

PENNY WISE AND POUND FOOLISH

by Johannes Koerm
Project Manager
Association Reserves, Inc.

August 2013

www.reservestudy.com

Clients often ask, “When is the appropriate time to replace a reserve component?” A few weeks ago, I had the privilege of working with an Association client with this exact dilemma. Our analysis and research had told us that the Association's tile roof was due for a full underlayment replacement. The Boardmember's response was that the roof can wait since they have only experienced minor leaks up until this point. Could they not stretch the remaining useful life of the roof out and wait to see what happens? After all, it was summer and the Southern California rainy season was over. This was an interesting argument, but in order to fully answer and gain insight into this concept, let us look for a moment at another topic.



If you are driving your car and notice that the gas tank level is beginning to get low, when should you fill up the car with gas? Should you refill when there is a quarter of the tank left, when the fuel light comes on, or when the car runs out of gas? Although you certainly could choose to push the limits of the gas tank and end up empty in the middle of the freeway, this would not only be impractical, but would increase your costs. Instead of simply filling up the car, now you will have to contend with towing it to a local gas station, paying for the tow and potentially any additional damage that running out of fuel may have caused your vehicle. This does not begin to consider the time and energy you have wasted in this process. What exactly did you gain in this scenario?

Now, let us get back to the situation of the tile roof. Most roofing vendors will tell you that the underlayment beneath the tile will need to be replaced approximately every 20-30 years depending on maintenance, location, and exposure to elements. This is necessary to ensure that the roof is watertight and that leaks will not occur. If an Association's roof is at the 25-30 year mark, should you go ahead and replace the underlayment? Chances are that at that age, the Association will have experienced some minor leaks which required repairs. If no repair work was done, they will eventually have major leaks and water intrusion into units which will only cause further damage to the buildings.

Often times roofs that are stretched beyond their normal useful lives, will have a negative impact on the wood boards beneath them. Warping, rotting and significant deterioration can occur, which will add to your repair costs. Now a roof replacement which the Association was trying to put off because it cost \$200,000, may end up costing the association 50% more, because preventative steps were not taken in the early stages of roof deterioration. This is a classic case of being “penny wise and pound foolish.”

It is important to consult your Reserve Study and your roofing vendor to gain insight into the condition of your roof. If the roof is nearing the end of its useful life and your roofing vendor recommends a replacement is in order, take heed of the advice. You can work with your roofing vendor to devise a strategy that will accomplish the goal of replacing your roof with an emphasis on practicality and cost efficiency. Pushing large scale projects like this one onto the back burner will only increase the scope and cost of the eventual project. In the end, it is really a simple decision. Delaying a project as important as a roof is not worth the risk, headache and added expense.