



Appraisal Institute of Canada

Institut canadien des évaluateurs

**CANADIAN UNIFORM STANDARDS
OF PROFESSIONAL APPRAISAL PRACTICE**

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14 RESERVE PLANNING STANDARD - RULES

14.1 Preamble

- 14.1.1 The purpose of a Reserve Fund Study [see 3.62] is to provide cost estimates for the required period of various reserve components for which major repairs and/or replacement are required over the lifetime of the subject of the Reserve Fund Study, and to estimate funding required for such major repairs and replacement.
- 14.1.2 This Standard in conjunction with the Reporting Standard, outlines the procedures for the development and communication of a Reserve Fund Study and incorporates the minimum content necessary to produce a credible result that is not misleading.
- 14.1.3 The higher standard of practice shall apply, whether it be the applicable legislated requirements governing the preparation of Reserve Fund Studies/Depreciation Reports or CUSPAP.

14.2 Rules

When completing a Reserve Planning Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

- 14.2.1 identify the characteristics of the property; [see 9.2]
- 14.2.2 identify the legislation that applies to the Assignment; [see 15.1.1]
- 14.2.3 describe and analyze all relevant data to complete the Reserve Fund Study; [see 9.6]
- 14.2.4 define and delineate the pertinent components the Reserve Fund Study is to cover; [see 15.2]
- 14.2.5 provide a benchmark analysis; [see 15.2.1.i]
- 14.2.6 provide at least one cash flow projection; [see 15.2.1.ii]
- 14.2.7 provide an opinion on the adequacy of reserve fund contributions; [see 15.2.1.iii]
- 14.2.8 provide at least one reserve fund funding model; [see 15.2.1.iv]
- 14.2.9 detail the reasoning that supports the analyses, opinions, and conclusions; [see 9.8]
- 14.2.10 report the final conclusions/recommendations; [see 15.3] and
- 14.2.11 identify whether the Report is an update (if applicable). [see 7.7.5]

15 RESERVE PLANNING STANDARD – COMMENTS

15.1 Preamble

- 15.1.1 Legislation that applies to Reserve Fund Studies exists in a number of provinces. The Member is required to be familiar with and comply with the requirements of applicable legislation for such studies, including the qualification criteria set out in such legislation. The higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of Reserve Fund Studies/Depreciation Reports or CUSPAP.
- 15.1.2 The output of a Reserve Fund Study is not a “value”; it is primarily a cash flow forecast and budget planning tool.
- 15.1.3 The investment analysis of a Reserve Fund Study must be conveyed in such a manner so as not to be construed as the Member providing “investment advice”.

15.2 Components of the Reserve Fund Study [see 14.2.4]

- 15.2.1 Benchmark analysis, cash flow projections, an analysis of the adequacy of the reserve fund contributions and preparing a reserve fund funding model are compulsory components of a reserve fund planning Assignment.
 - 15.2.1.i. A benchmark analysis usually contains summary information about the age and expected life of a component and an estimate of the amount that should be set aside in order to accumulate the appropriate amount at the time that major repair or replacement of the component will be required.
 - 15.2.1.ii. Cash flow projections must cover a minimum 25 years, unless legislated otherwise,
 - 15.2.1.iii. The contingency reserve and the recommended annual contributions are inter-related and must be discussed in terms of their adequacy, as well as the recommended actions required to achieve the recommended level of funding.
 - 15.2.1.iv. In preparing a reserve fund funding model, the Report must clearly state the objectives under which it is prepared. Options include: fully funded models, special levies, financing, legislated requirements, or other options to make up shortfalls between the existing fund balance and what is considered to be prudent and/or legislated.

15.3 Review, Reconciliation and Final Conclusions/Recommendations [see 14.2.9, 14.2.10]

- 15.3.1 The Report must discuss the quality and quantity of data available and analyzed, along with the applicability and reliability of the data in context of the scope of the Assignment.