting reserve contributions. This funding status indicates the reserve account balance



## Percent Funded



## **Terms and Definitions**

The following list of terms and definitions is based on the standards set fourth by Community Associations Institute (CAI). Not all of these terms and definitions may be utilized within this reserve study report; however, some may be used in the process of collecting information, calculating the financial and physical analysis, or reviewing the reserve study with consultants.

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures form the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

**COMPONENT:** The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**COMPONENT INVENTORY:** The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.

**COMPONENT METHOD:** A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See “Cash Flow Method.”

**CONDITION ASSESSMENT:** The task of evaluating the current condition of the component based on observed or reported characteristics.

**CURRENT REPLACEMENT COST:** See “Replacement Cost.”

**DEFICIT:** An actual (or projected) Reserve Balance less then the Fully Funded Balance. The opposite would be a Surplus.

**EFFECTIVE AGE:** The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.



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**FINANCIAL ANALYSIS:** The portion of the Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

**FULLY FUNDED:** 100% funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

**FULLY FUNDED BALANCE (FFB):** Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

**FUND STATUS:** The status of the reserve fund as compared to an established benchmark such as percent funding.

**FUNDING GOALS:** Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

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

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

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

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.”

**FUNDING PLAN:** An association’s plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

**FUNDING PRINCIPLES:**

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

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

**PHYSICAL ANALYSIS:** The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**REMAINING USEFUL LIFE (RUL):** Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” Remaining Useful Life.

**REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during the particular year.

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**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. “Our budget and finance committee is soliciting proposals to update our Reserve Study for next year’s budget.”

**RESPONSIBLE CHARGE:** A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he/she is in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinate where necessary and appropriate;

3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

**SPECIAL ASSESSMENT:** An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

**SURPLUS:** An actual (or projected) Reserve Balance greater than the Full Funded Balance. See “Deficit.”

**USEFUL LIFE (UL):** Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.