

Application for CAI's **Reserve Specialist (RS)** Designation



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General Information

Reserve Study

A Reserve Study is made up of two parts, 1) the information about the physical status and repair/replacement cost of the major common area components the association or cooperative is obligated to maintain (Physical Analysis), and 2) the evaluation and analysis of the association's or cooperative's reserve balance, income, and expenses (Financial Analysis). The Physical Analysis is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. The Component Inventory should be relatively "stable" from year to year, while the Condition Assessment and Life and Valuation Estimates will necessarily change from year to year. The Financial Analysis is made up of a *finding* of the client's current Reserve Fund Status (measured in cash or as percent funded) and a *recommendation* for an appropriate reserve contribution rate (Funding Plan).

Physical Analysis

- Component Inventory
- Condition Assessment
- Life and Valuation Estimates

Financial Analysis

- Fund Status
- Funding Plan

Levels of Service

The following three categories describe the various types of Reserve Studies, from exhaustive to minimal.

I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

II. Update, With-Site-Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No-Site-Visit/Off-Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Terms and Definitions

Cash Flow Method: A method of developing a Reserve Funding Plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) association or cooperative responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

Component Inventory: The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of design and organizational documents, a review of established precedents, and discussion with appropriate representative(s) of the association or cooperative.

Component Method: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "cash flow method."

Condition Assessment: The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost: See "Replacement Cost."

Deficit: An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age: The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Financial Analysis: The portion of a Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (Reserve Funding Plan) are derived, and the projected reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

Fully Funded: 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Full Funded Balance (FFB): Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component, then summed together for an association total. Two formulas can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$$

Fund Status: The status of the reserve fund as compared to an established benchmark such as percent funding.

Funding Goals: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

1. **Baseline Funding:** Establishing a reserve funding goal of keeping the reserve cash balance above zero.
2. **Fully Funding:** Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.
3. **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum or regulatory amount of reserves required by local statutes or financing agencies.
4. **Threshold Funding:** Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold, this may be more or less conservative than "fully funding."

Funding Plan: An association or cooperative's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles:

- Sufficient funds when required
- Fiscally responsible
- Stable contribution rate over the years
- Evenly distributed contributions over the years

Life and Valuation Estimates: The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

Percent Funded: The ratio, at a particular point of time (typically the beginning of the fiscal year), of the *actual* (or *projected*) reserve balance to the fully funded balance, expressed as a percentage.

Physical Analysis: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL): Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" remaining useful life.

Replacement Cost: The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance: Actual or projected funds as of a particular point in time that the association or cooperative has identified for use to defray the future repair or replacement of those major components which the association or cooperative is obligated to maintain. Also known as reserves, reserve accounts and cash reserves. Based upon information provided and not audited.

Reserve Provider: An individual that prepares Reserve Studies.

Reserve Study: A budget planning tool which identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major capital expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."

Responsible Charge: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services, which directly and materially affect the quality and competence rendered by the Reserve Specialist. A Reserve Specialist shall maintain such records as are reasonably necessary to establish that the Reserve Specialist exercised regular and effective supervision of a Reserve Study of which he was in responsible charge. A Reserve Specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory, or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

Special Assessment: An assessment levied on the members of an association or cooperative in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

Surplus: An actual (or projected) reserve balance greater than the fully funded balance. See "Deficit."

Useful Life (UL): Total useful life or depreciable life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

Outline of the Designation Application

The following is an outline of the designation application. The application is comprised of four parts: background, experience and sample work product, references, and continuing experience. All four parts and the signed code of ethics must be completed and submitted to apply for the credential via the Reserve Specialist (RS) Application (see pages 8–13).

Qualification Guidelines

I. Background—must have one of the following:

- College bachelor level degree in construction management, architecture, or engineering;
- Four years prior related experience (prior to and in addition to direct Reserve Study experience) in a field servicing community associations (accounting, association management, construction, etc.);
- Trade school diploma and two years prior related experience (prior to and in addition to direct Reserve Study experience).
- Other college bachelor level degree and three years working under the direction of an active RS designee.

II. Experience and Sample Work Product:

- Must certify preparation of or be in responsible charge for preparing at least 30 Reserve Studies within the past three calendar years and submit a list of 25 clients with application.
- Must submit one study of the applicant's original work using format on application, including all five tasks as described within for a "full" study.

III. References:

- Two references from community association industry professionals.
- Five references from different clients.

IV. Continuing Experience:

Must continue to prepare or be in responsible charge for the preparation of at least 20 Reserve Studies within the past three calendar years and submit a list of 15 clients with application. Renewal applications, required every third year, will require documentation of this experience. (See Section III on application—Experience and Sample Work Product.)

Reserve Study Contents

The following is a list of the minimum contents to be included in the Reserve Study.

1. A summary of the association's or cooperative's number of units, physical description, and reserve fund financial condition.
2. A projection of reserve starting balance, recommended reserve contributions, projected reserve expenses, and projected ending reserve fund balance for a minimum of 20 years.
3. A tabular listing of the component inventory, component quantity or identifying descriptions, useful life, remaining useful life, and current replacement cost.

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4. A description of methods and objectives utilized in computing the Fund Status and development of the Funding Plan.
 5. Source(s) utilized to obtain component repair or replacement cost estimates.
 6. A description of the level of service by which the Reserve Study was prepared.
 7. Fiscal year for which the Reserve Study is prepared.

All new applicants and renewing designees are required to cross reference the above seven minimum contents in pen along the right or left margins of the Reserve Study they submit. This is to assist all applicants in ensuring that each item is fully addressed prior to being submitted.

Disclosures

The following are the minimum disclosures to be included in the Reserve Study.

1. **General:** Description of other involvement(s) with the association or cooperative, which could result in actual or perceived conflicts of interest.
2. **Physical Analysis:** Description of how thorough the on-site observations were performed: representative sampling vs. all board responsibility property, destructive testing or not, field measurements vs. drawing take-offs, etc.
3. **Financial Analysis:** Description of assumptions utilized for interest and inflation, tax, and other outside factors.
4. **Personnel Credentials:** State or organizational licenses or credentials carried by the individual responsible for Reserve Study preparation or oversight.
5. **Update Reports:** Disclosure of how the current work is reliant on the validity of prior Reserve Studies.
6. **Completeness:** Material issues which, if not disclosed, would cause a distortion of the association's or cooperative's situation.
7. **Reliance on Client Data:** Information provided by the official representative of the property regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant. The Reserve Study will be a reflection of information provided to the consultant and assembled for the association's or cooperative's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
8. **Reserve Balance:** The actual or projected total presented in the Reserve Study is based upon information provided and was not audited.
9. **Component Quantities:** For update with-site-visit and update no-site-visit levels of service, the client is considered to have deemed previously developed component quantities as accurate and reliable.
10. **Reserve Projects:** Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

RS Application

The purpose of this form is to provide the Reserve Professionals Networking Committee with information concerning the applicant's background, experience, work product, references, and continuing experience (for qualification guidelines, refer to page six of the National Reserve Study Standards). All sections of the application must be completed to apply for the designation. An initial non-refundable application fee is required. A renewal application every third year is required, as well as an annual maintenance fee.

Payment Information

RS Application Fee: Member \$300, Non-member \$525

Enclosed is check # _____ payable to CAI.

Please charge my credit card: VISA MC AMEX

Credit Card Number _____ Exp. Date _____

Cardholder Name _____

Signature _____

The non-refundable RS application fee is due in full with this application. Please do not combine this payment with any other candidate fees or amounts.

Please send completed application and fee to:

Community Associations Institute
Designations Department
225 Reinekers Lane, Suite 300, Alexandria, VA 22314
Phone: 703-548-8600 Fax: 703-684-1581
Web site: www.caionline.org

(Please print or type)

I. General Information

Name _____ Present Position _____

Firm/Association _____ CAI Member No. _____

Office Address _____

City _____ State _____ Zip _____

Office Phone _____ Office Fax _____

Office E-mail _____

Home Address _____

City _____ State _____ Zip _____

Home Phone _____ Home Fax _____

Home E-mail _____

CAI Chapter Affiliation _____

continued on next page

II. Education

Highest Academic Level Completed _____ Date _____

Institution _____

Degree/Certificate _____

Honors _____

III. Experience and Actual Work Product

- Please complete the following certification:

"I, _____, certify that at least 30 Reserve Studies for community associations and/or cooperatives based on visual on-site observations have been prepared by me, or under my responsible charge, within the last three calendar years."

"I personally have the skill and training to perform, and have performed, the five basic tasks of a Reserve Study as defined on page two, "Full" study. If the work is done under my responsible charge, this work has been performed by professionals who have the appropriate skills."

Signature _____

- Attach the required list of 25 clients for whom reserve studies have been conducted.

- Attach the required information for each using the following format.

Community Association or Cooperative

Location

Date Prepared

Level of Service

- Attach an actual report prepared by applicant, exclusive of any names that reference the identity of the individual, the firm and the subject property, **with cross reference of the seven minimum contents as required on page six and seven of this application.**

The submitted actual report must demonstrate that minimum report requirements and disclosures have been met, which have been prepared by or under the responsible charge of the applicant.

Title of Work Product _____

Description of Attachment _____

Date Prepared _____

NOTE: Reports should NOT be provided on company letterhead, or contain applicant's name or address.

Section IV: Sample Work Product Contents

In the sample Work Product submitted, indicate the page # where the following can be found:
(Please submit this attachment on the front cover of the Work Product.)

Required Reserve Study Information	
Page	Contents
	1. A summary of the association's number of units
	2. Association physical description
	3. General statement summarizing the association's reserve fund financial condition
	4. Fiscal Year (start and end) for which the Reserve Study is prepared
	5. A projection of reserve starting balance
	6. Recommended reserve contributions
	7. Projected reserve expenses
	8. Projected ending reserve fund balance for a minimum of 20 years.
	9. A tabular listing of the component inventory
	10. A tabular listing of the component quantity or identifying descriptions
	11. A tabular listing of each component's Useful Life
	12. A tabular listing of each component's Remaining Useful Life (where RUL = 0 = initial year)
	13. A tabular listing of each component's Current Replacement Cost
	14. A general statement describing the methods and objectives utilized in computing the Fund Status and development of the Funding Plan.
	15. Identification of the source(s) utilized to obtain component repair or replacement cost estimates.
	16. A clear description of which of the three Reserve Study "Levels of Service" (ie.: Full, Update With-Site-Visit, Update No-Site-Visit) was performed
	17. A clear statement of assumptions used for Interest and Inflation (whether zero or otherwise)

Required Disclosures:	
Page	Contents
	1. General: Description of other involvement(s) with the association, which could result in actual or perceived conflicts of interest.
	2. Physical Analysis: Description of how thorough the on-site observations were performed: representative sampling vs. all common areas, destructive testing or not, field measurements vs. drawing take-offs, etc.
	3. Personnel Credentials: State or organizational licenses or credentials carried by the individual responsible for Reserve Study preparation or oversight.
	4. Update Reports: Disclosure of how the current work is reliant on the validity of prior Reserve Studies.
	5. Completeness: Material issues which, if not disclosed, would cause a distortion of the association's situation.
	6. Reliance on Client Data: Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant.
	7. Scope: The Reserve Study will be a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
	8. Reserve Balance: The actual or projected total presented in the Reserve Study is based upon information provided and was not audited.
	9. Component Quantities: For update with-site-visit and update no-site-visit levels of service, the client is considered to have deemed previously developed component quantities as accurate and reliable.
	10. Reserve Projects: Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection

V. References

Clients and Client(s) Representatives

Please provide five references from different clients or client representatives for whom Reserve Studies have been prepared.

1. Name _____
Address _____
Phone _____
Work Performed _____
Dates _____
2. Name _____
Address _____
Phone _____
Work Performed _____
Dates _____
3. Name _____
Address _____
Phone _____
Work Performed _____
Dates _____
4. Name _____
Address _____
Phone _____
Work Performed _____
Dates _____
5. Name _____
Address _____
Phone _____
Work Performed _____
Dates _____

Community Association Professionals

Please provide two references from community association or cooperative professionals by completing the attached reference forms on pages 13–15.

To: *(Name and Address of Reference)*

From: *(Name and Address of Applicant)*

Dear Sir/Madam:

I have filed an application with Community Associations Institute for designation as a Reserve Specialist™ (RS™). I have given your name as a reference and authorize any individual, company, or institution with whom I have been associated to furnish the Reserve Specialist Designation Committee with any information concerning my qualifications as a Reserve Specialist.

I will appreciate your sending the information requested on the reverse side directly to the Reserve Specialist Designation Committee in the stamped-addressed envelope, which I have provided.

Reserve Specialist Designation Committee:

This Board is required to obtain evidence of the good character and qualifications of applicants for accreditation as a Reserve Specialist. Statements by responsible persons with actual personal knowledge of the applicant's character and qualifications will be filed with the Committee for consideration as evidence in such connection. All information is kept confidential.

The Committee desires to emphasize that evidence submitted on this form should not be perfunctory nor made for the mere purpose of aiding the applicant to be registered. On the contrary, the execution of this statement by any person will be accepted by the Committee as a deliberate act made with full knowledge of the responsibility toward the public interest involved. It should be borne in mind that the applicant is not being considered for membership in an organization, but for registration as an accredited Reserve Specialist by CAI, qualified to provide reserve schedules throughout the country.

Since the Committee cannot consider an applicant for accreditation until replies are received from references, a prompt reply will expedite our handling of the applicant's request. Completed reference forms are to be mailed directly to the Reserve Specialist Designation Committee.

Thank you.

Instructions for the Applicant: *On the right side of the form, type your name and address. The name and address of the reference should be typed on the left. Send a copy of this form to your reference with a stamped, addressed envelope and send the original to the CAI Reserve Specialist Designation Committee at 225 Reinekers Lane, Suite 300, Alexandria, VA 22314*

Name of Applicant: _____

1. How well do you know the applicant: Very Well Well Slightly Not At All
2. List dates (month and year) of contacts with applicant: _____/_____/_____ to _____/_____/_____
3. What is your professional relationship to the applicant: _____
4. What is your opinion of applicant's personal integrity and general character? _____

5. Is your knowledge of the applicant's experience based exclusively on your relationship described in item 3? Yes No If no, please indicate the basis of your knowledge.

Please use the following ratings for answering question 6:

Above Average: Performance unquestionably of a professional level demonstrated through competence and creative ability.

Average: Work not distinguished in content or level, but adequate for preparation of reserve schedules indicating an ability, under some supervision, to produce workable schedule.

Below Average: Barely adequate performance, needing careful checking and rather close supervision to meet requirements.

Unsatisfactory: Work of poor quality, not up to minimum professional standards. Work requires review and revision by associations or supervisors before execution.

6. How do you rate the practice and quality of performance of the applicant's work:

	Above Average	Average	Below Average	Unsatisfactory
Reserve Study	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development of Component Inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Condition Assessment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preparation of Life and Valuation Estimates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluation of Estimated Fund Status	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development of Funding Plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsible Charge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

continued on next page

7. Please explain from your personal knowledge the type of work the applicant has performed and details of responsibility _____

8. Do you consider that the applicant demonstrated a professional level of competence in his/her work?
 Yes No If no, please indicate why. _____

9. The Committee will appreciate any additional information or amplifying information regarding the applicant's experience, capabilities, or limitations, if any:

10. Do you recommend the applicant for the Reserve Specialist designation?
 Yes No

I certify that the above statements are correct to the best of my knowledge.

Signature _____ Date _____

Present Position _____ Telephone _____

Please send this form to: Reserve Specialist Designation Committee, Community Associations Institute, 225 Reinekers Lane, Suite 300, Alexandria, Virginia 22314, (703) 548-8600

Community Associations Institute Reserve Specialist (RS) Code of Ethics

The Reserve Specialist shall:

1. Comply with current standards or practices as may be established from time to time by CAI and the Reserve Specialist (RS) Designation Review Board;
2. Not make any inaccurate or misleading representations or statements to a prospective client;
3. Undertake only those engagements the Reserve Specialist can reasonably expect to perform with professional competence;
4. Exercise due care and exhibit adequate planning and supervision;
5. Disclose in writing to the client any actual, potential, or perceived conflict of interest if the client may have dealings with another party in some way related to the Reserve Specialist;
6. Not knowingly misrepresent facts to benefit the Reserve Specialist;
7. Conduct himself or herself in accordance with the Reserve Specialist requirements;
8. Not hold himself or herself out to anyone as being a Reserve Specialist designee until such time as he or she receives written confirmation from the Reserve Specialist Designation Review Board or CAI of receipt of the designation; and
9. Abide by the redesignation policy of CAI.

By signing below, I agree to abide by the CAI Reserve Specialist Code of Ethics. All information provided by me is complete and correct to the best of my knowledge and belief.

Signature _____



225 Reinekers Lane, Suite 300
Alexandria, VA 22314
www.caionline.org