



**SAMPLE**

Portion of

Oak Reserve Planning  
Reserve Fund STUDY

2025

[Client Name]  
[Condominium Corporation Name]  
[Property Address]  
[City, Province, Postal Code]

**Subject:** Transmittal of Reserve Fund Study of Condominium Corporation [plan number]

It is with great pleasure that we submit the Reserve Fund Study for the subject condominium corporation. This study was prepared in accordance with Condominium Property Act of Alberta and Alberta Condominium Regulations and is intended to assist your condominium corporation in planning for the long-term maintenance and replacement of your property's common elements.

#### **Purpose of the Study**

- Evaluate the current condition and estimated remaining lifespan of key property components.
- Provide a financial analysis to determine the adequacy of your current reserve fund.
- Offer recommendations for funding strategies to meet future repair and replacement costs.

#### **Key Highlights**

- Current Reserve Fund Balance: \$25,247
- Current Reserve Fund Requirement: \$111,688
- Current Reserve fund Adequacy: 23%
- Projected Major Repairs Over the Next 5 Years:
  - Wall and Ceiling repair (2025: \$3,394)

#### **Next Steps**

We encourage the Board of Directors to review this report thoroughly and integrate its recommendations into your reserve fund plan. It is our opinion that the board adopt the following reserve fund program:

July 1, 2020 to December 31, 2020 - \$5,644/year  
January 1, 2026 to December 31, 2050 - \$15,930/year – 3.14% increase every 2 years

The above reserve fund program was designed with input from the board wanting to follow a fully funded model. We believe that the above funding schedule will provide adequate funding to fund all expenditures will maintain a positive reserve fund balance. The low funding adequacy at 23% reaches 100% by the end of the forecast period. Our team remains available to answer any questions or provide further clarification as needed. Thank you for entrusting Fortis Consulting with this important task. We value the opportunity to support your corporation's long-term financial health and property management goals.

Sincerely,

Jermele Campbell, RRFP  
**Oak Reserve Planning**  
enclosed: Reserve Fund Study

## Executive Summary

This section presents key information collected and analyzed during the preparation of this Reserve Fund Study. All necessary data was obtained without undue difficulty, ensuring a comprehensive and accurate assessment. While this section provides an overview of the study's findings, it is strongly recommended that the full report be reviewed for complete context and a thorough understanding. The key findings and recommendations are as follows:

**Client:** Owners Condominium Plan XXXXX

**Pertinent Dates:** Inspection Date: [Inspection Date]  
Effective Date: [Effective Date]  
Condominium Fiscal Year: [Start – End Date]

**Property Description:** The subject property is a 1964-built low-rise walk-up apartment.

**Reserve Components: BUILDING – EXTERIOR**

1. Substructure, Superstructure
2. Exterior Wall Envelope
3. Exterior Doors - Building Entrance
4. Exterior Doors - PVC Sliding
5. Windows
6. Railings - Balcony
7. Vinyl Membrane - Balcony
8. Roof Drainage -Downspouts, Soffits & Fascia
9. Roof Assembly – Synthetic Rubberized Membrane

**BUILDING – INTERIOR FINISHES AND DECORATIONS**

10. Floor Finish
11. Interior Doors
12. Wall and Ceiling Finish

**MECHANICAL AND OTHER BUILDING SYSTEMS**

13. HVAC Systems - Boiler
14. Plumbing Systems -Domestic Hot Water
15. Access Systems

**GROUNDS**

16. Asphalt Paving
17. Concrete Work - Walks
18. Shed
19. Sewer and Water Systems

**MISCELLANEOUS**

20. Reserve Fund Study

<b>Financial Assumptions:</b>	Inflation Rate	3.25%
	Interest Rate	2.50%

<b>Financial Position:</b>	Current Reserve Fund Balance	\$20,000
	Current Reserve Fund Requirements	\$58,868
	Reserve Fund Percent Funded	<u>21%</u>

**Reserve Fund Recovery Strategy:** The reserve fund is currently in a deficit and does not meet the required funding level. However, with no major capital replacements scheduled in the near term, the reserve fund will have time to build. Our model strives to achieve a fully funded status (100% funded), but we aim to distribute the financial burden equitably rather than placing it solely on current owners. This approach spreads the increase in adequacy over the entire forecast period, striking a reasonable balance between current and future owners.

The reserve fund adequacy will steadily climb over the 30-year period from 21% funded to fully funded (100%).

**Recommended  
Contributions:**

July 1, 2020 to December 31, 2020 - \$5,644/year  
January 1, 2026 to December 31, 2050 - \$15,930/year  
increased every 2 years by 3.12%

## Description of Reserve Components

The following section will summarize the reserve fund components of the corporation. Each component will be analyzed under the following sections:

**Description:** A brief description of what the component consists of.

**Deficiency Analysis:** Any reported or observed deficiencies of the components.

**Condition:** The condition of reserve components will be evaluated in this report according to these categories:

- **Good:** Indicating a newer item with installation and quality exceeding industry norms, likely due to favorable environmental factors or below-average use.
- **Average:** Representing a component at the midpoint of its expected lifespan, with typical quality, installation, and usage.
- **Fair:** Suggesting an older component approaching the end of its service life, potentially characterized by below-standard quality, poor installation, or having completed its typical usage period.

**Cost Analysis:** Each component will be assessed on the following bases:

- **Full Replacement:** The component is typically fully replaced due to aesthetics, practicality and is completed in a single phase or several phases.
- **Allowance:** Funds are allocated for major repair of partial replacement on a somewhat predetermined period.
- **Contingency:** Cost of the full replacement and/or the life expectancy is unknown. Funds are allocated to cover investigatory costs and/or offset full or partial replacement of component.

### Reserve Component: (1) Substructure & Superstructure

**Description:** This includes the concrete foundation (substructure) and wood framing (superstructure).

**Deficiency Analysis:**

- No significant observed or report substructure or superstructure deficiency reported

**Condition:** Average

- A proactive approach has been taken by the board, all foundations are inspected annually.

**Cost Analysis:** Contingency

The substructure and superstructure are expected to last beyond the forecast period; therefore, no full replacement costs have been allocated. However, since unexpected structural issues may arise, a contingency has been included to cover potential engineering inspection fees and partially offset repair costs.



### Reserve Component: (2) Exterior Envelope

**Description:** This reserve fund component includes stucco, parging and brick veneer.

**Deficiency Analysis:**

- No significant observed or reported substructure or superstructure deficiency reported

**Condition:** Average

- A regular inspection of the exterior and an analysis of any anticipated repairs will ensure the integrity and aesthetic appeal of the exterior walls well into the future.

**Cost Analysis:** Allowance

It is anticipated that the exterior cover will only need to be replaced during the forecast period for aesthetic appeal rather than malfunction. Therefore, only an allowance for painting the exterior and cover minor repairs such as replacement/repair of damaged exterior cover to maintain the overall appeal of the property.



### Reserve Component: (3) Exterior Doors – Building Entrance

**Description:** This reserve component includes the exterior insulated metal doors.

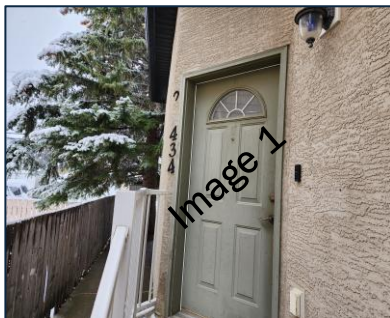
**Deficiency Analysis:**

- No significant observed or reported deficiency reported
- Doors exterior paint is fading, exterior painting of the doors is the responsibility of the unit owner, per condominium bylaws

**Condition:** Average

**Cost Analysis:** Full Replacement

It is anticipated the doors will require replacement within the forecast period. However, given doors wear at different rates it is not expected that all the doors will be replaced all at once; rather, on a “as needed” basis. The funding has been allocated in two phases, spaced 5 years apart.



## Funding Scenarios

### Scenario 1 – Status Quo

**Overview:** The condominium corporation is currently following 2020 approved reserve fund plan. The 2020 reserve fund study was approved to be adopted as the reserve fund plan.

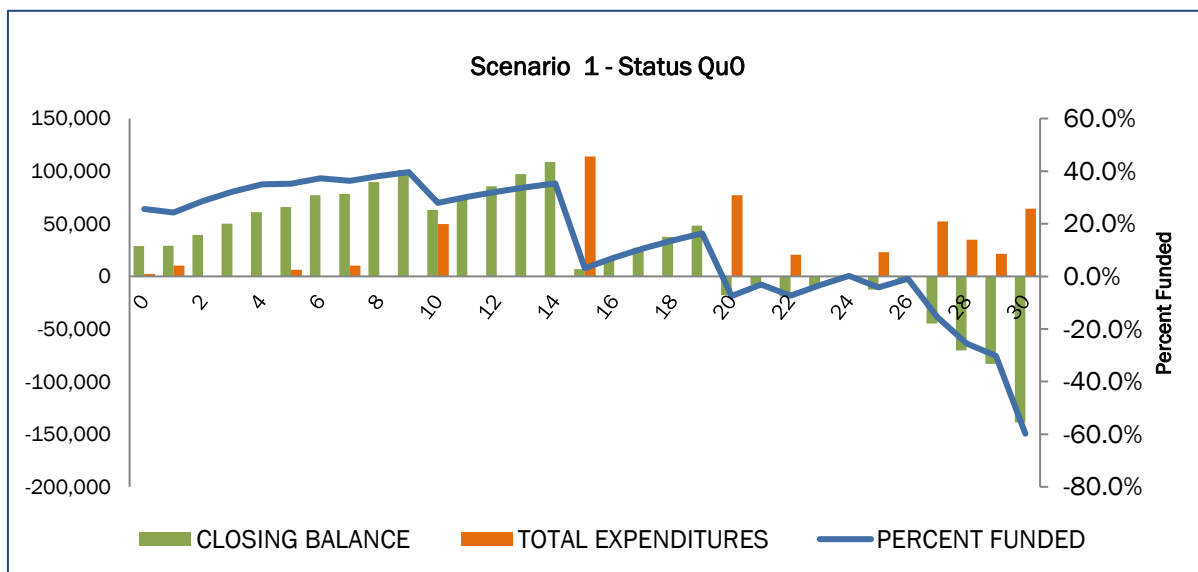
**Contribution schedule:** \$5,000/year increased 5.0% every 2 years until the end of the forecast period 2050

**Varying Positions:** Surplus: n/a

**Deficiency:** The deficiency position will never be accounted for without stabilization contributions. The funds adequacy fluctuates between 0% and 44% between Year 1 and 21.

**Short-Fall:** The reserve fund falls into a negative position from year 2024 until the end of the forecast period

- Pros:**
- Maintains a positive closing balance until Year 20
  - Low reserve fund contributions
  - Regular contributions with consistent increase
- Cons:**
- Condominium corporation would require special levy/borrowing in year 20 or sooner if an unexpected event happened
  - Percent funded never exceeds 40%
  - Contributions are not adequate to maintain a positive closing balance
  - Increase liability (risk or special levies/borrowing) for future owners



**Recommendation:** This approach is **not recommended**.



## Scenario 2 – Threshold

**Overview:** A strategic target of 50% reserve fund adequacy has been analyzed. Since its inception, it has operated with a structural deficit. To address this, contributions will be increased immediately in Year 1 to \$15,930, aligning with the benchmark analysis. To ensure stability and predictability for unit owners, funding adjustments will occur every five years. By Year 6, cash flow will be structured to maintain a minimum reserve fund adequacy of 50%.

**Contribution schedule:**

**Phase 1: Status Quo**

- July 1, 2020 to December 31, 2020 - \$5,644/year

**Phase 2: Benchmark Analysis**

- January 1, 2021 to December 31, 2025 - \$15,930/year

**Phase 3: Threshold 50% minimum Funding adequacy**

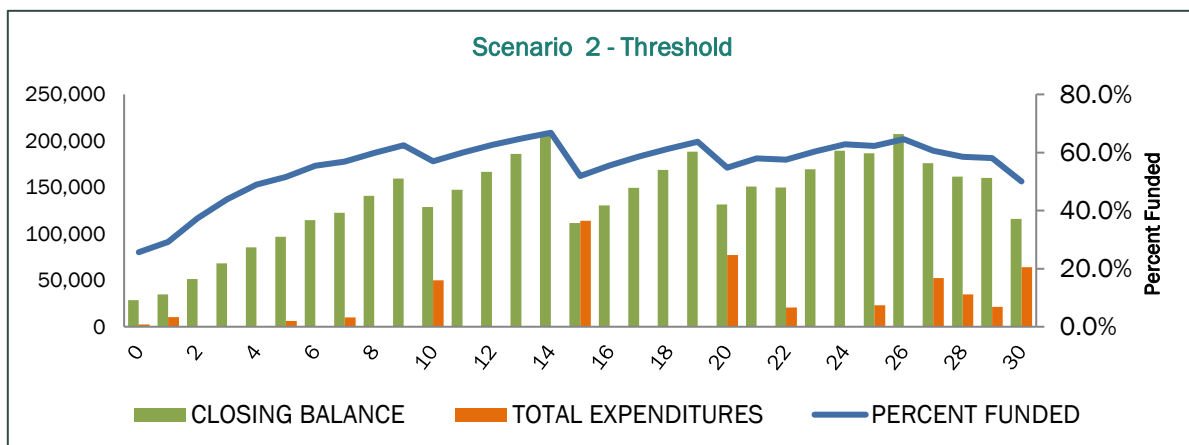
- January 1, 2026 to December 31, 2050 - \$16,193/year increased every 5 years by 1.65%

**Varying Positions:** Surplus: n/a

**Deficiency:** The deficiency position will never be accounted for without stabilization contributions. The funds adequacy fluctuates between 50% and 67% between Year 6 and 50.

**Short-Fall:** n/a – the closing balance never goes below \$0.

- Pros:**
- Maintains a positive closing balance throughout the forecast period
  - The reserve fund closing balance maintains a +\$100,000 balance by Year 5
  - 5-year gaps between increased contributions
  - Maintains a funding adequacy between 50% – 67% after year 5
- Cons:**
- Requires a large immediate make-up contribution (\$5,930 increase)
  - Has some exposure to special levies/borrowing (limited)
  - Never reaches 100% funded



**Recomenation:** This approach is **not recommended**.



### Scenario 3 – Fully Funded

**Overview:** The fully funded model is the most cautious and low-risk approach to reserve fund planning. It aims to ensure that the corporation has enough savings to cover future expenses without needing special levies or loans. Since the corporation is not currently facing a financial shortfall and no major expenses are expected soon, a 30-year planning period has been used to reach a fully funded position. Contribution adjustments will be made every two years to provide stability and predictability for unit owners.

**Contribution schedule:**

**Phase 1: Status Quo**

- July 1, 2020 to December 31, 2020 - \$5,644/year

**Phase 2: Fully Funded**

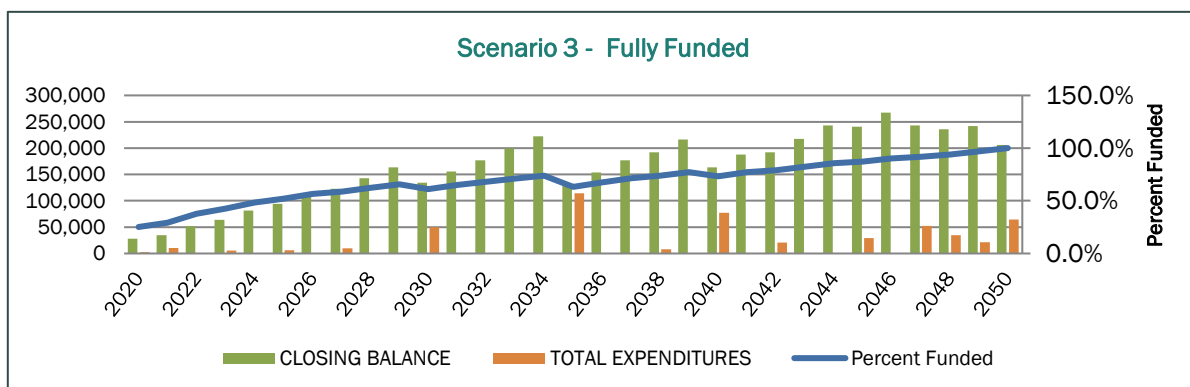
- January 1, 2026 to December 31, 2050 - \$15,930/year increased every 2 years by 3.12%

**Varying Positions:** Surplus: n/a

**Deficiency:** The deficiency position is incrementally accounted for with increased contributions every 2 years. The funds adequacy reaches 100% (fully funded) by the end of the forecast period

**Short-Fall:** n/a – the closing balance never goes below \$0.

- Pros:**
- Maintains a positive closing balance throughout the forecast period
  - Long horizon to reach fully funded (small increases in contributions)
  - Appealing to reserve fund positions to future owners
  - Low probability of special levies/borrowing compared to other funding models
  - Strikes a balanced predictable approach between future and current unit owners
- Cons:**
- Requires a large immediate make-up contribution (\$5,930 increase)
  - Risk (minimal) of special levies during earlier period as the fund builds
  - Never reaches 100% funded



**Recommendation:** This approach **is recommended**.

Cash Flow Analysis Scenario 3 - Fully Funded											0	1	2	3	4	5	6	7	8	9	10
											Budget Yr 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030
RESERVE FUND OPENING BALANCE											25,247	28,094	42,177	56,506	65,865	81,096	90,971	107,145	114,021	131,122	149,063
RESERVE FUND CONTRIBUTIONS																					
Special Levy																					
Benchmark Adjustment (Delta)											-1,810	0	0	487	487	992	992	1,514	1,514	2,056	2,056
Annual Reserve Assessment											6,851	13,591	13,591	13,591	13,591	13,591	13,591	13,591	13,591	13,591	13,591
Total Annual Assessment											5,041	13,591	13,591	14,078	14,078	14,582	14,582	15,105	15,105	15,646	15,646
Reserve Fund Interest Income											221	492	738	989	1,153	1,419	1,592	1,875	1,995	2,295	2,609
Total Cash Resources											30,509	42,177	56,506	71,573	81,096	97,097	107,145	124,125	131,122	149,063	167,318
RESERVE FUND EXPENDITURES																					
BUILDING - EXTERIOR																					
1. Substructure, Superstructure											7,500										
2. Exterior Wall Envelope											3,750										
3. Exterior Doors - Building Entrance											9,000										
4. Exterior Doors - PVC Sliding											5,220										
5. Windows - PVC											8,710										
6. Railings - Balcony											4,480										
7. Vinyl Membrane - Balcony											8,500										
8. Roof Drainage - Downspouts, Soffits & Fascia											1,300										21,761
9. Roof Assembly - Synthetic Rubberized Membrane											24,760										
BUILDING - INTERIOR FINISHES AND DECORATIONS														5,708							
10. Floor Finish											4,240										
11. Interior Doors											12,450										
12. Wall and Ceiling Finish											2,000					3,394					
MECHANICAL AND OTHER BUILDING SYSTEMS																					
13. HVAC Systems - Boiler											1,800										
14. Plumbing Systems - Domestic Hot Water											2,000										15,361
15. Access Systems											1,313										
GROUNDS																		10,104			
16. Asphalt Paving											6,120										
17. Concrete Work - Walks											3,771										
18. Shed											274										
19. Sewer and Water Systems											4,500										9,601
MISCELLANEOUS																					
20. Reserve Fund Study											0	2,415				2,732					3,091
TOTAL EXPENDITURES											2,415	0	0	5,708	0	6,127	0	10,104	0	0	49,814
CLOSING BALANCE											28,094	42,177	56,506	65,865	81,096	90,971	107,145	114,021	131,122	149,063	117,504
ADEQUACY ANALYSIS																					
Reserve Requirements											111,688	127,233	143,051	153,437	169,713	180,148	196,891	203,824	220,981	238,440	206,389
RESERVE FUND ADEQUACY											-83,594	-85,056	-86,545	-87,572	-88,618	-89,177	-89,746	-89,802	-89,860	-89,377	-88,885
Percent Funded											25.2%	33.1%	39.5%	42.9%	47.8%	50.5%	54.4%	55.9%	59.3%	62.5%	56.9%