



## Best Practices

- Every association with any maintenance repair or replacement responsibility should have a full reserve study.
- Reserve study should have a physical analysis and a financial analysis
- Reserve studies should include a component inventory, a condition assessment (based on on-site visual observations) and life valuation estimates to determine fund status and a funding plan.
- Funding goals should be part of the funding plan and could be:
  - Full funding**- The goal of this funding strategy is to attain and maintain the reserves at or near 100 percent.
  - Baseline funding** – The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance does not drop below zero during the projected period.
  - Threshold funding** – This method is based on the baseline funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount.
- Reserve studies should be updated annually.
- Updates should include a physical inspection if maintenance has been deferred, there has been significant deterioration in the components beyond what was expected or there has been significant weather impact on the components (unusually cold winter, severe drought, etc.).