Improving Your Reserve Fund Study

By Mitchell Gerskup

Does your condominium have a proper plan in place for reserve fund expenses? Condominium boards are often unaware that the planning you do above and beyond your reserve fund study will save time and money. The strategy, which can be referred to as a "capital repair plan," is the roadmap for major repair or restoration projects over the next three, five, or sometimes ten years and can serve as a vital asset to condominium managers and their boards.

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Your first thought might be to turn to the condominium's reserve fund study when thinking about capital repair plans. The Condominium Act, 1998 requires all condominiums to conduct and maintain up-to-date reserve fund studies to ensure funding for the future repair or replacement of the common elements. In practice, this means regular updates to the study every three years with a site-based update every other study (or every sixth year). However, while most condominiums will end the process there, reserve fund studies are just the start to developing a capital repair plan.

Strategic Thinking

Typical reserve fund studies are often more of an exercise in accounting than planning – i.e., determining a Corporation's "liabilities" and ensuring a funding plan is in place to pay for them. While this process will ensure that the corporation does not face a financial shortfall, it doesn't guide managers and their boards on how to prioritize and order repairs in a way that makes sense from a "strategic" or operational point of view.

When do you put the most time and effort into planning for the future of the condominium? If you are like most corporations, this typically happens as part of the annual budgeting process. It can be easy to overlook larger capital projects in favour of the more predictable day-to-day operations of a condominium, but ensuring a proper capital repair plan is in place can help managers minimize the disruptions and stress caused by these large projects.

Combining Projects

Managers can also help their boards achieve savings by combining projects where project scopes overlap.

Some projects might be grouped "automatically." For example, when replacing your site's asphalt roadways, most engineers or sophisticated contractors will also know to take a close look at the condition of the concrete curbs and walkways bordering the roadway for replacement, if required. However, it can be easy to overlook less obvious projects that may be critical to consider simultaneously. For

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example, it might make sense to replace adjacent driveways or walkways to allow for minor site re-grading to correct long-standing drainage problems. Even more critical, without a proper plan in place, it's possible to overlook the upcoming replacement of buried infrastructure (e.g. parking garage waterproofing, water mains, hydro duct banks, storm/sanitary sewers, etc.), which may require digging up a brand-new roadway. If these are not taken into account, a failure could occur right after the paving project is completed.

On a similar note, projects like replacing the waterproofing on the roof of a parking garage often involve excavating and disposing of all hard and soft landscaping above. This represents an ideal time for managers to guide boards in considering changes to the site landscaping. These two projects are often treated as separate and not planned together, which can result in coordination problems and re-work that could be avoided by combining the projects from the start.

A less obvious example of a project requiring planning and coordination, but one that many corporations will consider at some point, is building recladding – or changing the exterior of the building to improve the building's appearance and performance.

There are many reasons to consider a recladding project, including improving the building's appearance, energy efficiency, and comfort. One often-overlooked aspect of these already large and expensive projects is the building's windows' age and performance and how soon they require replacement. While it isn't necessary to replace a building's cladding and windows at the same time, doing so can allow for increased window and wall performance by allowing proper integration between the two systems. Combining the two projects can avoid re-work and duplicating mobilization or access costs while achieving savings.

Future Planning

The above are just a few examples of considerations that managers and their boards can integrate into their future planning of reserve fund projects. What makes sense for your site will vary depending on the site components, availability of funding, and the desired outcomes.

The Condo Act does not require in-depth planning from a dedicated reserve fund study provider. The study is often prepared by the corporation's architect or engineer, who is in the best position to lend their knowledge and experience to create a strategic capital repair plan. Traditionally, this type of plan would have been provided by the professional preparing a Building Condition Assessment (sometimes called Property or Facility Condition Assessment) for commercial or institutional property owners. However, reserve fund studies have mostly taken the place of this type of assessment for condominiums.

As a manager, it makes sense to reach out and take advantage of the expertise and experience your reserve fund study provider brings to the table, as it can help you keep your board better informed.

When preparing for your next reserve fund study, reach out to your provider and see what options are available for developing a comprehensive capital repair plan. At the very least, make sure to meet with your reserve fund study provider and ask them these questions. A proper plan can help managers guide their boards, communicate long-term objectives to owners, and improve overall property maintenance and enhance the value of the development. ■

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