



# Welcome Bienvenue

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

**Website:** [www.condodirectorsgroup.com](http://www.condodirectorsgroup.com)

**Email:** [condodirectorsgroup@gmail.com](mailto:condodirectorsgroup@gmail.com)

**Twitter:** @CondoDirectors

**Next Meetings:**

*Tuesday March 22, 2022*



# AGENDA

## Topics:

- **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



# 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

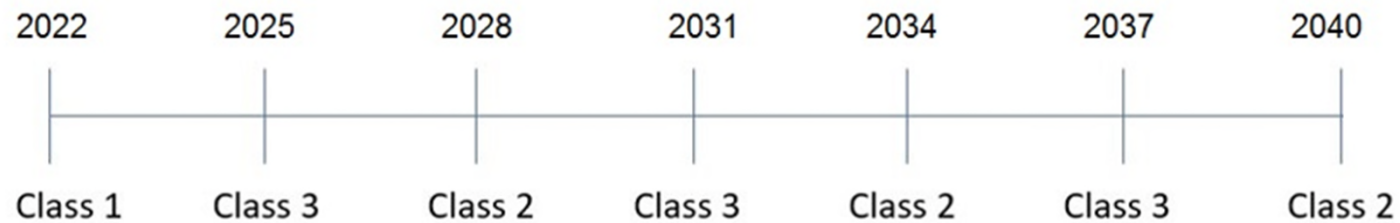
- **How much must you put in the RF?**

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 Approval

- 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*





Ottawa-Carleton Standard Condominium Corporation No. [REDACTED]

Report Item No.	Description of Work	2018 Cost	2021 Cost	Age of Complex (years)			17	18	19	20
				Year of Study			0	1	2	3
				age of element	Life Cycle (years)	Remaining Life (years)	2020/21	2021/22	2022/23	2023/24
<b>4.0</b>	<b>Structural Features</b>									
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				
4.2.b	Guardrail replacement - Phase I	\$150,000	\$159,200	17	25-30	7				
4.2.b	Guardrail replacement - Phase II	\$150,000	\$159,200	17	25-30	8				
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				
4.3.d	*Parking Garage - Podium Slab Waterproofing - Replace - Phase I	\$95,000	\$100,800	17	30-35	20				
4.3.d	*Parking Garage - Podium Slab Waterproofing - Replace - Phase II	\$95,000	\$100,800	17	30-35	21				
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				
	*Air Shaft Leakage Investigation and Repair Allowance		\$15,000	N/A	N/A	1		\$15,000		
<b>5.0</b>	<b>Building Envelope</b>									



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				age of element	Life Cycle (years)	Remaining Life (years)	2020/21	2021/22	2022/23	2023/24
<b>9.0</b>	<b>Mechanical Systems</b>									
<b>SUMMARY</b>										
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
<b>TOTAL PROJECTED EXPENDITURE</b>							<b>\$132,323</b>	<b>\$231,442</b>	<b>\$63,838</b>	<b>\$153,373</b>
ANNUAL RESERVE FUND CONTRIBUTIONS							\$231,048	\$251,842	\$264,434	\$277,656
ANNUAL PROJECTED INTEREST INCOME							\$32,525	\$33,584	\$38,267	\$41,518
ADDITIONAL ANNUAL CONTRIBUTIONS										
ESTIMATED CLOSING BALANCE (Year End)							\$1,658,777	\$1,712,761	\$1,951,625	\$2,117,426
<b>RESERVE FEE INCREASE</b>							<b>2.00%</b>	<b>9.00%</b>	<b>5.00%</b>	<b>5.00%</b>
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 **not** do a RFS?
  - 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





# 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

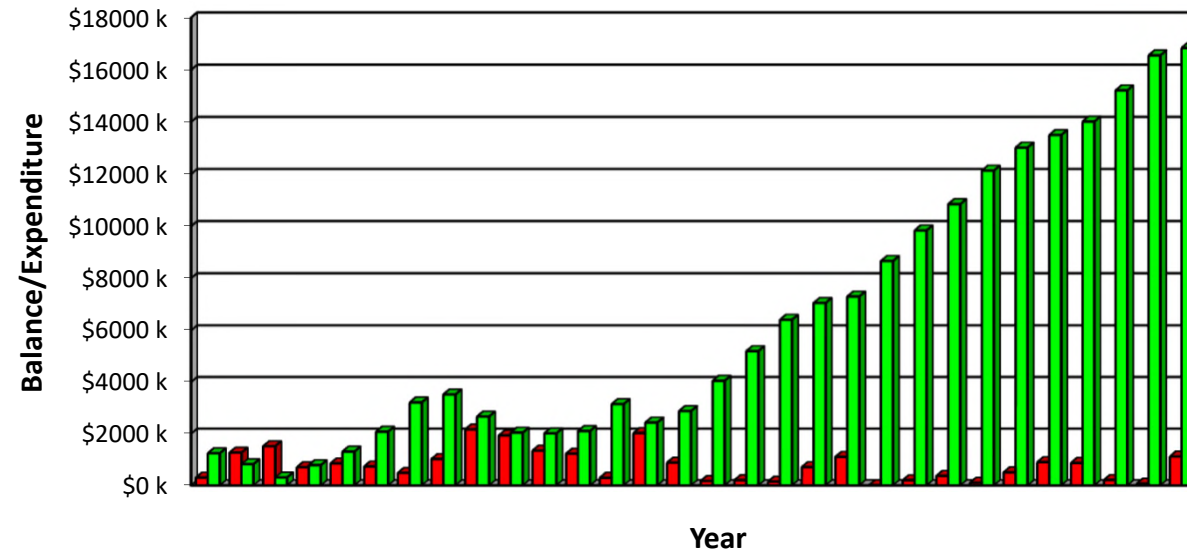
# What is a Proper Minimal Balance?

# Interest, Inflation and Surplus

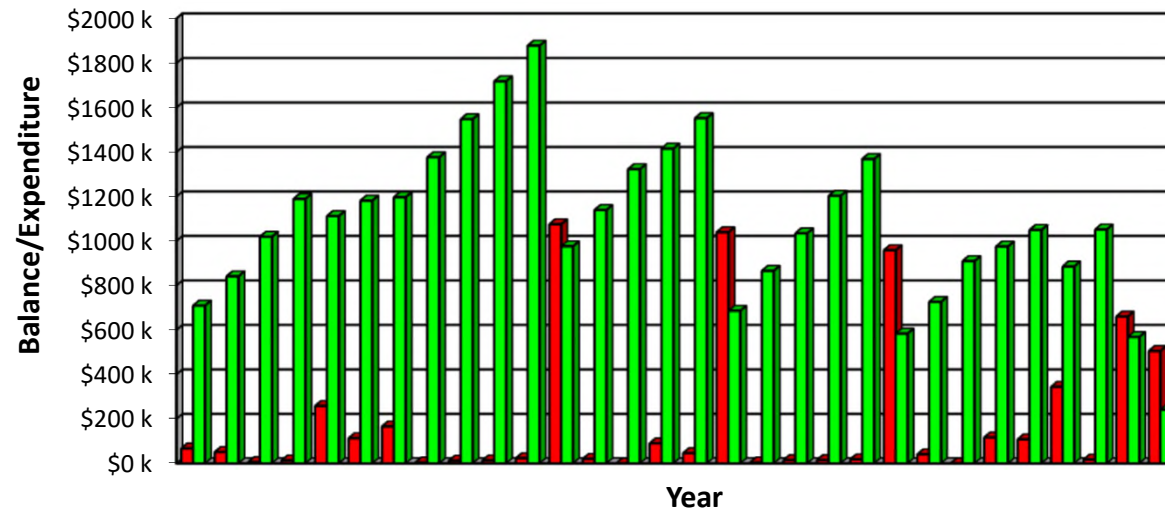
- Interest rates?
- Inflation?
- Why do upfront payments (almost) never make a difference?
- Can it be paid out to owners

# NEW CONDO VS OLD OVER 30 YEARS

OLD



NEW

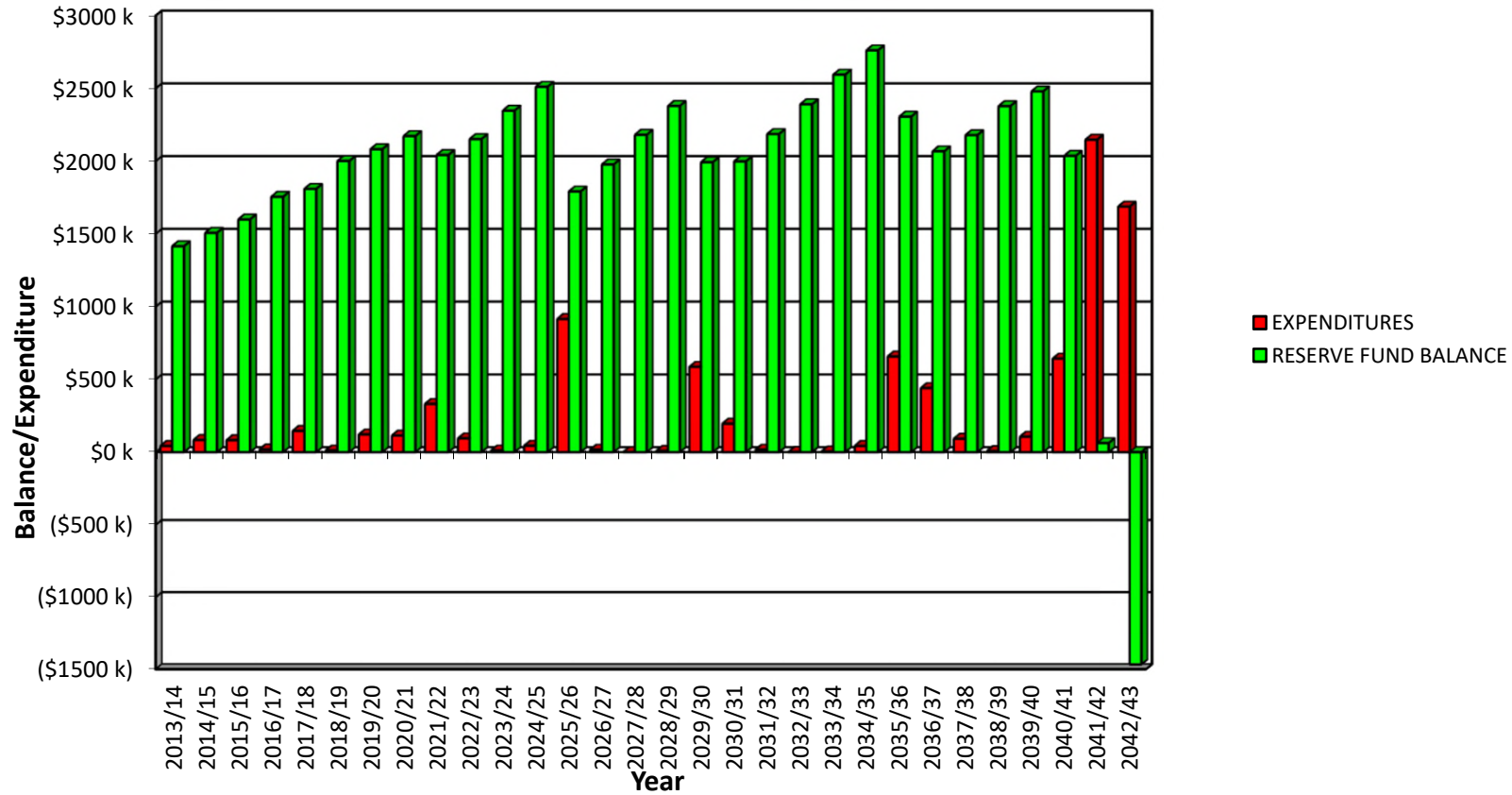


# HOW TO GET CONTRIBUTIONS ADEQUATE WITHIN ONE YEAR

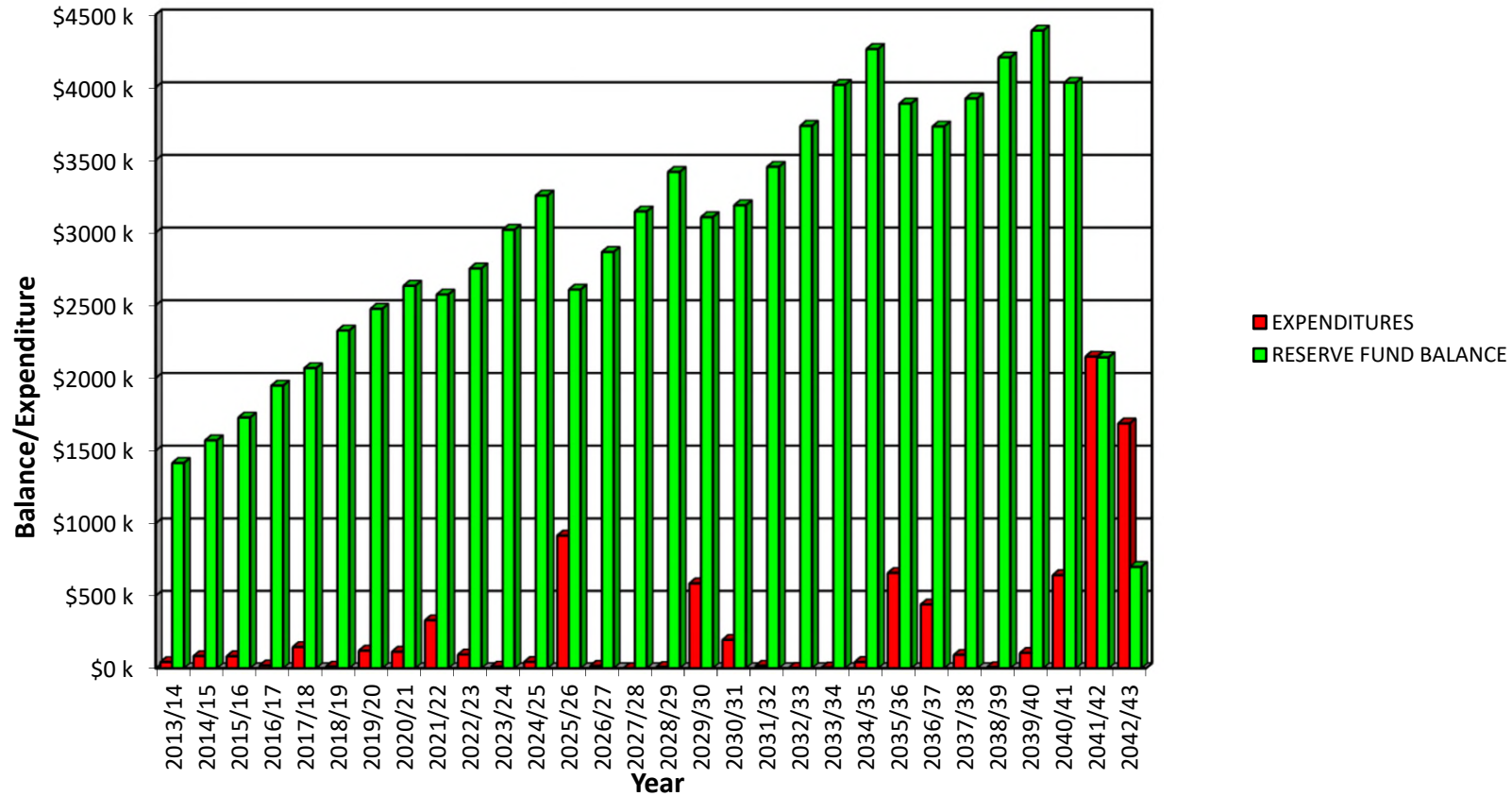
- ❑ Ideally contributions are adjusted at the rate forecasted in the last RFS
  
- ❑ Following the update of the element costs and timing the funding plan is adjusted
  
- ❑ Factors affecting contributions adjustments:
  - Value of forecasted low balance
  - Year of forecasted low balance
  - Planned annual contribution adjustment
  - Need For a Special Assessment



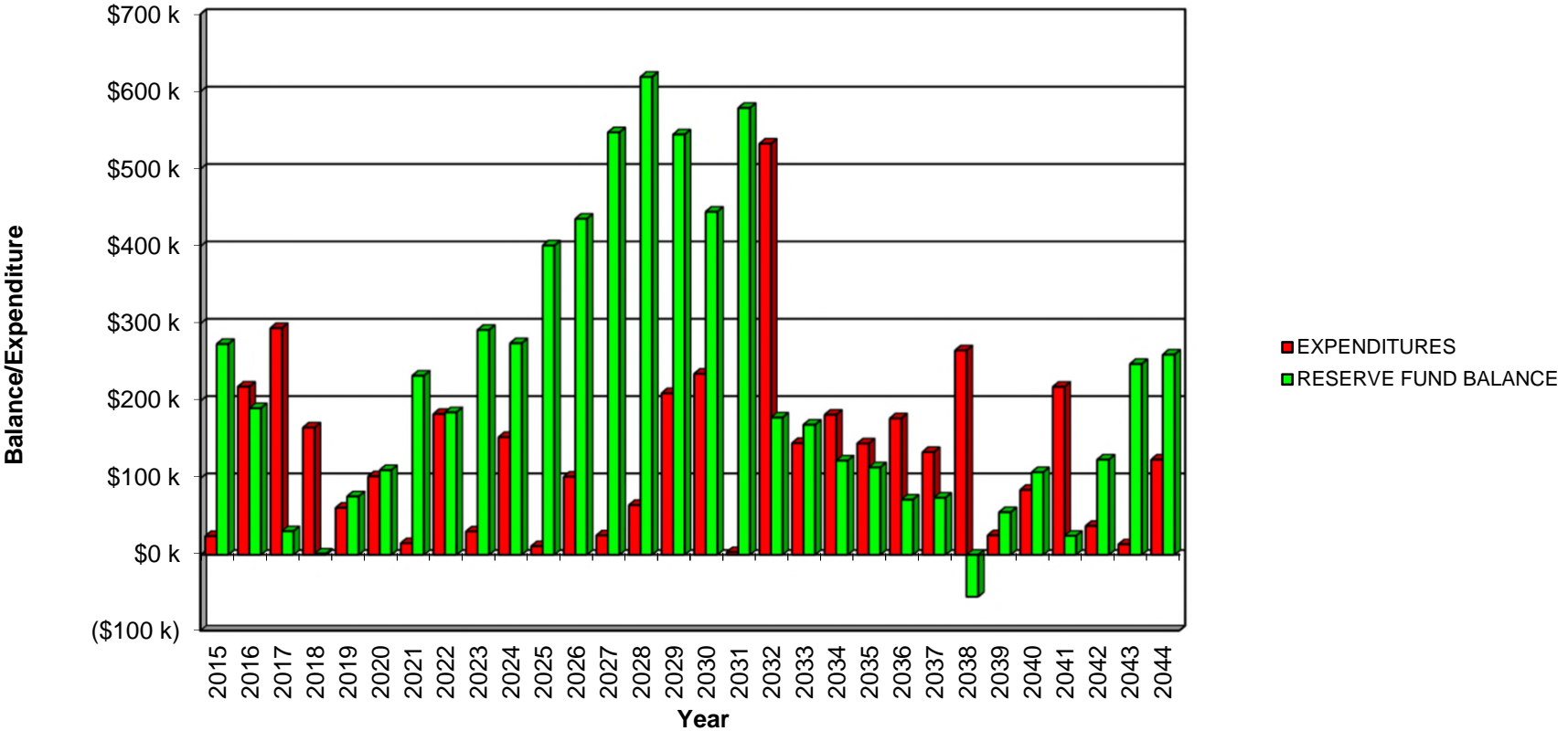
# TYPE 1 PROBLEM: NEW EXPENDITURES IN YEARS 27-30



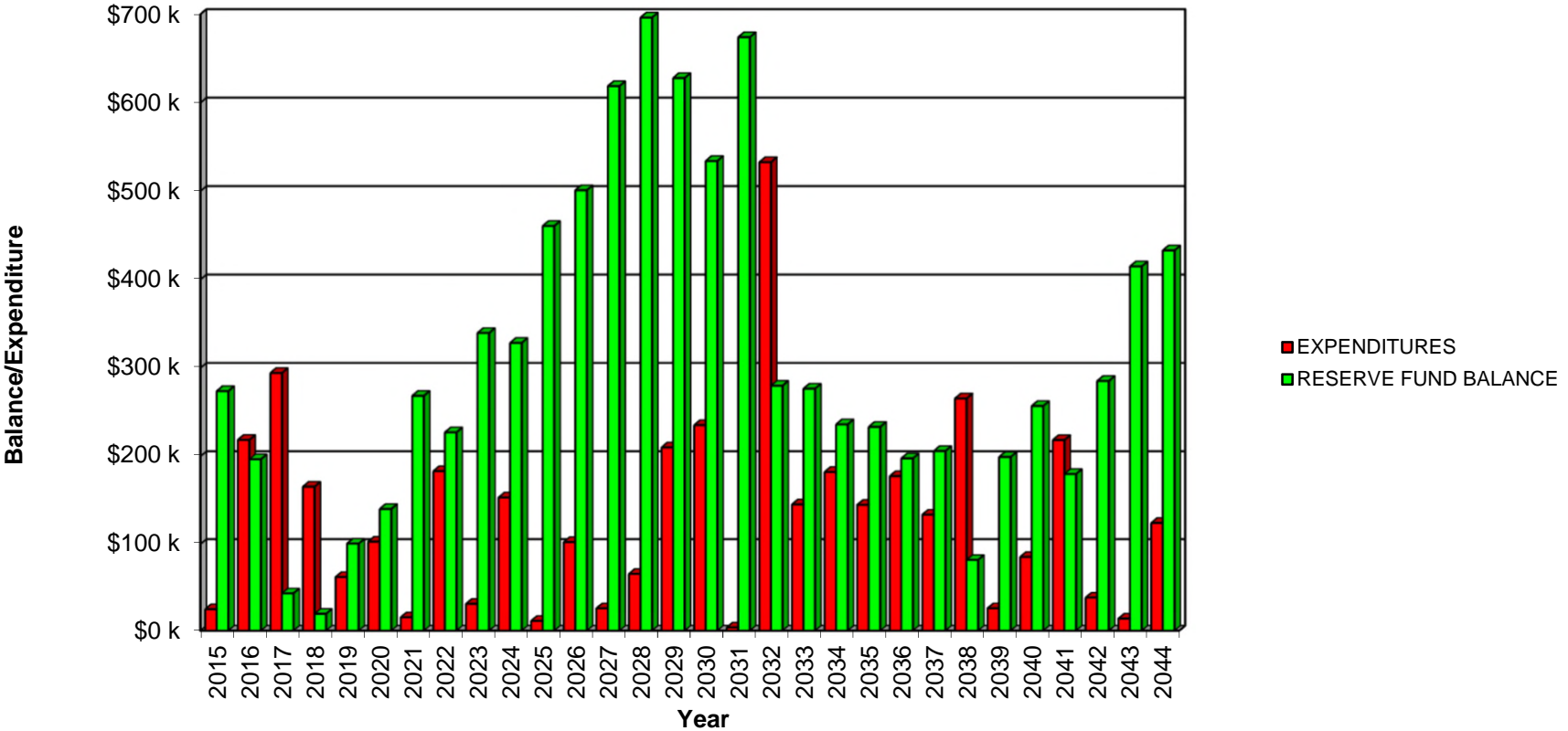
# TYPE 1 SOLUTION: ANNUAL CONTRIBUTION ADJUSTMENT



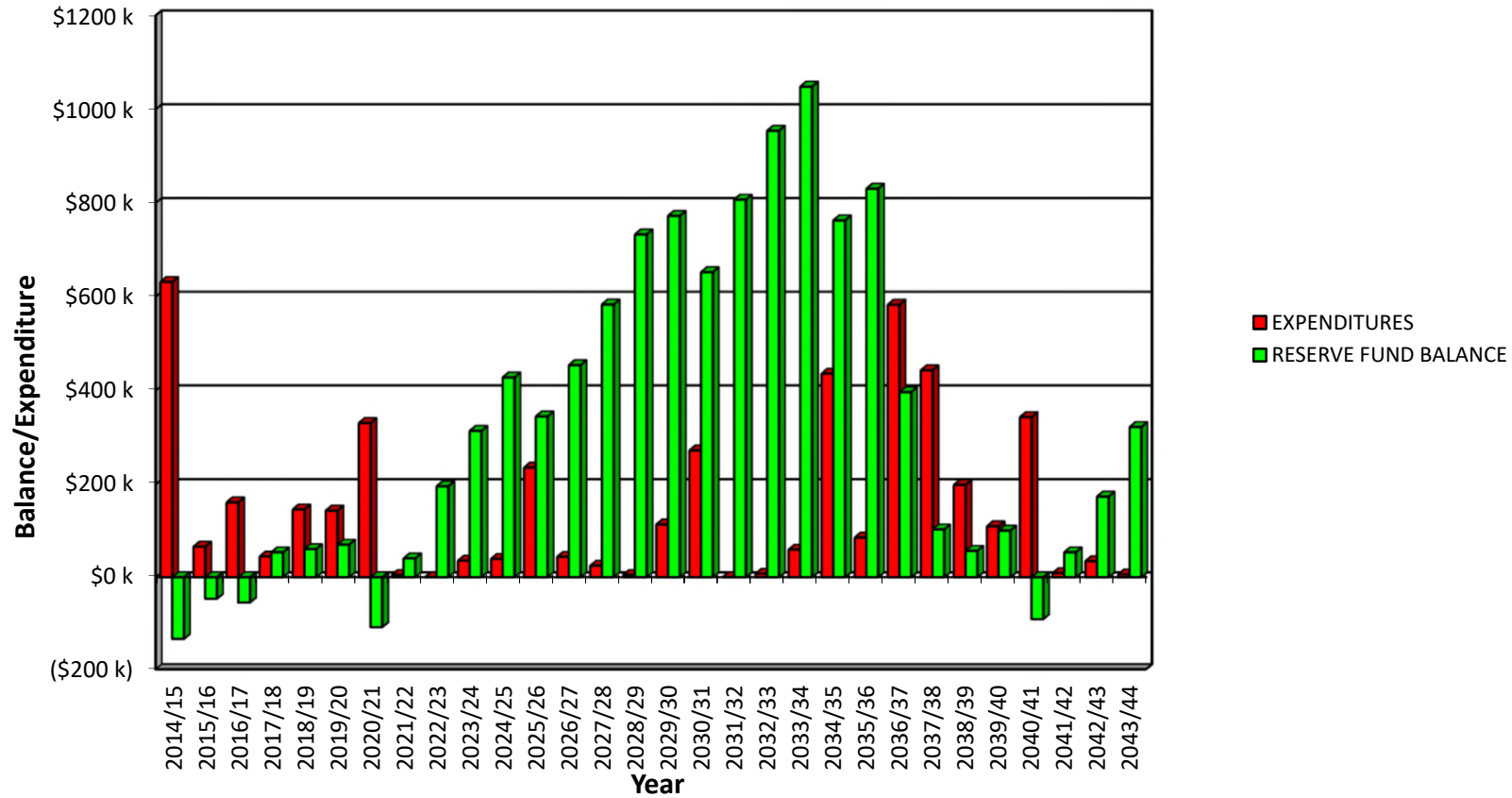
# TYPE 2 PROBLEM: MINOR LONGTERM SHORTFALL



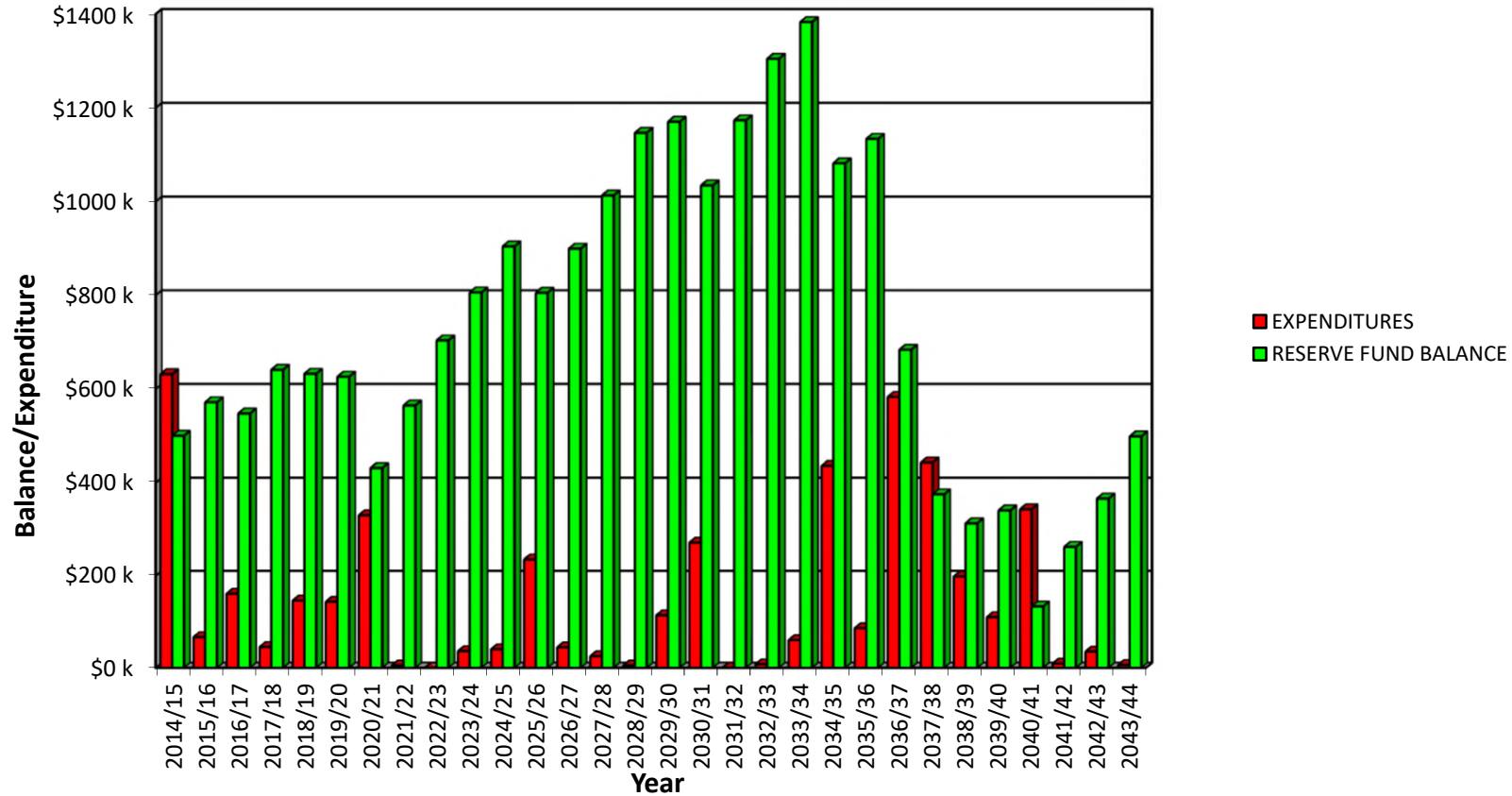
# TYPE 2 SOLUTION: MINOR ANNUAL CONTRIBUTION INCREASE



# TYPE 3 PROBLEM: UNANTICIPATED SIGNIFICANT URGENT WORK

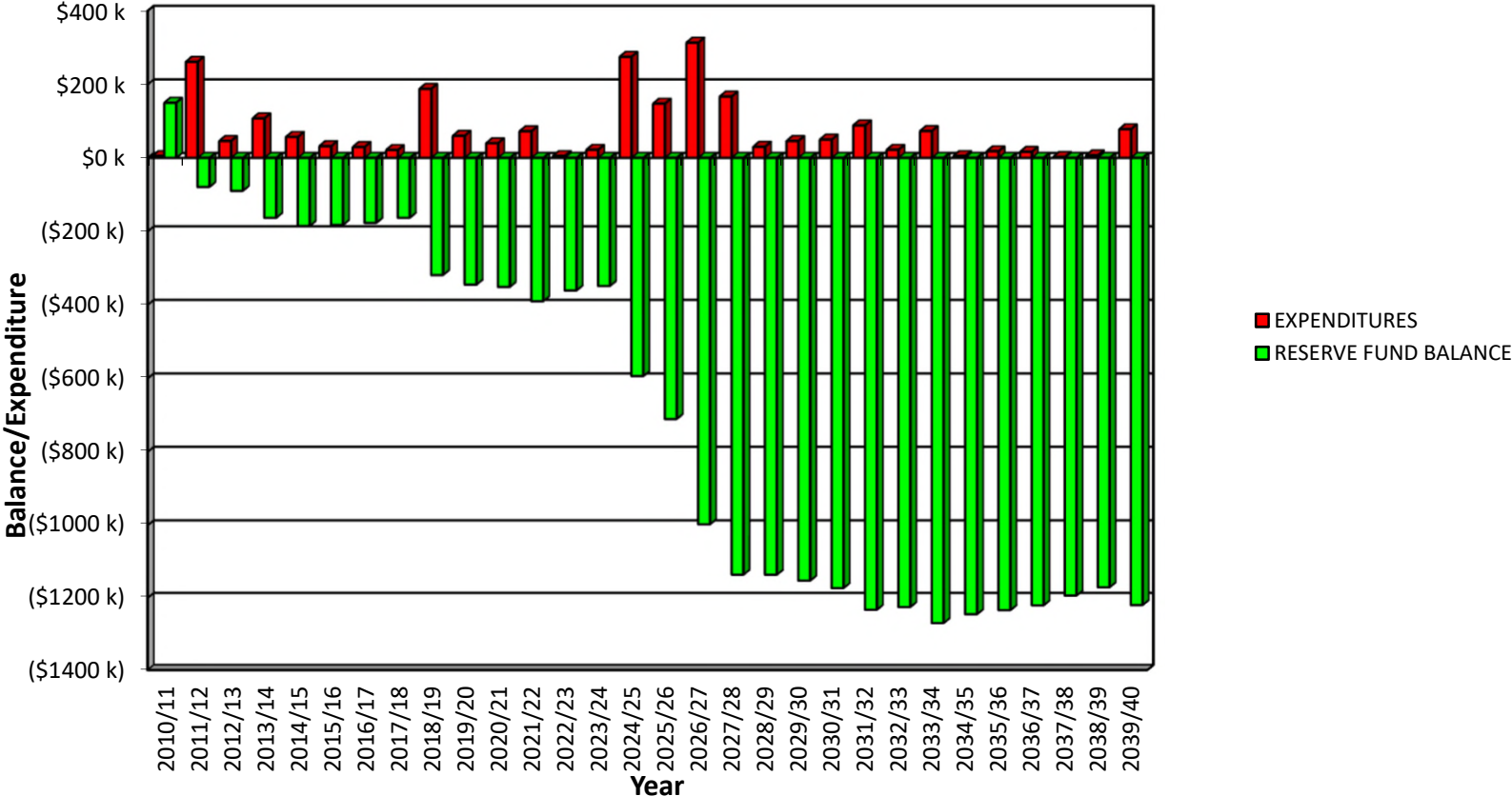


# TYPE 3 SOLUTION: ONE TIME CONTRIBUTION (SPECIAL ASSESSMENT OR LOAN)



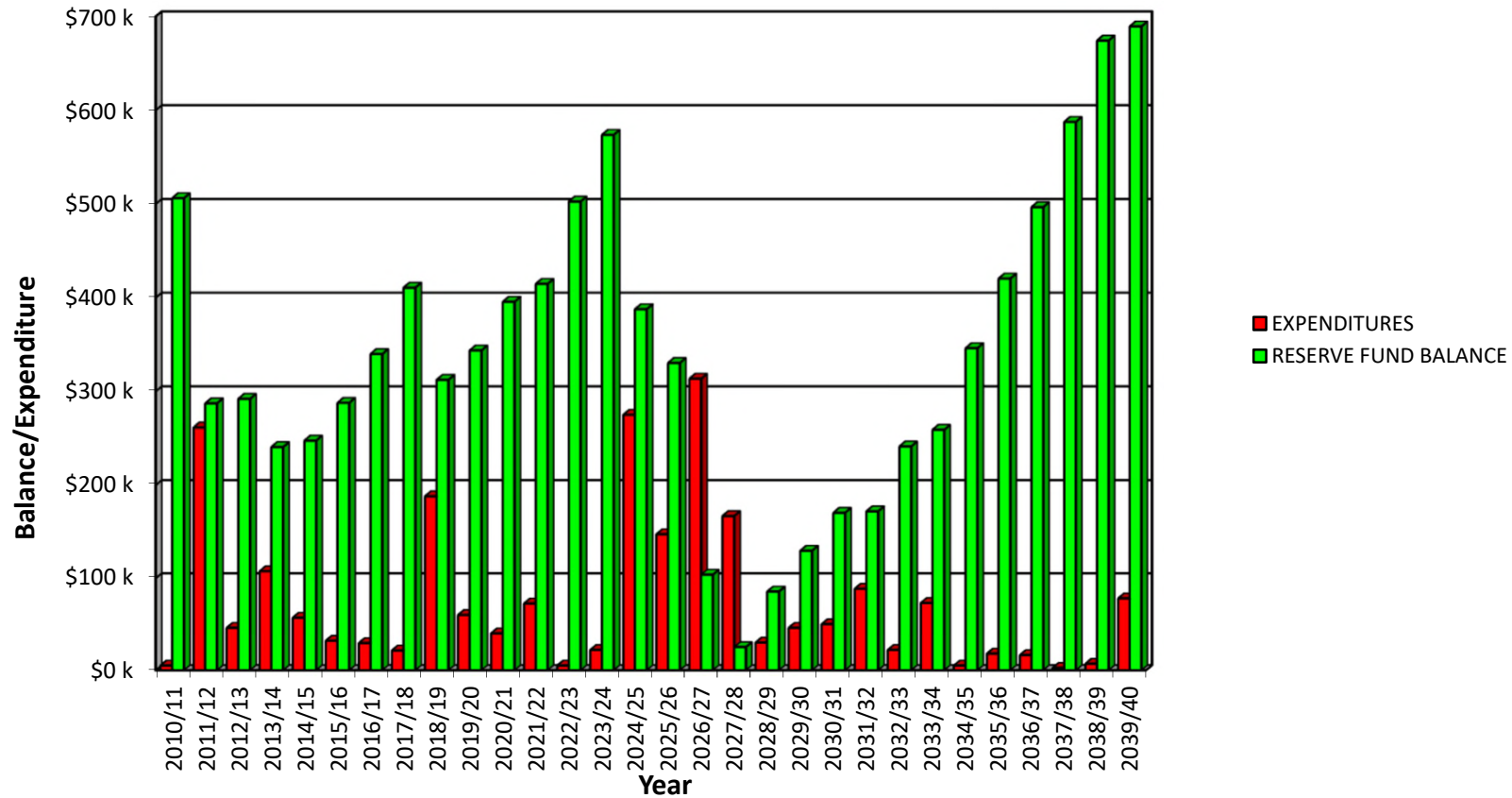
# TYPE 4 PROBLEM: UNDERFUNDED, UNANTICIPATED WORK

**Reserve Fund Annual Expenditures/Closing Balance**



# TYPE 4 SOLUTION: CONTRIBUTION INCREASE AND ONE TIME PAYMENT COMBINATION

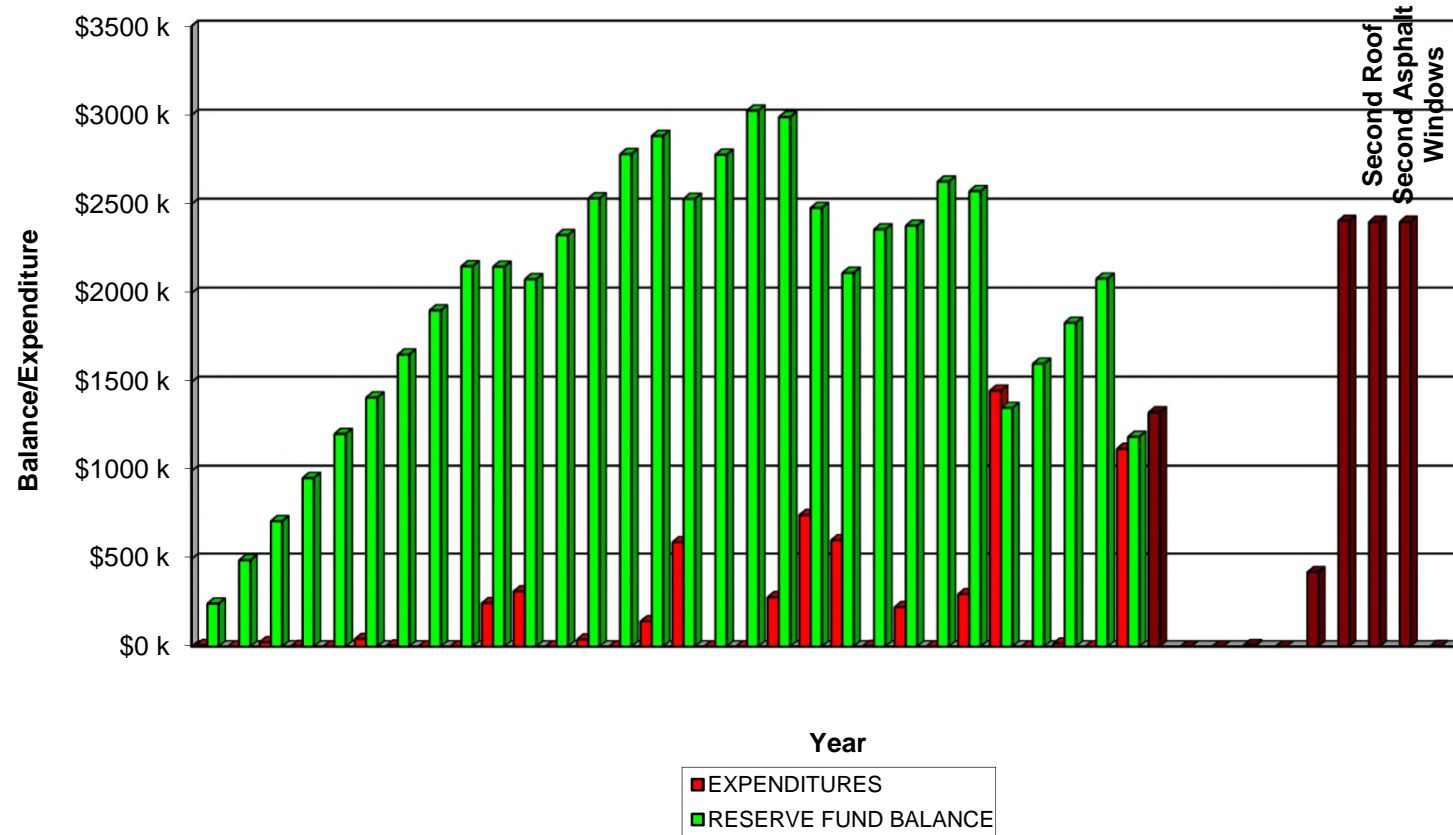
**Reserve Fund Annual Expenditures/Closing Balance**





# EXAMPLE: NEW CONDOMINIUM

## Foreseeable Long-Term Expenditures (40 years)





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