

Reserve Fund Study

A Reserve Study is a long-range financial planning tool that identifies the current status of the owners' reserve fund and recommends a stable and equitable funding plan to offset the costs of anticipated future major expenditures associated with replacement of the assets (such as roofs and boilers).

The purpose of the reserve study is to ensure that adequate funds are set aside each fiscal year in order for renewal work to be carried out at the appropriate time before asset failure occurs and with minimal financial hardship for the owners that may result from special assessments.

The reserve study compiles an inventory of the assets, estimates the remaining useful life of each asset, projects the replacement costs in future year dollars, and records these in a cash flow table that displays opening and closing balances in each fiscal year. While reserve studies provide complete analysis of the timing, costs and funding for renewal projects, they should ideally be supported by a maintenance and renewals plan that assists the owners in arranging for adequate maintenance to achieve the predicted service lives of the assets.