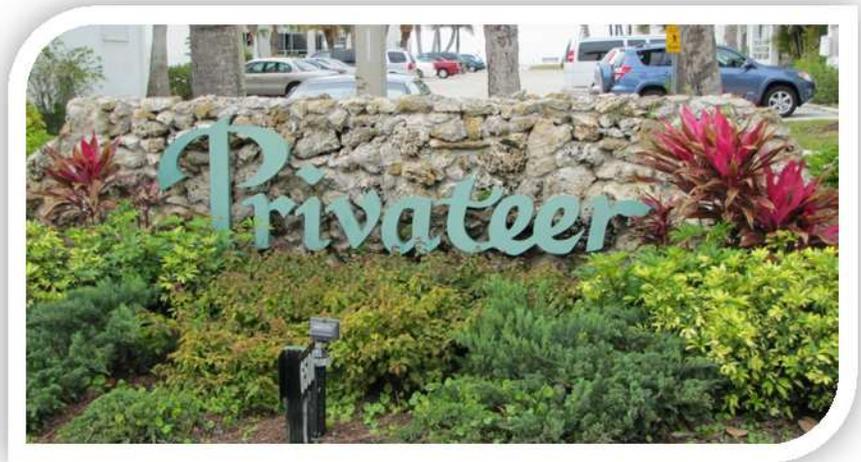


CASE STUDY: THE PRIVATEER- RESERVE STUDY

The Privateer on Fort Myers Beach is a quaint little community made up of long time residents and new owners alike with views of, and access to, the beach that few associations on the strip possess. The residents are known for their simplistic and straightforward approach to property management and care.



We were truly excited when the association's board asked us to prepare their reserve study in 2010. Around this time, Consult had just completed work on our new proprietary Reserve Study software. This gave us a unique opportunity to adjust and change the software to best suit the real needs of a condominium association.

Typically, most reserve study computer programs that are available on the market, analyze and present the data in the same fashion. The reason for this is because all commercially available reserve study software are based on the "Best Practices" guide for reserve studies produced by the Reserve Specialist professional association. They adhere to this standard very well and perform the analysis correctly. Unfortunately, the standard does a poor job of putting the concepts and terms of a Reserve Study into a language that the common association or property manager can understand. They also do not provide very much flexibility in the way the data is presented.

When we first opened our doors, we looked at the software on the market and knew right away we were going to have to create our own software if we wanted to actually improve the standard and offer something to the community that was unique in the industry. The Privateer was the perfect opportunity to fine tune our program and the perfect association to help us do it. The Privateer is blessed with a board of extremely knowledgeable professionals, both retired and working, who asked the questions and challenged the results of the initial study. They provided a different perspective which allowed us to take the software to a higher level of performance, which ultimately benefited not only them, but our future clients as well.



The first thing the project challenged was the ability to manipulate the "recovery period". Most associations, prior to hiring a professional consultant, are typically underfunded. In order to bring the reserves up to the funding level where they need to be, there is a period in which the contribution levels are set so that the fund can be recovered. With Component Funding plans, the recovery period is typically one

year which results in a special

assessment. The recovery period can be artificially extended out multiple years, but most commercially available programs can't accommodate. With Pooled Funding plans the recovery period is typically based on the first 3 to 5 years. In rare circumstances this period needs to be longer in order to distribute out the impact. In the case of the Privateer, they desired to set the rate artificially for the first 4 years, then increase to the correct level on the 5th year and follow a smooth curve after that. The plan was purely customized for them and the software was adjusted to allow us to provide the desired recovery period and accurately calculate the contribution curve after that.

The second thing the association desired was to only increase reserve funding every three years. The goal was to avoid the feeling of constant fund increases every year. Most Reserve Analysts have to manually adjust the contribution levels, then monitor the results. This is an iterative process that is time consuming and inflexible. For example, if one of the replacement values is changed, the contribution rates have to be manually adjusted over the whole 30 years. Every change and alteration becomes a burden and reduces the accuracy of the study. When we were approached to present the contribution rates on a 3-year staggered schedule we went back to the drawing board and developed new formulae to address this. Now, when we conduct their yearly updates or make any changes to the study, the staggered contribution schedule is automatically updated. This reduces the time and cost to perform each update and increases the accuracy of the study and each subsequent update.

Recently, the association has started one of the projects that was planned for in the study. The project scope had to change, however, due to new regulations that were not in place when the study was initially performed. This can happen, and in their case, resulted in higher than expected project expenses. The board was faced with the question of moving the project back a year or two, special assessing to pay for it during it's planned year, or use the reserves available to pay for the overage and recover the loss over time. They contacted us, and we were able to present various scenarios for their use. Due to the flexibility of the software and our intimate knowledge of the association we were able to present our findings within a short time frame which enabled the association to make an informed decision and keep the project moving forward successfully.

The Privateer is the perfect example of what a solid relationship between an association and their consultant can provide. It's also a great example of how cutting-edge technology can be introduced in tasks even as seemingly routine as Reserve Studies to provide services no one thought to be possible.