



Association of Professional Reserve Analysts

The ADVISOR

September 2018

2019 Symposium



Planning for the 2019 Symposium is already underway! Over the summer, the membership voted for **Tuscon, AZ** for the location of next year's Symposium. We are excited to be convening in the warm and sunny Southwest for some valuable professional development and networking!

APRA Board members Rob Forney and Rich Thompson will make up the Symposium Committee, and will be responsible for designing the program. Do you have any ideas or feedback for the next Symposium? Please send suggestions to APRA@teamwi.com.

Keep an eye out for the Save-the-Date. Registration for the event will start after the 1st of the year.

We hope that you are able to join us!

News Updates

Welcome!

The organization would like to extend a warm welcome to the following new Professional Reserve Analysts:

- Timothy Little, Noblin & Associates
- Peter Czepiel, Noblin & Associates

Featured PRA Member



Theodore (Ted) Salgado
Reserve Advisors, Inc.
APRA Past President

We recently asked Ted Salgado to provide an overview of his career as it relates to being a reserve study professional. Ted decided to use an anonymous writer to help with the task. The writer asked “why don’t you just write it yourself?” He said “it’s really difficult to talk about yourself in a way that just doesn’t sound like self-aggrandizing.” So I decided to help him out and asked him what would be the point of the whole narrative. “Perhaps it is easier to understand a person through the lens of others,” he said. So let’s get started and we trust that this short read will help provide a basis for elevating our service to community associations in your daily practice.

Ted was born number 6 of 7 with parents, a grandmother and usually a couple of dogs, in a home with one bathroom for many of those years. In essence, “I was someone of modest means.” He told me “a kid doesn’t know if he’s poor or rich especially since there was always food on our table with loving parents and a grandma around.” Ted got into a number of scrapes in those formative years including getting hit by a car twice while riding bike and sustaining a hundred stitches from a tobogganing accident when he was 12 but there were never any broken bones. “I think this helped me understand the importance of keeping an eye on where *I thought I was going.*” I sensed from our overall discussion that Ted was sort of an impatient type of guy, i.e., getting problems wrong on tests in school as he rushed through quizzes or exams. “These kind of ‘qualities’ are picked up from your parents” he’d say while “all the good traits were of course natural.”

Schooled as an architectural engineer, he attained his BS in 1976 from the Milwaukee School of Engineering and has been a “hometown boy” of sorts living just blocks from the university, a few blocks more from work, and really turned into a city boy over the last 30 years after having spent his early adult years in the Kettle Moraine lake country area of Southeastern Wisconsin. He and his wife Marie have a passion of supporting private education at all levels, including a seminary and MSOE, his alma mater. The company has 4 operating regions, more than half-dozen offices and fifty employees.

In talking with Ted, he placed a great deal of value on preparation for the day, the moment or challenge but views experience as one of those things that prepares you for your next day, your next client, your next job, and challenges we face in our personal and professional lives - things you never thought would happen along the way. I should mention he discussed the Boy Scouts and just how formative those years were even though he wasn't an Eagle Scout. Ted's first career after college was as an industrial appraiser "thinking it was a quick way to see hundreds of diverse properties and businesses, big ones like US Steel, General Electric, Burger King, and tons of travel." "The first year I was away from home about half of the calendar year," he said. Travel would take him to South America and Central America for weeks at a time but generally most of the assignments were of a week or two in duration. One important appraisal assignment was for General Electric at their Schenectady, NY facility. The appraisal which numbered hundreds of pages after numerous drafts over several months work involved a team of appraisers. It was through this experience, and the many smaller or equally large appraisal experiences, along with mentors who added to his experience. "I had to stay focused on what I was inspecting, looking at and writing about because you just couldn't go back and take a second look," he said, "and that's an important lesson for reserve specialists to have enough acuity on your inspections of properties so that you capture everything concerning the condition of the property." Many reserve specialists have seen Reserve Advisors reports and understand that one of the things that distinguishes those reports from others is their narrative format which describes in simple English for the layperson their community association's common elements. "It was writing those appraisal reports that taught me so much about the value of describing property conditions. Mind you, I had no idea that I was going to be starting a business in 1991 to do reserve studies. I just wanted to do my best at appraisals."

"Well how did this second career in reserve studies all get started," I asked. His employer, American Appraisal, asked his future partner John Poehlmann and him to develop a marketing strategy and service which they'd heard about, called a reserve study. Similar in many respects to an appraisal, Ted worked from an early one-off reserve study done by American Appraisal to create a unique presentation which combined the tables and charts common to standardized reserve studies of the past and today with a detailed narrative description of the common elements and replacement best practices. But after two years of development in both marketing and selling reserve studies, American Appraisal pulled the plug on this boutique niche service. John quickly suggested they "go into business" doing reserve studies. "The wives, I think, thought we were a bit crazy," Ted said, but "after a weeks of prayer, thought and hope, we tendered our resignations." John handled sales and marketing while Ted hit the road. Ted made a point of saying just how devoted his wife Marie was and is, committing her 401k to the venture in 1991. Even so, they didn't take any pay for more than 6 months, thereby reinvesting all revenues back into growing the business. "She found our first office space with a few months of free rent, and although we never employed her, Marie has frequented many tradeshow and APRA symposium socials. She a favorite and clients actually prefer to chat with her rather than one of the principals at tradeshow! Go figure."

I asked Ted "Why did you make the cottage industry of reserve studies a second career?" and he said "Stewardship! My whole life has been about helping others be good stewards of property. Don't get me wrong, it's not that I'm some kind of hero because in every case the people have come to us and said they wanted to budget the right amount in reserves. They're the heroes. The property managers which are not generally paid a lot by any standard have a unique devotion to their Community Association clients. Being part of that effort to help "Community Association Leader Volunteers" do good for their members is very, very rewarding. At first, we couldn't get to the property managers. Rather, my first client, Jack Cuff in Jupiter Florida, hired us sight unseen. Jack was a passionate board member who was typical of many good association stewards (board members) who wanted to do their best to budget appropriate reserves to replace the common elements. They (board members) ended up taking our reserve studies to the board meetings and

showing it to the managers. From this we gained a lot of referral business which is still the case today.”

“What about now” I asked, “are you still doing reserve studies?” “Most of my time is invested in strategic thinking, overseeing product development, and supervising the reserve study work effort of a highly talented team of 35 engineers and 15+ back-office professionals.” What about those employees? “Our people blow me away. I mean, it’s humbling. Their dedication to community associations mirrors that of the property managers and board members. Most of our employees are Millennials or Gen-Xers, fulltime, who tend towards being part of something bigger, making a difference, and having a sense of community. Those gals and guys are warriors for the common good of community association living. “It’s humbling to be blessed with employees who believe in this thing we call a “reserve study.” Managers, board members and employees taught me about the value of others who strongly believe in “service to others” with heart and soul. You can’t curb their enthusiasm! More than one spouse has related the story of how they comment on the condition of a restaurant when dining out, as just one example.”

Wrapping this up, Ted gave a shout out to current and past APRA board members who’ve devoted themselves to elevating the practice of reserve studies. Other Co-Founders of APRA and current leadership, he mentioned, wax on at most APRA symposium dinners or cocktail socials to test their spouses’ patience in weighty subjects such as “percent funded” and definitions involving “useful lives” “cash flows” and the “component method funding” to name a few. Our collective passion is to elevate community association living through our experience, knowledge, high standards of care, and professionalism. “We’re all in this thing together and it continues to be a rewarding experience.”

Ted Salgado and his wife Marie reside in Milwaukee, Wisconsin, near Lake Michigan, one of the largest bodies of freshwater on the planet. They’ve lived in Wisconsin their whole life, have 13 grandchildren and 6 grown children, and have lived in community associations nearly 30 years.

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Want to be a Featured PRA Member? Contact APRA Headquarters at apra@teamwi.com

Questions? Comments?

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Growing Reserves

By Richard Thompson of Regensis Reserves

In recent years, the importance of accumulating reserves has dawned on many HOA Boards and Managers. Proper reserve planning drives an HOA's ability to adequately care for the assets by having both the funds and a maintenance schedule to follow. A well executed reserve study calls for a funding plan that systematically grows reserves to address future repairs and replacements without the need for special assessments.

As a rule of thumb, the average garden variety condominium should have around \$3000-6000 per unit in reserves, depending on amenities. There are many HOAs that should have much more than that because of deferred maintenance or extensive common elements. Even the most modest properties should have tens of thousands of dollars socked away in reserves. Larger, more complex properties should accumulate reserves in the *millions*. To truly know what level of reserves applies, a reserve study must be performed by an experienced and qualified reserve analyst. (See www.apra-usa.com for a list).

As reserve funds grow, it's extremely important that the board have an investment plan. Wisely investing reserves can reduce owner contributions by thousands of dollars over time. While your friendly banker always has some investment options available, the board should explore other options for higher yielding instruments. (See www.bankrate.com for options in your location.)

Because of fiduciary concerns, the board should usually only invest in guaranteed and insured investments unless the membership votes to be more aggressive. In either case, there should be a clear and written investment policy for the board to follow.

A word about depositor insurance. FDIC Insurance is limited to \$250,000 per bank. But some banks catering to homeowner association business have additional private depositor insurance that protects a much larger amount of HOA funds. While this addresses the depositor insurance question, the board still needs to consider whether the bank offers the best rates.

One of the greatest pitfalls of reserve fund investment is losing track of yield because it's out of sight, out of mind. Interest yields ebb and flow. Currently, savings and money market rates have fallen to historic lows. But that will change at some point so having a reliable investment tracking system is important to ensure that the return on reserves stays as high as possible without risking principal. There are free online investment portfolio trackers available at www.morningstar.com for those that like to self manage. Or, your HOA has been blessed with substantial reserves, hiring a financial advisor to track investments and advise the board makes huge sense.

If your reserve fund and investment plan have been out of sight, it time to expose them to the light. Growing reserves mean good stewardship and is one of the board's highest callings.

Interested in contributing an article to be featured in the APRA E-Newsletter? [Please fill out this form](#)

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