



By Jessica Vail

Jessica Vail is the Director of Marketing and Business Development for The Falcon Group. She brings over 10 years of marketing, communications and business development experience within the construction and engineering industry. Vail is responsible for overseeing and inspiring the continued growth of The Falcon Group through various marketing endeavors for CT, DC, DE, FL, MD, NJ, NY, PA, VA. She is also an active member in multiple CAI Chapters.

RESERVE STUDIES & YOUR COMMUNITY'S LONG-TERM GOALS

It is widely known that having an updated capital reserve study is vital for the success of any community association, as it is a guide to help set aside funds and is the road map for all future capital improvement projects and expenditures. The reserve study provides three main points of information: 1 - budget and financing, 2 - identifies common elements and their useful life; and 3 - recommendations for repair or replacement.

How to Understand Your Reserve Study

The reserve study includes the identification, quantification and financial analysis of only the replacement or major repair of the association's common elements. It offers recommendations as to the amount of money an association should fund on a yearly basis. The analyses and recommendations are important in that they help avoid possible

future special assessments of the individual unit owners. The analyses also consider the site-specific existing conditions, their useful life and the realistic replacement and maintenance costs based upon actual material costs and site-specific individual item's method of construction.

It is also important to include a preventative maintenance plan because it meets legal, fiduciary and professional requirements. It provides for the planned maintenance of major components and minimizes the need for special assessments.

Homeowners, especially those on fixed income, may have limited resources and might be unable to afford the large special assessments necessary for major replacements.

While it is recommended that a community's reserve study is updated every three years (every five years for new communities), it is important to look at the reserve study as a living document. There are many instances that require an update even within a three-year window. For example, if the community has had a major renovation or replacement project, it is imperative that the reserve study reflect this change to retain its accuracy and make sure funds are being properly allocated. If there is any uncertainty, it is always recommended to consult your engineer or reserve specialist.

ESSENTIAL SERVICES - EXCEPTIONAL QUALITY



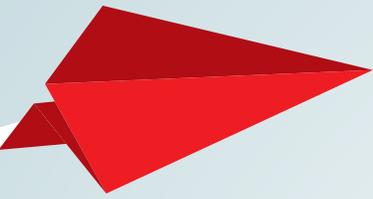
The Quality Commercial HVAC Contractor Specializing in Maintenance Service Contracting that Extends the Service Life of Your Equipment, Customized to Fit the Needs of Your Facility.

Our Reputation is Built on Reliability That You Can Always Count On

- HVAC Commercial Services & Repair
- Residential Contracting, Service & Repair
- Heating | Cooling | Plumbing
- Mechanical Building Maintenance
- Daily Steam Plant Engineering
- VAV Systems
- Heat Pumps
- Humidifiers & Dehumidification
- Water source Units
- Services for Local Code Requirements "Steam Boilers"
- Rooftop Unit Services
- Server Rooms/Data Centers
- Chiller Services & Replacement
- HVAC Service Contracting
- Cooling Tower Systems
- Steam and Water Systems
- Boilers & Furnaces
- Domestic Hot Water Systems



703.661.4280 | absi-sales@absi1.com | www.advanced-building.com



SIGMA

REAL ESTATE SERVICES

WHO WE ARE

SIGMA Real Estate Services is a residential property management company that delivers superior service by applying the latest technology, excellent customer service and the benefits of its 25 years of experience.

WHAT WE DO

- Condominium Management
- Cooperative Management
- Homeowner Associations



CONTACT US

301-513-9300

8911 60th Ave. College Park, MD 20740

info@sigmares.com

CAI NAA NYARM NARPM

Planning for the Future

Far too often, associations find themselves in an underfunded position at the beginning of a replacement project. Whether it is reconstructing roadways, sidewalks, roofs or other aspects of the community, the association will rely on funding that has been recommended and established over the useful life of the item.

Standard useful lives are often based solely upon standards used in the engineering industry taken from information listed in life cycle analysis publications and/or manufacturer's specifications. This can result in underfunding. Site specific useful lives must be used. Actual conditions must be physically inspected, and changes must be made to the projected useful lives as conditions change. Aesthetics may also affect the replacement of an item sooner than scheduled.

Another key factor is quantities. Quantities should be verified by the as-built conditions. This must be done for any initial reserve analysis and should always be field-checked on subsequent studies. Failure to provide an association with correct quantities may result in a significant underfunded condition in the future.

The unit costs provided in the funding table for the replacement of the capital reserve items should be based upon several sources, including published documentation on replacement costs. They should also be based upon the reserve specialist's experience in site and building construction. The individual reconstruction or replacement of each item should be analyzed, and the resulting unit costs should be adjusted accordingly. Individual (site-specific) characteristics affecting the unit's costs are different on every site and the replacement costs must be adjusted accordingly. Existing site conditions, the size and scope of the future replacement project, the job access locations, as well as the site restoration costs and presence existing components are all variables that affect the item's replacement costs. Many times, the unit replacement costs shown in these studies barely cover the material costs for the item.

There are quite a few moving parts involved with an accurate capital reserve study. It is imperative to work closely with your engineer or reserve specialist to ensure its accuracy and that the study is being updated on a regular basis to fit the needs of your community. 