



# Taking Control of your Strata's or Condo's Reserve Fund

## - From CRFS to Project Completion

The benefit and bane of Strata management is its revolving door. While providing a constant influx of new blood with new ideas, managing the loss of knowledge and experience to "stay the course" is a constant battle. The stewardship of the Strata needs to be put in a format that:

- allows an easy transition between in-coming and out-going Boards,
- enables working Board members to stay involved,
- retains property management records; and
- forces consultants to build the right plan.

There are tools and tricks that every management company employs to address these goals, but innovation has provided a cost-effective solution that Councils and Property Managers can both use. There are two basic concepts that need to be satisfied to achieve these goals.

- 1- Intuitive organization of information
- 2- Easy, secure access to the information

### How does this relate to Reserve Fund Studies?

Most people understand the need to move their documentation from your Property Managers desk (see inset), to a web-based filing cabinet that is stored in a safe and secure location, but accessible through the Internet. Whether the Property Manager changes tomorrow or the Council is renewed, the important information is available to the right people at all times.

#### Electronic Documentation Storage

The organization of documentation starts with the basic governance documents, encompasses the building management documents, and extends to the physical operation and maintenance.

<u>Governance</u>	<u>Management</u>	<u>Physical Operation</u>
Declaration	Meeting minutes	Emergency plans
By-laws	Inspection results	Annual agreements
Policies	Surveys & summaries	Building Drawings
Notices	Reserve Plans	Operating Agreements

There are many choices in the marketplace for storing documentation in a safe and accessible place. Digital Data Storage is rapidly becoming a competitive market, so care must be taken when looking at the choices. Other information, beyond pricing, must be considered:

How does the documentation storage relate to your other building needs? Can you link other building systems? Energy consumption or Building Automation Systems (BAS)? Active project repairs? Reserve Fund Planning?

Many people struggle with the concept of converting the needs of the Condo to a reserve funding plan. They wisely rely on their building consultants for advice on the needs of the building, and how they should save, but the buck shouldn't stop there. The reserve fund, the related monthly maintenance fee, and knowledge the building is being taken care are the primary motivators for most Council members to get involved. *Taking control of this process and putting it in the hands of the Property Managers and Councils is the natural evolution, and again, innovation now makes this possible.*

**Step 1 - Define the framework of the plan:** Working with your technical consultant to define how the building is organized, what is owned, what is leased, and the quantities of these items. Putting this information into a format that can be updated by your consultant - and not necessarily the same consultant that began the process.

This definition is typically done by the consultant, and is evidenced in their expenditure tables. These tables outline the building systems, the related projects, the unit rates/quantities of repair, and timing. Look at three different consultants; you'll see three different plan definitions. With no input, they take the easy way out.

Use a framework that suits your building(s) and your budget. Simple MS Excel tables can be effectively used to manage this process in an economical manner. There are also targeted tools in the marketplace that are designed to capture building information in an intuitive format and integrate document management. Do your homework to find a tool that meets your needs.

### Step 2 - Set the boundaries of the framework:

Once you have decided on your framework, care to defining the boundaries is critical to the process. How will your consultants prepare the budgets when updating the plan? Get your facts right at the start, and then rely on those facts. These include building quantities, inflation rates, interest rates, component lifecycles, and grouping of repairs.

#### Taking Control of the Reserve Fund Study

- Step 1 - Define the framework of the plan
- Step 2 - Set the boundaries of the framework
- Step 3 - Manage transitions
- Step 4 - Keep the plan alive

As an example, the Strata has some basic attributes that do not need to be reinvented on every study. Your roof size, corridor size, parking garage sizes won't change. Get a proper survey of these features, rely on a quantity surveyor and set those attributes in stone. Every time a consultant prepares a Reserve Fund Study, these facts are either reassessed, or rechecked. This is a needless waste of their time and the Condos money. For the financial variables, work with your accountant, investment advisor, and other existing consultants to get these values set at a realistic level. This will make their jobs easier to not recalculate the expenditures and cost the Strata less in consulting fees.

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Once the boundaries of the framework are set, force consultants to keep the process transparent. Get the unit rates of their budgets projections, so there is an understanding as to what goes into a project estimate. These estimates are what drive final reserve fund plan and balance.

**Step 3 - Manage transitions:** Most Stratats will go through tough times. This may be from a previously underfunded reserve plan, an under-estimated projection by the builder, or some misunderstood condition. Whatever the cause, the Property Managers and Stratats need to be involved in the transition. This happens at different levels.

For reserve planning, this is the understanding how different funding scenarios affect the reserve balance. Working with your building consultants to develop a plan of deferrable projects and phased projects to focus on critical problems, versus special assessment. Using available tools to understand the financial repercussions of an accelerated maintenance fee increase, versus a phased approach. These are the tools and options to managing these transitions during the planning process.

For active repair projects, managing this transition means understanding the repair you are getting. The world of construction coined the term "you get what you pay for" for a reason. Working with project managers to keep costs down, quality of workmanship up, and warranties extended is critical to getting through the tough times. These methods should be employed at all times, but are even more critical at these underfunded periods. Having an expensive project fall off the rails turns bad to worse.

Staying involved with active repairs is not as hard as it used to be. Innovation, yet again, offers the answer for keeping tabs on contractors and consultants alike. Forcing your project managers to report on the status of the project in a secure and accessible environment, putting the information for Managers and Stratas to access as their busy schedules permit. Using the same web-based document management tools helps to keep the right people informed and up to-date.

**Step 4 - Keep the plan alive:** As times marches on, choices made during the development of the reserve plan may not hold true. Life is a box of chocolates, and someone needs to be taking notes. Having the control to make changes to the reserve plan, understanding the actual financial repercussions and making timely decisions keeps the plan alive and on-course.

**“This is how commercial investors manage real estate today. This is not the future, this is the now.”**

If the framework is defined, the boundaries set and the assumptions transparent, then making course changes are not difficult. Consultants are then used to advise on industry changes since the last update and confirm the interim assumptions. This process becomes a validation process, not an exercise of re-inventing the wheel to drive the same road.

#### **Conclusion**

Having a tool that gives you the control to perform these reserve planning steps, and integrating the document management is the innovation that this century has provided. This is how commercial investors manage real estate today. This is not the future, this is the now. Take control of your building, take control of your consultants, eat your chocolates, and set the plan.

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