

Welcome Bienvenue

Leveraging collective knowledge and experience to help directors manage their condominium operations more effectively and efficiently.

Website: www.condodirectorsgroup.com Email: condodirectorsgroup@gmail.com Twitter: @CondoDirectors

Next Meetings:

Tuesday March 22, 2022





- RFS Basics (what, when, why, by whom)
- Deep Dive:
 - What goes in a RFS; What are costs based on
 - Minimal balance; Lump sum payments; 30-40 years
 - Interest vs indexation
 - Who decides what goes in? What if we don't agree?
 - Green initiative, code compliance etc...



RESERVE FUND STUDIES



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Reserve Funds 101

- What is the Reserve Fund used for?
 - Used for major repairs and replacements to common elements
 - Separate from operating fund
- What is a Reserve Fund Study?
 - Determines how much money needs to be in the reserve fund for repairs to be paid in the future
 - Budgetary analysis, not a work schedule
 - It is not about when you do the work, but when you need the funds
 - The main point is to avoid nasty surprises/special assessments



Reserve Funds 101

• How much must you put in the RF?

The total amount of the contributions shall be **the amount that is reasonably expected to provide sufficient funds** for the major repair and replacement of the common elements and assets of the corporation, **calculated on the basis of the expected repair and replacement costs and the life expectancy of the common elements and assets of the corporation**.



Reserve Fund Aproval

- Set out in section 94(8)-(10) of *Condominium Act*
 - Study must be completed every **three years**
 - Board has **120 days** to review RFS and propose a funding plan
 - Board has **15 days** to send the funding plan to owners & auditor;
 - The funding plan must be implemented within **30 days**
- The Board does not have to adopt the funding plan in the RFS, but it must confirm this to the owners and explain all differences.



Reserve Fund Studies



Updates

- Class 1 Comprehensive Study
- Class 2 Update with Site Visit
- Class 3 Update without Site Visit



Reserve Funds 101

- What is in the RFS?
 - Covers all components the corporation will have to repair or replace.
 - Includes estimates as to when the repair/replacement is expected.
 - **Estimates** of the amount of each expenditure in each year.
 - recommended increases in reserve fund contributions for the following three fiscal years.
- Reserve fund studies must take place every three years
 - There are 3 types of RFS
- Reserve fund studies must cover at least 30 years into the future
- Adequate funding for a reserve fund: the expected costs of major repairs and replacements of the common elements and assets





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Ottawa-Carleton Standard Condominium Corporation No.

Derest	Description of Work	2018 Cost	2021 Cost	Age	e of Complex (y	years)	17	18	19	20
Report					Year of Study	8	0	1	2	3
Item No.	Description of Work			age of element	Life Cycle (years)	Remaining Life (years)	2020/21	2021/22	2022/23	2023/24
4.0	Structural Features									
4.2.a	Balcony Repair Contingency - Phase I	\$40,000	\$42,400	N/A	25-30	7				
4.2.a	Balcony Repair Contingency - Phase II	\$40,000	\$42,400	N/A	25-30	8		1	[
4.2.b	Guardrail replacement - Phase I	\$150,000	\$159,200	17	25-30	7		1	[
4.2.b	Guardrail replacement - Phase II	\$150,000	\$159,200	17	25-30	8		1		
4.3.a	*Parking Garage-Local Repairs to Traffic Coating, Concrete & Drains	\$25,000	\$50,000	2	2	1		\$50,000		\$50,000
4.3.b	*Parking Garage - Traffic Topping & Concrete Repairs	\$125,000	\$150,000	3	20	18			[
4.3.c	*Parking Garage - Control Joint Sealant	\$5,000	\$5,300	8	15	12		1	[
4.3.d	*Parking Garage - Podium Slab Waterproofing - Replace - Phase I	\$95,000	\$100,800	17	30-35	20		1		
4.3.d	*Parking Garage - Podium Slab Waterproofing - Replace - Phase II	\$95,000	\$100,800	17	30-35	21		1	1	
4.3.e	*Parking Garage - Podium Slab Waterproofing - Repair	\$25,000	\$26,500	16	15	5				
4.3.f	*Exterior Stair - Repair	\$10,000	\$10,600	16	15	12		Τ	[
/	*Air Shaft Leakage Investigation and Repair Allowance		\$15,000	N/A	N/A	1		\$15,000		
5.0	Building Envelope									

Deser		2018 Cost		Age	e of Complex (y	years)	17	18	19	20
Report			2021 Cost		Year of Study	8	0	1	2	3
Item No.	Description of Work		2021 Cost	age of element	Life Cycle (years)	Remaining Life (years)	2020/21	2021/22	2022/23	2023/24
	Mechanical Systems									
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	SUMMARY									
· ·	TOTAL EXPENDITURE IN 2021 DOLLARS		\$117,100	\$200,800	\$54,300	\$127,900				
	TOTAL EXPENDITURE ADJUSTED FOR INFLATION		\$117,100	\$204,816	\$56,494	\$135,729				
/	HST 13%		\$15,223	\$26,626	\$7,344	\$17,645				
ſ	TOTAL PROJECTED EXPENDITURE	TOTAL PROJECTED EXPENDITURE								
1 7	ANNUAL RESERVE FUND CONTRIBUTIONS						\$231,048	\$251,842	\$264,434	\$277,656
ſ	ANNUAL PROJECTED INTEREST INCOME						\$32,525	\$33,584	\$38,267	\$41,518
l V	ADDITIONAL ANNUAL CONTRIBUTIONS						<u> </u>	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	
ſ	ESTIMATED CLOSING BALANCE (Year End)					/	\$1,658,777	\$1,712,761	\$1,951,625	\$2,117,426
l V	RESERVE FEE INCREASE						2.00%	9.00%	5.00%	5.00%
	AVERAGE CONTRIBUTION / SUITE / YEAR						\$2,817.66	\$3,071.25	\$3,224.81	\$3,386.05
[]	AVERAGE CONTRIBUTION / SUITE / MONTH						\$235	\$256	\$269	\$282

Funding plan

• See example of funding plan



Who Can Do a RFS?

- Set out in section 32 of the *Condominium Act's Regulations*
 - Appraisers, architects, engineers, certified reserve planners, quantity surveyors, architectural technologists
- Who can <u>**not</u> do a RFS?**</u>
 - Directors, officers, and managers of the condo corporation;
 - Anyone with an interest in a contract or proposed contract with a director;
 - Spouses or children of directors;
 - Owners at the corporation;
 - A person who lives on the property managed by the Corporation



Who Does the RFS?

- Should we stick with the same engineer?
- When do we change?

So why is it so difficult to plan for the future

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How to Best Prepare for the RFS

- Director preparation
- Manager's preparation
- Engineer's perspective



Who decide what goes in?

- Who decides what goes in?
- How much flexibility is there?
- What if we don't agree with the engineer?
 - Can we remove items?
 - Can we change the timing?
 - Do we have a say in the estimated cost?
- How many drafts is too many?
- How many scenarios can we ask to get?
- Can we get a second opinion?
- Difference in funding plan.





How do engineer forecast the cost?

- How do you know how much it'll cost?
- How to ignore the momentary spikes (COVID cost of wood)?
- How will we ensure we have enough money in the RFS?
- Why is it that the actual costs is (almost always) much higher than what we have in the RFS

Topping Up Shortfalls

- Owners must contribute the amount that is reasonably expected to provide sufficient funds for the major repair and replacement of the common elements, calculated on the basis of the expected repair/replacement costs and the life expectancy of the common elements and assets of the Corporation
- According to the Condominium Act' Regulations, the board's future funding plan must ensure that the fund will be adequately funded in the fiscal year following the fiscal year in which the RFS is completed



What is a Proper Minimal Balance?

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Interest, Inflation and Surplus

- Interest rates?
- Inflation?
- Why do upfront payments (almost) never make a difference?
- Can it be paid out to owners



NEW CONDO VS OLD OVER 30 YEARS



HOW TO GET CONTRIBUTIONS ADEQUATE WITHIN ONE YEAR

Ideally contributions are adjusted at the rate forecasted in the last RFS

Following the update of the element costs and timing the funding plan is adjusted

- □ Factors affecting contributions adjustments:
 - Value of forecasted low balance
 - Year of forecasted low balance
 - Planned annual contribution adjustment
 - Need For a Special Assessment

TYPE 1 PROBLEM: NEW EXPENDITURES IN YEARS 27-30



25

TYPE 1 SOLUTION: ANNUAL CONTRIBUTION ADJUSTMENT



TYPE 2 PROBLEM: MINOR LONGTERM SHORTFALL



TYPE 2 SOLUTION: MINOR ANNUAL CONTRIBUTION INCREASE



■ RESERVE FUND BALANCE

TYPE 3 PROBLEM: UNANTICIPATED SIGNIFICANT URGENT WORK



TYPE 3 SOLUTION: ONE TIME CONTRIBUTION (SPECIAL ASSESSMENT OR LOAN)



TYPE 4 PROBLEM: UNDERFUNDED, UNANTICIPATED WORK



Reserve Fund Annual Expenditures/Closing Balance

EXPENDITURESRESERVE FUND BALANCE

TYPE 4 SOLUTION: CONTRIBUTION INCREASE AND ONE TIME PAYMENT COMBINATION

Reserve Fund Annual Expenditures/Closing Balance



EXAMPLE: NEW CONDOMINIUM

Foreseeable Long-Term Expenditures (40 years)





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