



Project Management + Finance & Budget + Sustainability + Retrofitting & Modernization + Energy Efficiency

Reserve Study Level 1

The typical reserve study firm develops their financial information from non-specific industry cost averages. Averages that will always produce inadequate reserve funding and with the high cost of construction in Hawaii those shortcomings will be magnified. On the other hand, because of our daily involvement in the local design and construction community, we're able to provide financial data that's based on local practices, solutions and pricing.

In recent years we've seen new reserve study legislation passed throughout the country. Following the building collapse in Florida, experts have all cited the association's financial recklessness in not dealing with matters in a timely fashion. Prompting state legislatures to revise their legal requirements for association Reserve Studies, Hawaii included.

Depending on the age of a building, our two biggest concerns are the lack of reserve funds and the replacement repair costs facing "aged" buildings. There are associations that have willfully underfunded their reserve funding in order to keep maintenance fees low and, unfortunately, could now be vulnerable to litigation. Associations with buildings 45 years and older are seeing building components coming to the end of their useful lifespan and now need replacing. For these buildings balancing budgets, reserve funding and capital improvements loans is critical to maintaining a financial healthy association. For an association with an aged building we recommend reading...*Breaking Point: Examining aging infrastructure in community associations*. It can be found online at: foundation.caionline.org.

Community associations vary in size and age. Planning for the future is not only in the best physical and fiscal interests of an association, but it's also required by law. Maintaining a reserve fund not only meets legal, fiduciary and professional requirements, it reduces the need for special assessments and protects property values. Included in our **Level 1 Reserve Study** by not limited to the following:

- Summary of the building description.
- Projected balance, recommended contributions, projected expenses, and projected ending reserve fund balance for a minimum of 30 years.
- An inventory listing of physical components, component quantity or identifying descriptions, useful lifespan, remaining useful lifespan, and current replacement cost.
- The methods and objectives utilized in computing the fund status and in the development of the funding plan.
- Sources utilized to obtain component repair or replacement cost.

INTRODUCTION

The purpose of this homeowner association Reserve Study (RS) is to provide your Board of Directors the financial information to anticipate and prepare for the repair and replacement of common elements. Our reserve study is based upon the National Reserve Study Standards (NRSS) and Best Practices established by Community Associations Institute (CAI).



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Our services are for a Full (Level 1) Reserve Study Report. It analyzes the conditions and life expectancy of your building's physical components along with your association's financial funding status.

The information provided in our Reserve Study complies with Hawaii Revised Statute (HRS) 514B and Hawaii Administrative Rules (HAR) 16-107 regulatory requirements.

SCOPE OF WORK

This study consists of two parts: the Physical Component Analysis and the Financial Budgeting Analysis. The physical component inventory is the foundation of every reserve study. It identifies which expenses are expected to occur, when, and at what cost. For financial budgeting it essential for an association to divide between operating expenses, reserve expenses and other expenses. Other expenses fall outside of the operating and reserve expenses primarily because of high cost. They are expenses such as capital improvements, insurable losses, etc.

Along with our report we also provide budgetary planning guidance to assist your Board of Directors and property manager in determining your association's best budgetary strategy.

To be included in our Reserve Study report but not limited to the following:

- A summary description of the property.
- Financial condition of the Reserve fund.
- Starting balance, recommendations, expenses, projections for a 30-year period.
- On-site visits to qualify existing conditions.
- Component inventory listing, component condition, remaining useful lifespan, and replacement cost.
- Review current reserve fund balance and provide funding plan for Percentage Funding and Cash Flow Funding. Provide plan options for the association's consideration that will comply with HRSS and HAR requirements.

The following association documents will be required before we can prepare your reserve study.

1. Declarations and amendments.
2. By-laws and amendments.
3. Estimated beginning 2024 reserve fund balance.
4. 2024 Reserve Contribution.
5. Resolutions designating ownership of components (if any).
6. Cumulative General Ledger and Check Register with Capital Expenditure Codes.
7. Available capital component contracts/proposals (e.g. roofing, painting, asphalt).
8. Third party consulting reports (if any).

For a Reserve Study proposal, contact Shawna Lewis: shawna@laulimaam.com or 808-782-7138