

# FOR Reserve Fund Integrity Apply U.S.F.

## **First ... About our Book**

The chapter you are about to read (next page) is identical to the material in our book "Reserve Fund Essentials". This 94-page book covers a wealth of need-to-know reserve-related wisdom. Its 17 chapters deliver insights, suggestions and processes designed to ensure that co-owned and co-managed properties create healthy reserve funds that can be managed to everyone's satisfaction.

Thirteen chapters can be accessed from our website [oliver-group.com/rfund](http://oliver-group.com/rfund). (Click on Book/Articles). The four chapters that cannot be accessed are "**Reserve Fund Fundamentals**" and "**Reserve Funds: What Does Adequate Really Mean?**" These are major, significant chapters and are included in our "Reserve Fund Essentials" book. To find out more about the book and how to order it, please click [MORE](#).

## **Now ... About the Authors**

You may wish to learn more about the authors of "Reserve Fund Essentials" (and the chapter you are about to read). To do this click [MORE](#).

## **Next ... Your Selected Chapter Begins**

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## Keeping Your Numbers Current

One of our recurrent themes is that reserve fund plans need continual updating. Here's a simple dictum that will help you through the three important steps intended to keep your plan healthy.

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We love mnemonics, don't you? Want to remember the colors in the spectrum? Roy G Biv does it every time. Which way do you turn your clocks? Try "Spring forward, Fall back".

That's why remembering the three letters U.S.F. can be so perfectly useful when your job is to ensure your reserve fund balances are healthy.

"U" stands for Update. "S" means Scan. And "F" means Fix. Update Scan Fix. Here's the whole story ...

You have a reserve fund plan. It's based on a "study" that has revealed what major repairs and replacements are expected over the next 30 years. Those estimates are the nub of all your reserve fund projections. Along with your decisions on funding — the contributions by unit owners — you derive your expected reserve fund balances.

All well and good. At least on Day One, it's all well and good. But on Day Two you begin to get real expenditures that are not the same as those predicted in the plan. A year goes by,

and then two years go by, maybe three. You haven't got a plan that's very fresh any more. And lots of expenditures have occurred, with many of them being quite different than the expenditures you planned for.

We believe, strongly, that you should have a process in place that will replace the planned expenditure numbers with the real ones, as they arise. It's called doing Updates. The "U" in our U.S.F. mnemonic.

By doing these updates every quarter, for example, you'll capture all the new expenditure figures and ditch the corresponding plan numbers. Your balances, current and future — near term and long term — will be the closest thing to reality you can get. You'll no longer be "whistling past the graveyard".

A simple Scan — the "S" in U.S.F. — will show you instantly whether your future balances still look healthy or not-so-hot. You can scan by eyeballing the figures themselves, or, even better, by checking the balances on a graph. Scanning for troughs in the Condition Index may further explain an uncomfortable balance

If the balances look okay, leave things as they are. No action. But you'll have the nice feeling that you know everything's fine.

Let's say, at some point, the balances do not look all that good. It may be the time to consider some funding changes. It's an opportunity to do some "what-ifs" and see what kind of changes to the owners' contributions would make the balances look rosy again. It's the Fix — the "F" in U.S.F.

Sounds all very sane, doesn't it. But how do you do this — the updates, the graphs, the what-ifs? One way is to ask your Reserve Fund Specialist to go back to the drawing board and — without an inspection, just using the updated numbers — come up with the latest picture. It'll cost you a fee probably but it may be the easiest way.

Another is to explore what reserve fund software could do for you. (See page 88). A Board Member could handle it, or the Property Manager, or the Reserve Fund Specialist or your Accountant.