

# Montana Reserve Studies



- What is a Reserve Study?
- Why Does Our Association Need One?



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# Agenda

- ▶ What is a Reserve Study and Why Do We Need One
- ▶ What is the Proposal and Why is it Important
- ▶ What is the Scope of Services
- ▶ The Study Time Period
- ▶ Client Review and Questions
- ▶ The Funding Method



# Bio - Zac Hiedeman, PE, Principal

- ▶ Zac Hiedeman, PE (Civil Engineer)
  - ▶ Director of Reserve Study Operations
  - ▶ Registered Professional Engineer in Montana (PEL-PE-LIC-32971)
  - ▶ International Code Council Residential Building Inspector (#8154817)
  - ▶ Complex Facility Condition Assessment Inspector
  - ▶ Over 15 years of experience in construction industry





# About Hi-Demand, LLC

- ▶ 8 years of service
- ▶ Skilled Reserve Study Specialists
- ▶ Centralized and Standardized Reporting
- ▶ Professional Engineering
- ▶ Other Services
- ▶ Follow International Capital Budgeting Institute Standards



# International Capital Budgeting Institute (ICBI)

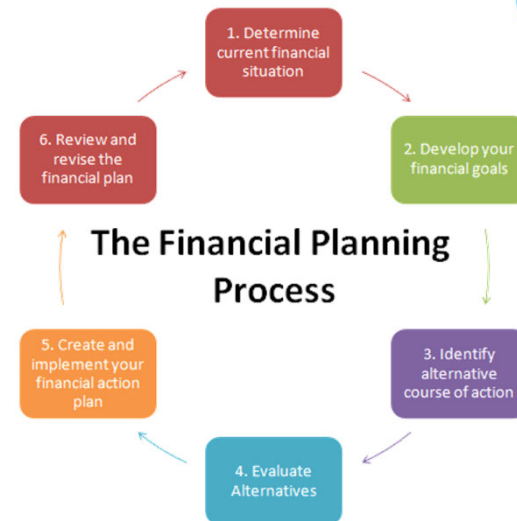
- ▶ An international organization dedicated to providing clarity and transparency in capital budgeting reporting. ICBI provides education and resources to all those involved in the creation of and users of capital budgets - business managers, facilities managers, and other businesses and professionals who provide products and services to organizations that maintain capital facilities.
- ▶ [www.capitalbudgeting.org](http://www.capitalbudgeting.org)



# What is a Reserve Study and Why Do We Need One?

## ▶ A Financial Planning Tool

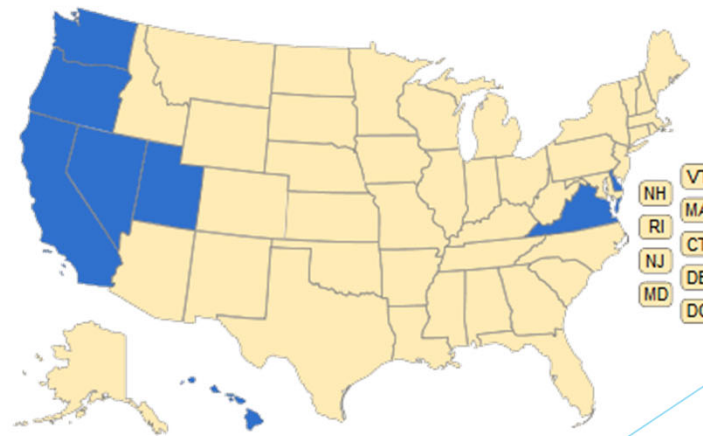
Designed to assist the Association Board in  
**\*Anticipating** and **\*Preparing** for the Community's  
major repair and replacement projects of  
Reserve Funded Assets





# What is a Reserve Study and Why Do We Need One?

- ▶ Mandated by Many States
  - ▶ Oregon, Washington, California, Nevada, Utah, HI, VA, DE, etc.
- ▶ Protect Homeowners
  - ▶ Special Assessments
  - ▶ Deteriorating property values
- ▶ Banks May Require for Financing
  - ▶ FHA, VA loans



# What is a Reserve Study and Why Do We Need One?

Some key components in a Reserve Study would include but not limited to:

- ▶ Asphalt roadways
- ▶ Roofing
- ▶ Exterior Cladding
- ▶ Sidewalks
- ▶ Community Spaces





# What is a Reserve Study and Why Do We Need One?

**A Reserve Study includes Two main sections:**

- ▶ A Physical Analysis of the Reserve Funded Assets
- ▶ A Financial Analysis used for current and future planning
- ▶ Study performed to ICBI Standards ([www.capitalbudgeting.org](http://www.capitalbudgeting.org))



# Three Types of Reserve Studies

- ▶ Level 1: Full Initial with Site Visit
  - ▶ Measure components; life valuations
  - ▶ Geared toward Associations that DO NOT HAVE an existing study
  - ▶ Associations that have not had an on-site observation in the past 5 years
- ▶ Level 2: Update to existing Reserve Study w/ Site Visit
  - ▶ New measurements will not be performed
  - ▶ Recommended every 3-5 years
- ▶ Level 3: Update Without Site Visit
  - ▶ Financial analysis is updated through research with Community and Vendors
  - ▶ Recommended annually



# What is the Proposal and Why is it Important?

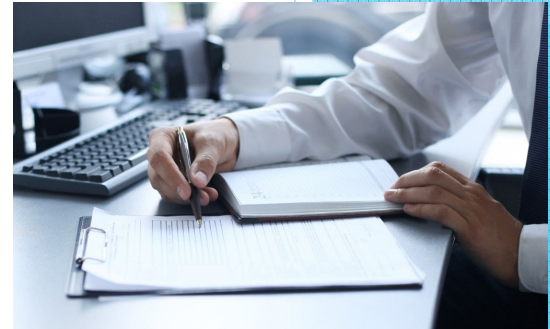
- ▶ The proposal sets the parameters
- ▶ Outlines the physical analysis
- ▶ Outlines the financial analysis
- ▶ Establishes the price for the service provided
- ▶ What the Community consists of (buildings, roadways, amenities, etc.)





# What is the Scope of Services?

- ▶ Visual Assessment of Reserve Components
- ▶ Life Valuation of Reserve Components
- ▶ Review of Existing Reserve Financials
- ▶ Review of Existing Reserve Fund Study
- ▶ Compile and Inventory Components
- ▶ Performed to ICBI Standards



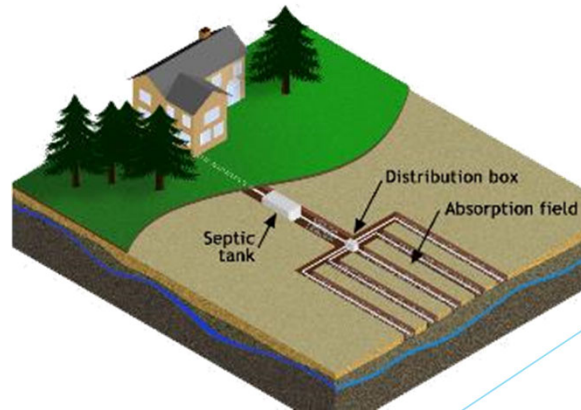
# What is the Scope of Services?

- ▶ A tool to assist the association in developing a funding plan
- ▶ Review of site plans, building plans and other collateral
- ▶ Reserve funding financials provided
- ▶ Compile and inventory reserve funded components
- ▶ Provide life valuations of reserve funded components
- ▶ Include appropriate photographs
- ▶ Provide replacement cost estimates and funding plan



# Study Exclusions

- ▶ Evaluation of Hazardous Materials
  - ▶ Mold - Radon - Asbestos - Lead Paint
- ▶ Specialty Items (unless explicitly requested)
  - ▶ Pest Inspection - Septic Systems - Wells
  - ▶ Water Treatment Systems - Irrigation Systems
- ▶ Code Compliance





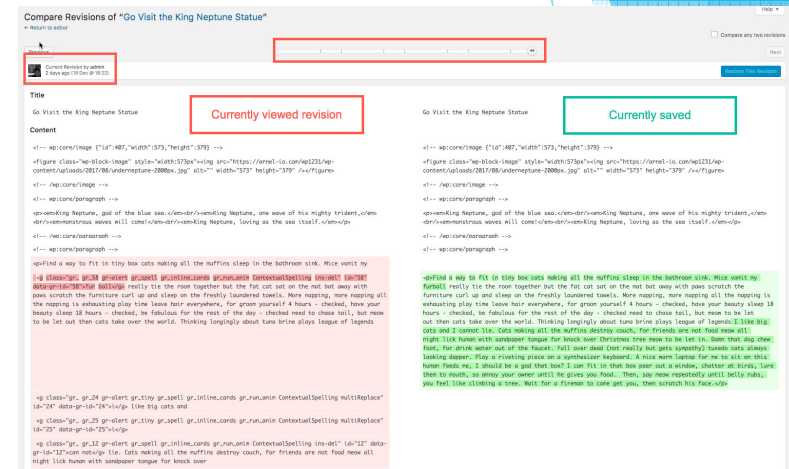
# Study Time Period

- ▶ 30 Year Time Frame for Study
  - ▶ Unless otherwise specified by Client
- ▶ Reserve Study Updates Every 3-5 Years



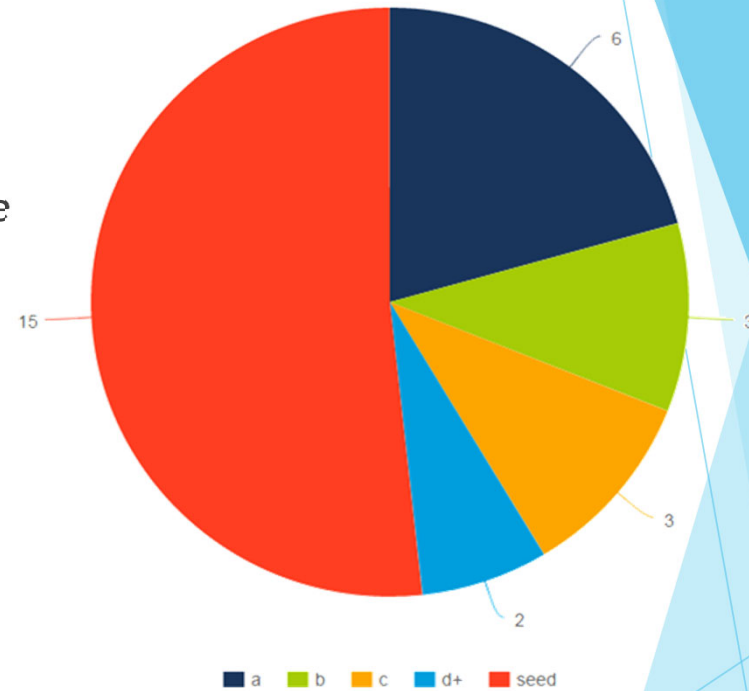
# Client Review and Revisions

- ▶ Collaborative Approach
- ▶ Interactive Relationship with Clients
- ▶ Review of Study
- ▶ Revisions Within 60 Days if Necessary



# The Funding Method

- ▶ Cash Flow Method with a Full Funding Objective
- ▶ Combining the two Eliminates:
  - ▶ Weakness of a Single Funding Method
- ▶ Interest and Inflation Calculations
  - ▶ Factors for Interest and Inflation





# Other Types of Funding Methods

- ▶ Full Funding (100% Funded)
  - ▶ Funding based on accrued deterioration
  - ▶ Most conservative
  - ▶ Most fair
- ▶ Threshold Funding
  - ▶ Based on a minimum threshold
  - ▶ (eg: 70% funded; \$50,000 minimum Reserve Fund)
- ▶ Baseline Funding
  - ▶ Keep Reserve Fund from dropping below Zero balance
  - ▶ Most risky method; significant chance of Special Assessment
- ▶ Statutory Funding
  - ▶ Used when State or local regulations govern minimum Reserve Fund Balance

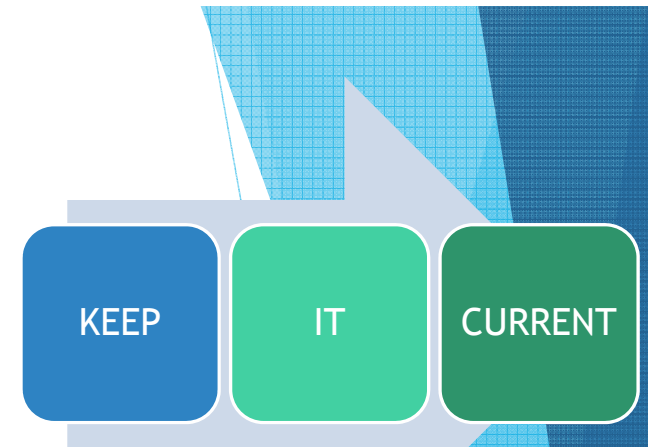
70 - 99% Funded: Strong

31 - 69% Funded: Fair

0 - 30%  
Funded:  
Weak

# Keeping Your Reserve Study Current

- ▶ Funding Studies are an essential part of property management
- ▶ Include Expenditures since last RS & Review of Funding Levels
- ▶ Useful Life of a Reserve Study is no more than 5 years
  - ▶ Annual updates recommended
- ▶ Level 3 Updates - Site Visit with Measurements
- ▶ Level 2 Updates - include Site Visit & Observation only (no measurements)
- ▶ Level 1 Updates - financial elements only
- ▶ Circumstances can influence when a Reserve Study should be updated
  - ▶ New Construction, etc.



# Contact us for Your Reserve Study Needs

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