CPD 891: Fundamentals of Reserve Fund Planning

LESSON 1: Overview of Legislative Requirements & Methodology

Learning Objectives

After completing this lesson, the student should be able to:

1. Explain the purpose of a reserve fund study (RFS)
2. Outline the types of RFS
3. Discuss current legislative requirements for RFS
4. Describe who is a qualified person for RFS in their jurisdiction
5. Describe the components of an RFS report

LESSON 2: Identification and Quantification of Common Elements

Learning Objectives

After completing this lesson, the student should be able to:

1. Identify the "common elements" in a condominium/strata property, including both land and improvements
2. Quantify the number, size, and/or area of these common elements
3. Analyze the condition of common elements, to the extent necessary for an assessment of age and life expectancy
4. Discuss limitations in performing a site assessment, including physical and scope of work constraints
5. Apply appropriate assumptions, limiting conditions, and disclaimers necessary to address professional liability concerns and stakeholder expectations

LESSON 3: Lifecycle Assessment

Learning Objectives

After completing this lesson, the student should be able to:

1. Define and contrast the terms chronological age versus effective age, physical life versus economic life, and remaining economic life
2. Discuss how maintenance and environmental conditions can impact the effective age and economic life of components
3. Identify and critically analyze various sources of lifecycle estimates
4. Estimate the life spans of various components commonly found in condominium/strata properties, outlining both effective age and expected remaining life

LESSON 4: Cost Analysis

Learning Objectives

After completing this lesson, the student should be able to:

1. Discuss cost estimating strategies for condominium/strata reserve fund studies
2. Outline various options for cost estimating, including contractors' estimates, cost services such as Marshall & Swift or RS Means, and quantity surveying
3. Describe the specific considerations in estimating costs, in particular the need to consider full costs comprehensively, including removal, disposal, and any additional costs due to retrofitting versus new construction
4. Estimate the replacement cost of common elements, including removal, using Marshall & Swift and/or RS Means

LESSON 5: Financial Analysis

Learning Objectives

After completing this lesson, the student should be able to:

1. Define and calculate each of the following terms used in reserve fund cash flow analysis:
    - future replacement costs
    - current reserve fund requirements
    - future reserve fund accumulation
    - future reserve fund requirements
2. Outline the pros and cons of three reserve funding models, from the perspective of various stakeholders
3. Discuss the research process and decision factors in choosing an inflation rate and interest rate for a reserve fund study
4. Discuss the potential impact of various reserve fund scenarios on the market value of condominium/ strata units
5. Prepare a dynamic cash flow spreadsheet for a reserve fund study
6. Explain the difference between a deficiency and shortfall position in a reserve fund
7. Outline strategies for planning make-up assessments in a reserve fund study
8. Describe the potential for reserve fund study planning in fee simple owned properties and outline where these studies will differ from condominium/strata studies