

WHICH COMPONENTS ARE (AND AREN'T) INCLUDED?

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It is as important for our clients to have an accurate expectation of which components they will see in the Reserve Study as it is to expect which components they should not expect to see. The Reserve Component List is designed to help the association prepare for the predictable significant expenses facing the association. Components that are well-intended but inappropriate can skew the results of the Reserve Study and distract from its purpose to provide wise budget guidance.

“Typical” components meeting the national-standard four-part test (common area maintenance responsibility, limited Useful Life, predictable Remaining Useful Life, and Replacement Cost above a minimum threshold of significance) include roofing, painting, roadway, recreational assets, mechanical components, etc. These component projects (and others like them) satisfy the above four-part test. These projects may take the form of total replacement, partial replacement, significant repair projects, or regularly anticipated common area expenses. Note that a project need not always be cyclical (repeatable). Some Reserve projects are “one-time-only” projects that change the design or material of a component in order to minimize or even eliminate maintenance or replacement expenses for the component.

Some significant common area assets that are not typically included in a Reserve Study are electrical wiring, telephone wiring, and plumbing. These are generally not included since their Useful Life limit is not well defined and their Remaining Useful Life is similarly difficult to establish. The exception is when a deterioration pattern can be established (after observing years of growing repair expenses, perhaps). Some other significant potential expenses that are not typically included in the Reserve Component List are insurance deductibles (fire, flood, earthquake, etc.), this time failing the four-part test due to uncertainty of the timing or magnitude of the expense.

Some projects such as tree trimming or painting may be Reserve projects at one association but Operational maintenance projects at another, depending on how they are handled. This decision depends on the timing of the project (if done little by little on an ongoing basis or “all at once” every few years).

The bottom line is that there is no one master list of Reserve Components. There is a “usually included” list, a “not usually included” list, and a “could go either way” list.