

RESERVE PLANNING: PRACTICAL APPLICATION (PART 3 OF 6)



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Because association boards are run by volunteers with typically high turnover, fundamental education will always be at the heart of their success. Within my 2014 newsletters to you, I will address typical misconceptions and objections with reserve planning, and arm you with insight and strategy using information commonly found in your reserve study deliverables.

In our [April newsletter](#) we looked at the significance of inflation on your reserve plan and the balance between providing you a one-year budget recommendation against 30 years of maintenance, repair & replacement expenses. See also [Effects of interest & inflation](#) article on our web site.

This month we will address the common question of why some common area components are included in your reserve study, and some are not. Washington condominium law RCW 64.34.382(2)(a) "A reserve study must include: A reserve component list, including roofing, painting, paving, decks, siding, plumbing, windows and any other reserve component that would cost more than one percent of the annual budget for major maintenance, repair, or replacement. If one of these reserve components is not included in the reserve study, the study should provide commentary explaining the basis for its exclusion..." *This means as a Reserve Study provider, we are to apply our judgment to whether or not the components meet the criteria for reserve funding.* The criteria underlying our judgment can be found within CAI's [National Reserve Study Standards](#). Every report we issue graphically illustrates the national standard 4-part test.

Those seven key components above are mentioned specifically for condominiums because they are key financial drivers of the reserve plan – get to know their needs and the best repair/replacement approaches well in advance so you are ready. In an HOA, the statutes guide toward any component that costs more than one percent of the annual operating budget without specificity. For HOA's (if present), key financial drivers in the reserve plan are often: private roadway, clubhouse assets, parks, fencing and private infrastructure such as water and sewage systems.