



Serving associations nationwide from our offices  
in California and Arizona

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## RESERVE STUDIES

FOR THE **COMMUNITY ASSOCIATION INDUSTRY**

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You can count on us for quality service no matter what type of association, and no matter where it's located. Providing quality reserve study services since 1982.



- Experience
- Quality service
- Competitive fee structure
- Easy-to-read reports
- Software

Add these factors together and you've got the winning combination you need for your reserve study.

We have the experience you need. The hundreds of associations we have served speak to our quality service. Add to that our competitive fee structure and our easy-to-read reports, and you've got the right team for your reserve study. Whether you're a high rise association in the city, a unique condominium project in the desert, or a large-scale gated community on the east coast, we've got the experience, and we can handle the job.

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## **Reserve Study Services**

The advantage of using Facilities Advisors Inc. for your reserve study is that we can provide you with information that no one else can provide, such as a complete inventory by location, down to the level that we can show you every common area component in a specific room. A Facilities Advisors Inc. reserve study provides you with a dynamic management tool. Our reserve study is a management tool, not a static "once every three years" report.

What exactly is a Reserve Study? It is a financial projection that calculates the funding requirements to replace not only your infrastructure assets, but all assets owned and operated by the association. The net result is a funding plan that can be incorporated into your dues structure, giving you an accurate picture of your cost recovery needs. Our reserve study report will cover a 30-year period and will incorporate inflation, estimated interest earnings, financing programs and repayment of debt. We can project level funding requirements, funding plans linked to estimated inflation rates, or customized plans.

### **DETAILS OF THE RESERVE STUDY**

The system works using basic data for each component, such as:

- Acquisition date
- Acquisition cost
- Estimated replacement cost
- Estimated service life

In addition, certain general information, system-wide as opposed to applying to individual components, is also used in the reserve study, such as:

- Estimated inflation rates to apply to replacement costs
- Estimated interest earnings on invested funds
- Detail of invested funds, interest rates, terms, etc.
- Estimated service rate changes
- Estimated new financing programs
- Estimated debt service costs

The reserve study preparer should be able to rapidly consider various alternatives to create a unique funding plan, one that is flexible. We recommend updating the reserve study annually to keep the funding plan as consistent as possible.

### **Factors to consider in building the reserve study**

The replacement cost should be not just a cost of new roofing material itself, but the cost to have the new roof installed. This will often include demolition of the old roof. This same concept applies to all components. When an outside contractor is employed for major repairs or replacements, the estimated cost is a single amount. When using internal staff, the cost consists of

material, labor, overhead, delivery, and sales tax costs. Assumptions are a necessary part of the estimating process.

Consider variables, alternatives, and substitutes, and how they should be applied to each component. For instance, maintenance procedures may help prolong the life of the certain components, or there may be alternate substitute products that are available at a lower cost or at the same cost that would have a longer life. These items must be considered before a projection can be made.

The funding plan will also consider several significant assumptions. One of these assumptions is the inflation factor that will be applied to the current replacement cost number in determining what inflation rate will apply over the remaining of the funding period. Generally, we will look at a funding period of a minimum of 30 years. Another assumption will be whether or not interest income is retained within the reserve fund or transferred to the operating fund. Having made the determination of whether interest income should be included or not, the next consideration is what interest earnings rate should be assumed over the 30 year period of the projection period. The final significant assumption involves the funding method itself. Should funding be held on a level basis for a 30 year period, or should it assume some increase? For instance, a 3 - 5 % annual increase in funding may occur based upon the natural rate of inflation that will apply to user fees over the 30-year period of time.

If you're the type of association that just wants to perform the minimum reserve study to comply with the civil code, we can do that for you. But, we really shine when we are facing the very tough reserve studies from the most demanding of our clients. When you have unique maintenance issues, a tough financing plan, or the desire to leverage your reserve study into a full asset management tool, we can deliver for you.

### **The 3 most important things an Association should get from a Reserve Study are:**

1. A solid financial plan with reports that make sense
2. Competent site visit and evaluation of the common area components.
3. Guidance in the development of a structured maintenance plan to minimize overall future costs.

**Our Reserve Studies give you all three.**

**Levels of Service** - Facilities Advisors, Inc. offers three levels of reserve study services in accordance with CAI's National Reserve Study Standards.

#### **Level 1 - Full Reserve Study**

We perform a complete site visit, obtaining or verifying measurements and counts of common area components. This also includes an evaluation of condition and photo inventory of most components. We then compile the information obtained into our easy-to-understand reports.

#### **Level 2 - Update of Reserve Study with Site Visit**

Once a full reserve study has been completed by Facilities Advisors, Inc., we will often perform updates with a site visit. The level 2 site visit is less comprehensive than a level 1 site visit in that we do not obtain or verify measurements and counts unless it appears that there have been changes. We do evaluate condition and update the photo inventory where necessary. We then compile the information obtained into our easy-to-understand report.

### **Level 3 - Update of Reserve Study without Site Visit**

An annual update to the reserve study is simply good planning. This allows you to "refresh" the funding plan and account for minor variations from the original funding plan. We inquire about expenditures made, changes in pricing of replacement costs, and variations in funding from the original plan, but do not perform a site visit. This is a valuable planning tool at a very reasonable cost, generally no more than 25% of the cost of a full study.

## **INDUSTRIES SERVED**

Facilities Advisors, Inc. provides reserve study and facilities consulting services to several industries, including those listed below. While the basic processes of gathering and compiling data are the same, the reporting terminology and formats may be different for certain industries. The common term used in most industries is "reserve study." However, some industries will refer to this same process as a "long-term capital replacement plan," or an "infrastructure funding plan." We will generally refer to the generic term; "reserve study."

- Condominium and homeowners associations
- Timeshare associations
- Condo-hotels
- Country Clubs
- Governmental entities
- Hospitality industry
- Non profit organizations
- Churches
- Schools

There are many types of associations within the community association industry.

High rise condominium projects have completely different types of components than will be encountered in the far more common low rise, garden style condominium projects.



High rise projects involve far more complex engineering and mechanical systems than will their low rise counterparts. And, there are even several different types of elevator systems to contend with. Air moving systems are critical to the high rise project. There are normally common water heating systems, and new codes require sophisticated fire control systems.



Geographic location plays an important part in determining building products used and maintenance of the buildings. This Colorado condominium project is located at an elevation of almost 9,000 feet above sea level, and experiences heavy snow loads annually. The constant snow melt – refreeze cycle takes a heavy toll on the buildings and parking areas.



Developments located in the desert offer their own unique set of problems. The general lack of rain and many days of sunshine place their own stress on buildings, and different types of construction material are used than in other areas of the country. The landscaping is also quite different.

We have also worked with a number of “large-scale” associations that have their own unique characteristics, from gated entries to major amenities such as golf courses, lakes, dams, marinas, equestrian centers, campgrounds, and even shooting ranges and airports. And, almost all of these maintain miles of roads.



Because we work with so many different types of associations, we have developed component templates to help make sure we are able to create an accurate component inventory. We compile our inventory by location, and let the computer juggle it by category. Using templates acts as a checklist to make sure we list all components normally found in such a location. It also provides us with the normal expected useful life and cost information. That makes us more efficient, and helps us keep our fees competitive while still providing a very professional product.

## REPORTING

No matter how good the underlying site evaluation and compilation of component lists, that’s not much help if it can’t be translated into reports that are easy to understand. We constantly receive feedback from our clients that our reports are much easier to understand than any others they have seen.

The secret lies in understanding how people comprehend reports. Because reserve study reports typically contain a 30-year financial projections and a large number of components, the data can be overwhelming. These are financial reports, and many people simply tune out because the data is confusing. We know that, so we make sure the data is presented in a manner that is easy to understand.

Exhibit 1 - Executive Summary

Major Components	Summary of Major Components						
	As of December 31, 2010						
	Estimated Useful Life	Estimated Remaining Life	Current Replacement Cost	Allocation of Cash Actually Set Aside	Ideal Funding	% Funded	
Pool	15 to 15	8.3 to 8.3	\$ 37,380	\$ 1,388	\$ 16,821	8.3%	
Lighting	30 to 30	3.5 to 3.5	1,895	1,674	1,674	100.0%	
Fencing	8 to 40	0.5 to 13.5	8,004	1,147	5,524	20.8%	
Lights	20 to 20	3.2 to 3.2	170	142	142	100.0%	
Signs	20 to 30	3.5 to 3.5	2,750	2,415	2,415	100.0%	
Streets	25 to 25	6.7 to 6.7	58,880	3,563	43,179	8.3%	
Roofing	20 to 40	13.5 to 13.5	2,395	106	1,285	8.3%	
Irrigation	35 to 35	8.5 to 8.5	2,400	150	1,817	8.3%	
Mailbox	35 to 35	8.5 to 8.5	1,200	75	909	8.3%	
Building	10 to 50	3.2 to 23.5	11,560	5,654	7,929	71.3%	
Spa	10 to 10	3.2 to 3.2	2,650	1,789	1,789	100.0%	
Pool & Spa	5 to 20	3.2 to 13.3	46,960	2,638	15,967	16.5%	
Pool Furniture	3 to 3	0.2 to 0.2	4,530	4,153	4,153	100.0%	
Totals			\$ 180,774	\$ 24,894	\$ 103,602	24.0%	

The **first** key step is keeping all financial exhibits limited to a single page – because that’s what the human mind can easily grasp. How do we do that? By presenting data at a category, rather than a component level.

The **second** key step is including totals on all reports (you would be surprised to discover that most of our competitors do not include this simple step) so that a reader can see that the totals of data presented at the category level are the same as those presented at the component level.

The **third** key step is to present all component level reports as supplemental exhibits, not part of the “official” reserve study report. The advantage of this? Our “official” report is presented at a category level, and our reports are typically 45 to 50 pages in length. Since National Reserve Study Standards require a detail component inventory as part of the report, and you have such an extensive inventory, that one particular exhibit will be several pages longer. We present all other component level detail reports as Supplemental Schedules that are not part of the official report. The advantage of this presentation method is that the majority of individuals that simply want the overview are satisfied by the small, summary level report. Those individuals requiring more detailed data, particularly staff, will have access to the component level detail reports. The report for a large association will be in the same format, just larger because of the larger number of components.

The **fourth** key step is presenting the component inventory in several formats – by category so that it matches to the summary level reports, and by location so you can easily review to see that all data for a particular location is included. Expenditures are also presented in several formats so they can be viewed by category, by component, or by year.

The **fifth** key step is to present charts to provide visual images of the data. This helps the reader understand relationships of data much better.

The **sixth** key step is to present unique reports to help the reader understand the data, reports that

Exhibit 4 - Expenditure Summary

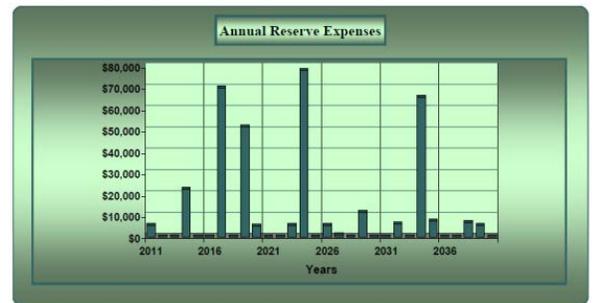


Exhibit 9 - Comparison to Prior Reserve Study Summary

Category	Current Cost	Prior Cost	Difference
Pool	\$ 37,380	\$ 21,000	\$ 16,380
Lighting	1,895	500	1,395
Fencing	8,004	6,500	1,504
Lights	170	150	20
Signs	2,750	2,500	250
Streets	58,880	35,000	23,880
Roofing	2,395	2,350	45
Irrigation	2,400	800	1,600
Mailbox	1,200	600	600
Building	11,560	11,500	60
Spa	2,650	2,600	50
Pool & Spa	46,960	28,750	18,210
Pool Furniture	4,530	1,200	3,330
<b>Totals</b>	<b>\$ 180,774</b>	<b>\$ 113,450</b>	<b>\$ 67,324</b>

nobody else has. Our reserve study comparison exhibit is the perfect example. It compares, on both the category and component level, our report to the prior report. The reader can instantly identify variations from the prior report.

Please view the sample report on our website at

[www.reservestudyusa.com](http://www.reservestudyusa.com).

## Five Good Reasons to Choose FAI for Your Reserve Study

- 1. Experience** - Facilities Advisors, Inc. has been providing reserve studies for Homeowners Associations and Timeshare Resorts since 1982. We developed the original reporting formats and software calculations that most of our competitors later adopted.
- 2. Quality Service** – Facilities Advisors, Inc. has prepared hundreds of reserve studies for associations, and we are repeatedly asked back for updates. Our customers trust us to deliver accurate, timely reports, and do the job right.
- 3. Competitive fees** - Using our custom developed software and templates, we are able to deliver high quality reserve studies and reports at very competitive prices.
- 4. Easy-To-Read Reports** – Our reports are easy-to-read and understandable. No one can match our reports. Our California Disclosure Summary can simply be attached to your budget to meet your disclosure requirements, saving your valuable time.
- 5. Quick turnaround** – Most reports delivered within two weeks

## Who we are

**Facilities Advisors** is your preferred Provider for Reserve Study Services. We have a unique combination of experience, construction knowledge, financial projection and reporting expertise, and the most powerful software in the industry. Put our unique team to work for you

**Gary A. Porter, PRA, RS** President of Facilities Advisors, Inc. has provided financial services to condominium and homeowners associations since 1976. He has authored five books and more than 200 articles on association financial matters. He is considered to be one of the foremost financial experts for associations, and has been quoted or published in the Wall Street Journal, Kiplinger's Personal Finance, Common Ground, The Ledger Quarterly, and The Practical Accountant. He has been performing reserve studies since 1982, and is a registered reserve specialist in Nevada.

**Pierre Del Rosario, PRA** has provided financial services to our condominium and homeowners associations clients since 2000. He has worked with most of our clients in performing their reserve studies.



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