

ReserveWise 

Mapping a Path for Sustainable Communities.

Reserve Study Service Proposal





*Preserving Today,
Investing in Tomorrow:
Our ReserveWise
Commitment.*

ReserveWise 

Preserving Today, Investing in Tomorrow.

Dear HOA Board of Directors,

We hope this letter finds you well. At ReserveWise, we specialize in providing comprehensive reserve study services tailored to meet the unique needs of homeowners associations like yours. We understand the importance of effective financial planning and the role that an accurate reserve study plays in maintaining the long-term stability and success of your community.

As a trusted provider of reserve study services, our team of experienced analysts is dedicated to helping associations like yours make informed decisions about the maintenance, repair, and replacement of common area components. Our goal is to ensure that your reserve fund is adequately funded to cover future expenses, thereby protecting property values, fostering trust among homeowners, and preventing unexpected special assessments.

We are pleased to submit our proposal for a reserve study tailored to your community's specific requirements. In the attached proposal, you will find a detailed outline of our services, as well as several package options designed to meet your needs and budget.

Our packages include:

- Single Report with Site Visit
- Single Report with No Site Visit
- Report with Site Visit and Multi-Year Update (Three-Year Agreement)

We encourage you to review the attached proposal and consider how our reserve study services can benefit your community. Should you have any questions or require further information, please do not hesitate to contact us. We would be more than happy to discuss your needs and provide any additional information that may help you in your decision-making process. At ReserveWise, we value the opportunity to serve your community and contribute to its long-term financial stability. We look forward to the possibility of partnering with your association and providing you with the highest level of service and expertise in reserve study analysis. Thank you for considering ReserveWise as your reserve study provider.

We hope to hear from you soon.

Warm regards,



Ryan Fuller

Reserve Study Specialist
ryan@reserve-wise.com
512-502-7023



Introduction

Why Is A Reserve Study *Integral* in Associations?

Effective financial planning is crucial for the long-term sustainability and success of any community. This holds especially true for homeowners associations, condominiums, and other managed communities. One essential tool in this planning process is a reserve study.

A reserve study is an in-depth assessment of a community's physical assets, such as buildings, infrastructure, and common areas, paired with a financial analysis that determines the necessary reserve fund contributions. By engaging in reserve study services, communities can proactively manage their finances, ensure proper maintenance, and avoid unexpected financial burdens.

A reserve study is a comprehensive analysis and long-term financial planning tool used by Homeowners Associations (HOAs) to estimate the costs of *maintaining, repairing, or replacing common area assets within a community*. These assets may include amenities such as swimming pools, clubhouses, playgrounds, landscaping, and infrastructure elements such as roads, roofs, and sidewalks. The main purpose of a reserve study is to provide guidance to the HOA board in setting aside adequate reserve funds to cover these future expenses.

A reserve study is important for an HOA board for several reasons:

Financial planning

The study helps the board understand the future costs associated with maintaining and replacing common assets, allowing them to allocate funds appropriately and create a budget that ensures financial stability.

Legal compliance

Many states require HOAs to conduct regular reserve studies to ensure they are adequately funded and compliant with state regulations. A well-prepared reserve study can help the board meet these requirements and avoid potential legal disputes.

Preventing special assessments

By proactively setting aside funds for future repairs and replacements, an HOA can avoid levying special assessments on homeowners, which can be financially burdensome and lead to discontent among community members.

Maintaining property values

Properly maintained common areas are essential for preserving and enhancing the property values within the community. A reserve study helps ensure that the HOA has the necessary funds to keep these areas in good condition.

Fostering transparency and trust

A reserve study demonstrates to homeowners that the HOA board is responsibly managing the community's finances and proactively addressing future maintenance needs. This transparency can help build trust between the board and homeowners.

Conducting regular reserve studies helps the board plan for future expenses, protect property values, and foster trust among community members.

What Is Evaluated In A Reserve Study?



A reserve study includes an evaluation of common area assets or components that the Homeowners Association (HOA) is responsible for maintaining, repairing, or replacing. These components typically have a limited useful life and are significant in cost. The types of projects or components included in a reserve study can vary depending on the specific community and its amenities, but some common examples include:

Building exteriors: Roofs, siding, gutters, windows, doors, and exterior paint.

Infrastructure: Roads, sidewalks, parking lots, drainage systems, and lighting.

Landscaping and irrigation: Trees, shrubs, lawns, irrigation systems, and retaining walls.

Recreational amenities: Swimming pools, spas, tennis courts, basketball courts, playgrounds, and sports fields.

Clubhouses and community buildings: Roofs, HVAC systems, interior and exterior finishes, and furnishings.

Security systems and gates: Entry gates, security cameras, access control systems, and perimeter fencing.

Signage and monuments: Entry signage, directional signs, and monuments.

Elevators and stairwells: Elevator systems, staircases, and handrails.

Fitness centers: Exercise equipment, flooring, mirrors, and sound systems.

Utility systems: Water, sewer, and electrical systems that serve the common areas.

The reserve study will typically include a detailed inventory of these components, an assessment of their current condition, an estimate of their remaining useful life, and a projection of the costs associated with their maintenance, repair, or replacement. By including these components in the reserve study, the HOA can more accurately plan for future expenses and allocate funds to ensure their proper maintenance and timely replacement.

Comprehensive Breakdown of what's included in a Reserve Study

A reserve study involves a systematic process to evaluate the current condition, remaining useful life, and future costs of maintaining, repairing, or replacing the common area components within a community. The scope of work for a reserve study typically consists of the following stages:

Component inventory: The reserve analyst identifies and lists all the common area components that the HOA is responsible for maintaining, repairing, or replacing. This includes gathering information on each component's age, current condition, and estimated remaining useful life.

Condition assessment: The reserve analyst conducts a visual inspection of the components to evaluate their current condition and determine if any adjustments to their remaining useful life or repair costs are necessary.

Cost estimation: The reserve analyst estimates the future costs of maintaining, repairing, or replacing each component, taking into account factors such as inflation, construction costs, and labor rates.

Funding analysis: The reserve analyst calculates the necessary contributions to the reserve fund to ensure that the HOA has adequate funds to cover future expenses. This includes determining the current reserve fund balance, projecting future expenditures, and recommending an appropriate funding plan.

Reserve study report: The reserve analyst compiles all the information gathered during the study into a comprehensive report that documents the findings and provides recommendations for the HOA board.

This report includes:

- An executive summary that outlines the key findings and recommendations of the study.
- A detailed component inventory that lists all the common area components, their current condition, remaining useful life, and future costs.
- A funding plan that specifies the recommended contributions to the reserve fund and any adjustments needed to ensure adequate funding.
- A 30-year cash flow projection that illustrates the anticipated inflows and outflows of the reserve fund over time.
- Supporting documentation, such as photos, cost estimates, and maintenance records, as needed.

By following this scope of work, a reserve study provides a comprehensive analysis of the community's common area components and the financial resources required to maintain them. This information is vital for the HOA board to effectively manage the community's finances and plan for future expenses.



By regularly updating the reserve study, the HOA board can stay informed about the community's financial needs and make proactive decisions to ensure adequate funding for the maintenance, repair, or replacement of common area components. This helps maintain the community's property values, prevent unexpected special assessments, and comply with legal requirements.

The Reserve Study Update

A reserve study update is a process to review and revise the existing reserve study to account for changes in the community's common area components, costs, and reserve fund status since the last study. Updating a reserve study every three years (or as required by state regulations or HOA bylaws) helps ensure that the information remains accurate and relevant, allowing the HOA board to make informed financial decisions.

The process for updating a reserve study typically involves the following steps:

Review of existing reserve study: The reserve analyst begins by reviewing the existing reserve study to understand the initial inventory of components, their condition, costs, and funding plan.

Component inventory update: The reserve analyst updates the component inventory by adding any new components or removing any components that have been replaced or removed since the last study. They also verify the age, current condition, and remaining useful life of each component, making adjustments as needed based on their observations and any available maintenance records.

Cost estimation update: The reserve analyst updates the cost estimates for maintaining, repairing, or replacing each component to account for changes in labor rates, material costs, and inflation. They may also adjust the costs based on updated information about the components' condition or other relevant factors.

Reserve fund status update: The reserve analyst reviews the current reserve fund balance and compares it to the projected balance from the previous study. They also assess any changes in the HOA's reserve funding policies, such as changes in contribution rates or special assessments, to determine their impact on the reserve fund.

Funding analysis update: Based on the updated component inventory, cost estimates, and reserve fund status, the reserve analyst recalculates the recommended contributions to the reserve fund and adjusts the funding plan as necessary to ensure adequate funding for future expenses.

Reserve study update report: The reserve analyst compiles the updated information into a new reserve study report that documents the revised findings and recommendations. This report typically includes the same elements as the original reserve study report, such as an executive summary, detailed component inventory, funding plan, and cash flow projection, but with updated information to reflect the changes since the last study.

Next-Steps

What Should The Board Do With This Information?

Obtaining a comprehensive reserve study report is only the first step in ensuring the financial stability and longevity of a community. Once a board receives the information and reports provided by reserve study services, it becomes essential to utilize this valuable data effectively. Boards should carefully review the findings, understand the recommended funding levels, and develop a proactive plan for implementing the study's recommendations. By leveraging this information, boards can make informed decisions, allocate resources appropriately, and safeguard the community's assets for years to come.

Once the reserve study is completed, the HOA board should use this valuable information to guide their financial planning, decision-making, and communication with community members. Here are some key steps the board should take after receiving the reserve study:

Review the findings

The board should thoroughly review the reserve study report to understand the current condition of common area components, the estimated costs for future maintenance, repairs, or replacements, and the recommended funding plan.

Update the budget

Based on the reserve study's findings, the board should adjust the HOA's annual budget to incorporate the recommended reserve contributions. This ensures that adequate funds are set aside to cover future expenses and maintain the community's common assets.

Implement the funding plan

The board should implement the recommended funding plan by adjusting the reserve fund contributions from homeowners as needed. This may involve updating the monthly or annual assessments, levying special assessments (if necessary), or exploring alternative funding sources (e.g., loans or grants).

Monitor reserve fund performance

The board should regularly monitor the reserve fund's performance, comparing actual inflows and outflows against the projections in the reserve study. This helps the board identify any discrepancies or emerging issues that may require adjustments to the funding plan.

Communicate with homeowners

The board should share the reserve study's findings and recommendations with the community members to promote transparency and build trust. This may involve presenting the report at an annual meeting, posting a summary on the community website, or distributing a newsletter.

Plan for future maintenance and replacements

The board should use the reserve study to prioritize upcoming maintenance and replacement projects based on the components' condition and remaining useful life. This helps ensure that the community's assets are properly maintained and replaced in a timely manner.

Update the reserve study regularly

The board should schedule regular updates of the reserve study (typically every three years or as required by state regulations or HOA bylaws) to ensure that the information remains accurate and relevant. Updating the reserve study allows the board to account for changes in the community's assets, costs, and reserve fund status, and make informed financial decisions.



How frequently should the reserve study undergo reassessment?

The frequency at which a reserve study should be updated depends on several factors, such as state regulations, the HOA's bylaws, and the specific needs of the community. However, as a general guideline, it is recommended that a reserve study be updated every three to five years. This allows the HOA board to account for changes in the community's common area assets, costs, and reserve fund status, and make informed financial decisions based on up-to-date information.

Some states have specific requirements for how often reserve studies should be updated, so it's essential to review your state's regulations to ensure compliance. Additionally, the HOA's bylaws may also have specific requirements regarding the frequency of reserve study updates.

Updating the reserve study more frequently may be beneficial in certain situations, such as when the community undergoes significant changes (e.g., major renovations, addition of new amenities, or changes in maintenance responsibilities). In these cases, an updated reserve study can help the board make well-informed decisions and adjust the funding plan as needed.