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May/June 2022

Reserve Study Season... It's Starting Now!

■■■ By Les Weinberg, RS®, MBA

It seems like the last Reserve Study season just ended, right? The timeframe from obtaining the Reserve Study proposal to delivery of the finalized study... anywhere from a few weeks to several months, is often underestimated. In light of the *California Civil Code* (CCC)-mandated distribution window of 30–90 days prior to the beginning of the fiscal year the study is for (i.e., for this calendar year cycle it equates to a window of October 3 – December 2, 2022), the time to commence the process is now. To follow is a simple outline of that process:

1. **Determine the type of study necessary:** A Reserve Study or Reserve Study Update must be done annually per the CCC. The options are:
 - a. **Full Study:** Must be done if no study has been done before. A Full Study may be done even if a previous study has been done before – this is often requested when a board and / or management changes, however it is discretionary.



- b. **Reserve Study Update with Site Visit:** Must be done within three years of either the Full Study or a subsequent Reserve Study Update with Site Visit. The three-year timeframe refers to the year the study is for, so if the last Reserve Study Update

with Site Visit was done for the 1/1/2020 calendar year, there must be a Reserve Study Update with Site Visit done in 2022 for the 1/1/2023 calendar year. Note: it can be done more often than at three-year intervals (discretionary).

- d. **Reserve Study Update without Site Visit:** Must be done annually between Reserve Study Updates with Site Visit.
2. **Solicit proposals:** Many Reserve Providers will automatically send out proposals based on past engagements. Choosing a different provider offers a “fresh set of eyes.” However, the benefits of using the same provider as before include familiarity with the property, as well as having historical property documentation already in their files.
3. **Evaluate proposals:** Determine the type of study necessary, and if engaging a new Reserve Provider, it would be prudent to evaluate their credentials, experience, insurance, a sample of their study format, etc.
4. **Communicate acceptance of the proposal:** Forward signed agreement, relevant financial information, details of components repaired or replaced, deposits, etc.
5. **Schedule the site inspection:** Only necessary for a Full Study or a Reserve Study Update with Site Visit. Plan to have a board member, community manager, and/or a resident familiar with the property attend to allow access to the inspector to locked areas and / or provide information as requested.
6. **Review a draft of the study:** Most providers will generate a draft of the study prior to finalization, in order to for the board to verify that the assumptions and observations appear reasonable, and to ask questions/ submit additional information as necessary. Many providers will attend a board meeting, either in person or virtually, upon request to discuss the draft – additional fees may apply.

7. **Finalize the study:** Subsequent to reviewing the draft, either submit any necessary information to the Reserve Provider and request that they proceed to finalize, or simply request finalization.
8. **Disclosure Worksheet:** Subsequent to finalization, your Reserve Provider should provide you with a worksheet to enable generation of the mandatory Assessment and Reserve Funding Disclosure Summary (ARFDS). The information to be provided on the worksheet is simply three items:

- i. **Budgeted total monthly assessment:** Total amount budgeted to be collected from all owners, divided by the number of units, for the same fiscal year as the Reserve Study.
- j. **Portion of the total monthly assessment allocated to reserves:** Total amount to be transferred to reserves from the budgeted monthly assessment,

divided by the number of units, for the same fiscal year as the Reserve Study.

- k. **Special assessments:** Date(s), amount(s), and description(s) of special assessments that have been approved by the board, divided by the number of units, for the same fiscal year as the Reserve Study.



9. **Distribution:** A Reserve Study can end up being hundreds of pages; however, only certain pages are required to be distributed to the homeowners. (Note: They can request a full copy, and the

association can charge for their costs to generate same.) Essentially the distribution should include a Summary, a full funding plan, the ARFDS, and the funding plan adopted by the association.

The bottom line is that it's never too early in the year to start the Reserve Study process. It is critical to allow sufficient time for review, in light of busy work schedules and/or vacations. If need be, the study can be commenced and then put on hold for receipt of proposals / information from consultants, contractors, etc. Eliminate Eleventh Hour stress... make this the year to be ahead of the game!



Les Weinberg, RS®, MBA, is the co-founder and Chief Financial Officer of Reserve Studies Incorporated, A full service reserve study provider to homeowners associations since 1991. He can be reached at les@reservestudiesinc.com.

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Jolen Zeroski, CMCA
 VP, Regional Account Executive
 213.604.1746 | Jolen.Zeroski@cit.com

Lindsay Biren
 VP, Regional Account Executive
 805.405.3435 | Lindsay.Biren@cit.com

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