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Breaking Down... Reserve Expenses!

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www.ReserveStudy.com

Miss the webinar? Watch it [here](#).

The projected expenses drive your Reserve Study – how big they are, and when they are expected to occur. That’s fundamentally the purpose of Reserves – to set aside the right amount of cash on a smooth, ongoing basis so your association is financially prepared when it is time to get those projects done. So, you’re rightfully curious – who and what defines those expenses? How are they established, and by what authority? What’s typical, and how do you walk that fine line between having enough components that you’re preparing effectively, yet without throwing in the kitchen sink with so many upcoming projects that the monthly assessments become unreasonably large?

That’s the purpose of this webinar – to draw back the curtain and show the authorities that drive the process (Governing Documents, State Law, and National Reserve Study Standards). With the “big picture” set, we then dive into gathering the information. No... the costs and life expectancies are not from a secret website! Your Project Manager is busy with old fashioned hard work – researching and networking. We start with your most recent projects – what was done, when, where, by whom, why, and for what cost? Diving into that information, we then begin to reference our “experience base” with local service providers and looking at costs for similar projects accomplished recently by other associations in your area.

The fun part of the webinar for me was walking the audience through three actual component lists... talking through some of the big issues: long life projects, annual projects, limited common areas, phased projects, infrastructure inspections, landscape projects, and the like. Each property is different, and the creativity of your Reserve Study Project Manager is revealed here... how well they do applying National Reserve Study Standards to your particular association, with it’s particular definition of common areas and its history of Reserve projects and preventive maintenance projects.

The last section of the webinar addresses normal changes to the Component List of expenses, answering the big “why”? The answer is because the costs are constantly changing (inflation!), the conditions are constantly changing (wear and age), and priorities of the board tend to shift over time (when projects appear to be deteriorating faster than expected or slower than expected). Every year, those estimates for project costs, Useful Life, and Remaining Useful Life change enough that your Reserve Study will be different. And if the expenses are different, your Funding Plan should be different. So every year you should consider updating your Reserve Study, to keep your Funding Plan “on track” to providing the funds you’ll need when those projects come due!

Summary

Every property is physically different, every property has been cared for differently, and the Reserve Funding choices every board makes has a different affect on property values. Ignoring upcoming, inevitable projects is the biggest mistake you can make. Reserve expenses are going to happen, Pretending that these future expenses aren’t going to happen is foolishness. They will happen, generally on schedule, and they will be expensive. So embrace the reality of your Reserve expenses, and plan for them (that’s our next webinar – “Breaking Down... Reserve Funding”).

Put an expert on your side with Association Reserves, giving you the information you need to make the wise decisions that guide you and your association toward an improved future! We can help by preparing your Reserve Study update, adjusting all estimates for project costs and timing to current values. We’ve prepared over 70,000 Reserve Studies for clients in all 50 states over the last 30+ years! Launch a free online proposal request by clicking [here](#). Or click [here](#) to see our network of offices across the country (serving clients in all 50 states!).



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Webinar Questions Asked By Attendees

RESERVE COMPONENT QUESTIONS

Q: While researching another issue, I was reading the resolution that approved the building of our HOA. In that resolution, there was a statement that the gutter and sewer system was the HOA's responsibility. Since these items probably have an indefinite useful life, please confirm that they would not be eligible to be Reserve Component items. Is this just a gird your belt and eat it if damage occurs (Yes, I understand that it would take a major earthquake to do it, but it is Southern California.) Are there any precautions we can take? To provide some more information on my question, my HOA is 53 single family residences. The gutters and sewer are concrete and underground. This would be a very significant effort.

A: It's all a matter if the project passes the National Reserve Study Standards [four-part test](#).

Q: Should sprinkler heads and pipe be in the Reserves? Some 2700 heads 34 acres of grass/desert scape piping with some 1500 3"-6" valves and 15 controllers the only thing in the study.

A: It's all a matter if the project passes the National Reserve Study Standards [four-part test](#).

Q: Plumbing has never been included in our reserve studies for some reason. We are a 40 year old condo with cast iron pipes, both common and internal to units, that are periodically failing. Why isn't plumbing included in our reserve study? How might we get a plumbing study done as an addendum to our reserve study?

A: If the timing and cost can be ascertained, it can pass the National Reserve Study Standards [four-part test](#) and should appear in your Reserve Study.

Q: Do you recommend PM be in the reserve component list?

A: It's all a matter if the PM project passes the National Reserve Study Standards [four-part test](#).

Q: Our HOA has responsibility for the water and sewer lines within the complex. I understand they are PVC. From my research, PVC last for about 80 to 100 years. We are about 30 years in. Is it too soon to put those on the reserve list?

A: When the life and cost become predictable (based on research with your plumber, repair cost histories, or lessons learned from adjacent properties), then it can pass the National Reserve Study Standards [four-part test](#) and be funded through Reserves.

Q: Our HOA put in additional parking spaces with approval of a majority of owners. Some of the spaces, in order to be put in, needed to have a retaining wall put in in order to have those spaces. Are either or both of these new components that should be part of reserves?

A: Asphalt likely (include with the other asphalt, or as a separate “phase”), and the retaining wall is a matter of if it passes the National Reserve Study Standards [four-part test](#).

Q: Our new reserve study includes infrastructure inspections. How does that meet the component criteria of predictable life?

A: Common area (check). Life limited (meaning it needs to happen regularly over the years – check). Predictable remaining useful life (yes, you can see it approaching as the time passes since the last inspection – check), and above a material cost to the association (likely, as most of the infrastructure inspections I’ve seen done are tens of thousands of dollars, so check).

Q: How should common area and/or limited common area landscaping get considered, reserve vs maintenance? Like Tree or shrub removals or tree replacements/additions, not just mowings and spring and fall landscape clean-up.

A: It’s all a matter if the projects pass the National Reserve Study Standards [four-part test](#).

Q: Our HOA has replacing garage doors in our component list, at a rate of 2 per year. It doesn’t sound like these should be considered “components.” Shouldn’t the reserve study professional have rejected having this as a reserve component, or could they at their next on-site visit (which is this year), or do they accept whatever the client tells them?

A: It’s all a matter if the project passes the National Reserve Study Standards [four-part test](#). The key is determining what the documents say – are they common area or not, and are they all in the same condition or are they in random condition. That will determine if they appear in the Reserve Study, and how the expense is modeled.

Q: What about adding a new unforeseen project like EV charging stations? Just fit into current reserve plan?

A: Reserve funds should never be used to add new assets (capital improvements). Reserve funds are for the repair and replacement of existing assets. See more [here](#) and [here](#).

Q: Are management oversight (construction coordinator) expenses for reserve projects something that comes out of the reserve account or operating account?

A: Reserves, because Reserve project projected expenses are to be all-inclusive (shipping, permits, installation, oversight, disposal, etc.).

Q: Big new expense now is wildfire mitigation efforts by HOA. How should those be treated versus, reserve expense or operating? Expensive cost and likely to be phased.

A: Commonly these are large expenditures, every few years. That means wildfire mitigation commonly passes the National Reserve Study Standards [four-part test](#).

Q: Is a reserve study cost a legit reserve expense?

A: Usually no, because the update rarely passes above the cost of “materiality” to the association.

Q: Should loans be repaid out of reserves or from the operating budget?

A: Generally, loan repayment is funded from Reserves. That’s where the money came in, so that’s the first choice for where it should go out from.

Q: The recent reserve study we had done does not list landscape renovation or refurb as a component. Yet I see landscape listed on a lot of other reserve studies. Can we still pay for landscape refurbishment out of our reserves?

A: The higher authority is National Reserve Study Standards. Please discuss with your Reserve Study provider. You should both be “on the same page”.

Q: Did I understand that tree pruning can be included in a Reserve Study?

A: Yes, if it passes the National Reserve Study Standards [four-part test](#)

Q: Would adding a new component like roof anchors be a reserve expense?

A: No, because Reserves are for existing assets, and something “to be installed” doesn’t yet exist. Reserves were not collected for that purpose. They were collected to offset the ongoing deterioration of existing assets.

Q: Should buildings be on the reserves study or just painting, flooring, etc.?

A: I don’t believe I’ve ever see a building replacement qualify for funding through the National Reserve Study Standards [four-part test](#). So focus on projects – painting, flooring, remodeling, re-roofing, etc.

Q: In 2022 we put in an element in our study to review our plumbing, which we haven't done yet. Just this past month we had a problem with a sewer line that services one of our buildings. We didn't have an outside clean-out for the main sewer line, just for the individual units. So the plumber installed one. Since the cost of this clean-out and the unclogging is at least 15% of our budget. Can we use Reserve funds to pay for this?

A: Please discuss with your Reserve Study professional to determine your best path forward. It sounds like you need to figure out a way to pay both for the “review” (yet to be done), and a current large expense, some of which is a capital improvement. Not a simple question.

Q: We currently have an area in the clubhouse that is a prep kitchen with limited cooking equipment. We want to rehab the space to include additional cooking equipment. We have a small dollar rehab component in the study for this space. To what extent can we use the reserve fund to pay for the new equipment?

A: Commonly assets are “brought current” when periodic renovations. Please discuss with your Reserve Study professional – considering an increase to your “small dollar” rehab to a larger cost rehab that would benefit the association.

Q: Our Association is in the middle of a roofing project, and we don't have enough cash currently to paint the buildings. We had a complete paint job in 2008. Can we use reserve funds to do some extensive touch up painting, stucco repair and paint trim?

A: Sorry to hear you are in a cash flow jam. If don't have enough cash to do the paint job right, it may make sense to not do all that band-aid work, because you'll still need a new paint job. It might be time for a special assessment. This is why you need to plan ahead, and even allow some margin for projects that don't occur exactly as planned.

Q: Can projects identified with infrastructure inspections be included in the reserve study?

A: Generally, yes. Expect National Reserve Study Standards to be updated in 2023 making this “yes” answer more clear.

Q: What about a large, unexpected structural problem with a building? Can the expense of the needed repair come from the Reserves?

A: See above. Check with your Reserve Study provider to manage the cash flow on this (likely large) expense. If you spend the cash on an infrastructure repair, you'll need to make up that cash with higher Reserve funding over the next few years.

Q: What happens when an expensive item needs to be replaced prior to the UL and theoretically there are insufficient funds for the item available since it will need to be replaced ahead of time? Will the update of the reserve study be adjusted to the new cost and UL? There is no "catch-up" to recover the funds missing from what I know, so the missing funds will have to be taken from other items?

A: That's only an issue with the Straight Line Method of calculating Reserve funding needs. In the Cash Flow Method, there is the assumption that some projects will happen early (or late), and some projects will happen under budget (or over budget). See your Reserve Study provider to manage the cash flow for this project, and to ensure that you have enough cash to get all your other projects accomplished in a timely manner.

Q: Our association has wood fences that are due for replacement. We're considering replacing them with wrought iron fences. Is part of the reserve study professional's purview to help HOA boards with supplying the financial and maintenance aspects of these types of decisions?

A: Yes, discuss this type of question with your Reserve Study professional. They can help to clarify the short term and long term implications of such a change.

Q: Recently, I was told by a reserve study professional that if we put in a wrought iron fence that it would only need touch-up from time to time. However, in your U-Plan-It overview, it sounded like a metal fence needs to be painted. Can both be true?

A: That sounds like you've been given a great sales pitch! Unfortunately, expect that iron-based metal (not aluminum, which is different) will need to be regularly painted. Budget for it in Reserves.

Q1: How do you handle adding "new items" such as a pool to a community that did not have a pool. 1) Can the HOA Board do this without membership approval? 2) Can funds be used from the current reserves to build, or must new funds be raised first?

Q2: Can capital expenditures for a new common area amenity be taken from Reserves? Once a new common area amenity is added how is it incorporated into the reserve study?

A: Reserves are for the repair and replacement of existing assets. That is the first part of the National Reserve Study Standards [four-part test](#). So, fund the creation of a new asset using special assessment or surplus Operating Funds. The roof will still need to be replaced, so don't blow all those funds on a new pool. Consult with your Reserve Study professional to see if your Reserve Fund can be used for short term cash flow purposes... but never tap them for a capital improvement without a documented plan to restore those needed funds. Once the asset is installed/created, add it to the Reserve Study in the next update so funding can be in place for its upcoming repair or replacement.

Q1: Can we reassess the life of an item if at 1 year life left it looks very good and has more life left?

Q2: Can you adjust the UL once an item reaches 0 years when the item is in great shape (lets say a BBQ) and estimate that you could get another 2 years out of the item? What happens with the funding when a UL is adjusted?

A: Absolutely. That's one of the many purposes of a Reserve Study update. Funding is adjusted based on the timing and magnitude of all projected component costs.

Q: How should we handle large but not predictable expenses? Our elevator is working well but could cost a lot if it needs major repair. No, clear RUL.

A: I disagree. Elevators have a very predictable life expectancy. The telltales are age and frequency of repairs. Plan for it, and get it done at your convenience, not when it breaks down when you're not prepared with all the parts on hand and the skilled labor ready to get it done. Parts and labor take planning, so schedule it to avoid a major disruption at your association (all because you tried to squeeze 26 years out of a 25-yr component).

Q: Condo association in Florida - How do we manage insurance hurricane deductibles which are high and might not ever be needed?

A: Special assessments. That's the funding tool for "surprise" expenses.

Q: Do we need to break down listing of expenses and reserves by "structural" and other as being defined in Florida?

A: The law in FL is still a bit murky, as legislators continue to iron out problems with 2022's SB 4-D. So make sure all your Reserve components are identified, and later we can figure out if they need to appear in their own separate subset.

Q: Any suggestions on planning for unknown reserve expenses? We didn't see it coming but otherwise it fits with reserve definition.

A: Surprises are part of life. Our recommendation is to build some margin in your Reserve plan, to help absorb those additional Reserve projects that tend to appear (often at the most in-opportune times).

Q: It was determined that our buildings that are 40 years old need to be regraded and landscaping replaced as a result - wondering if this will come up in our reserve study update you are doing if this expense wasn't in our study previously.

A: Please discuss with your Reserve Study professional, to make sure they are aware of this project, and the issues causing this project.

Q: Are you aware of Boards removing major items from a Reserve Study? That is, a past Board evaluated the cladding and windows, decided not to replace them, and had them removed from the Reserve Study. Can they do that? It would appear that happened in a past Reserve Study before I was on the Board.

A: Boards don't remove items from our Reserve Studies, and no credentialed Reserve Study professional should remove items simply by board request! Unless there is a mistake or misunderstanding, it is best to rely on the Component List prepared by a credentialed Reserve Study professional.

Q: Can you mix reserves with Common property and association property?

A: Sorry... I don't understand the difference between "common property" and "association property". Email me directly at RNordlund@ReserveStudy.com.

Q: Costs for labor and materials are specific to specific locations. Local subcontractors and material suppliers are the most reliable sources for local current costs. Do you use them as a source for costs or do you only use "national cost estimating guidebooks"?

A: As explained in our webinar, we use local pricing obtained from local providers of services to our community association clients. Feel free to ask how your Reserve Study provider does it.

Q: Our California high-rise tower wants to remodel the lobby. We have \$150K as replacement cost and funded in reserves. The HOA Board wants to spend \$650K and use existing reserves funds. Can they do this? Homeowners are concerned funds are being taken from other critical building components, like cooling towers and elevators.

A: Check with your Reserve Study professional, to learn the implications of such an expanded cost (its effect, as you suggest, on the availability of funds for other projects). If you do go ahead, please invite me to see your new lobby when it's done. I hope it is stunning (and boosts property values of homes in the association by more than its cost, not just an interior design "stylistic statement")!

Q: Our historical information for components from our previous reserve study is missing in our current study. Is this important?

A: We capture that important information (in our property/job notes) and use it as we develop the Reserve Study, but it is not part of our report presentation. That is a stylistic/content consideration, one of many choices made by your Reserve Study provider.

Q: Who should manage Reserve Component data (additions, changes) in between Reserve Studies? (In our HOA it has been the Treasurer and Finance Committee; but I think it should be our 5-Year Plan Committee, which oversees big reserve projects, larger than usual operating projects.)

A: It is not critical whether it is one or the other, and I'm not sure if one is better than the other. It actually sounds like at your association the two (Treasurer and Finance Committee and 5-yr Plan Committee) should work together.

Q: If components with life expectancy over 30 years are not included, how do you suggest we save for when those projects will inevitably be due?

A: Begin funding for those upcoming projects as soon as the timing and cost becomes "reasonably predictable".

Q: Limited common area? I've never heard that term before. Is this the same as exclusive use common area? California has a new requirement for balcony inspection and repair. Who is responsible for that? Owner or HOA?

A: Perhaps those are regionally-used terms. Both have similar meanings... common area where the use is limited to (or exclusively used by) one homeowner. Check with your attorney regarding repair, replacement, and maintenance requirements for balconies at your association.

Q: If you have a component that needs attention every year, why would you put it in the reserve? Wouldn't it be in the operating budget? You showed a component of window sealing each year for \$30,000 - why would it not be in the operating budget?

A: No hard and fast rules here. Just stylistic. Reserves are projects typically done once a year or less often (every other year, every third year, etc.). If one check is written (to trim the trees, for instance), then it could be argued that it fits better into an annual budget (Reserves) than a monthly budget (Operating). In an annual budget (Reserves), the \$30k cost is one check, and it is done within the year. If paid for from Operating... in the months preceding the expense it will look like the project is way under budget, then as soon as the expense occurs that line item will look like it is way over budget. The only months the line item will look "in balance" is the first month and the last month. That takes a lot of mental gymnastics. So maybe an annual expense fits better into an annual budget framework (Reserves).

Q: What if an HOA Board doesn't agree with an estimate of cost, or the useful life given?

A: Then they disagree. They can check with the Reserve Study professional to confirm the estimates, making sure there was not a typographical error. If the professional's opinion on the matter continues to differ, then you've learned the professional's experience is different than yours. Association Reserves clients have access to a free online calculator (uPlanIt) where clients can test to see what the funding would look like if they make changes to the Reserve Study. Remember that a board member's job

is to seek the wise counsel of professionals. They are not expected to do it themselves. They incur liability when they ignore the wise counsel of the subject matter experts in their employ.

Q: Examples of projects that would qualify as capital improvement for the purpose of establishing the cost basis of an individual condo?

A: While a capital improvement is the addition of an asset to the association that previously did not exist, I do not understand the rest of your question. Please feel free to email me at RNordlund@ReserveStudy.com. A Reserve Study provider is neither a Real Estate appraiser, or an insurance appraiser. We are budget and cash flow consultants.

RESERVE FUNDING QUESTIONS

Q: What percentage are you recommending this year as an inflation rate?

A: 3%. That has been the stable (and healthy) multi-decade experience in our country, and both the US Treasury and the Federal Reserve are currently hard at work restoring higher inflation down to this historically lower, stable level. Remember, a Reserve Study is a document that looks 30 years forward.

Q: I understand Operating funds should not co-mingle with Reserve funds. Should they be in distinctly separate accounts? Should each reserve have its own separate bank sub-accounts? Or is it ok for us to have a single bank account for all reserves, that is lumping the different reserves (per components list) together?

A: Operating and Reserves should be in distinctly separate accounts. One account for all Reserves is sufficient (unless your Reserve balance exceeds \$250k – the FDIC insurance limit). Then you'll want to spread your Reserve funds across multiple institutions. In that case, it is best to enlist the assistance of a community association investment expert, as we outlined in our "Investments and Inflation" webinar that you can read about or watch [here](#).

Q: Can operations funds be conveniently deposited into the Reserve account called "unassigned Reserve account" because it can earn better interest than in the Operating Account?

A: Better to create a separate Operating "savings" account into which you temporarily deposit funds. You should never co-mingle Operating and Reserves.

Q: If an HOA budgets/collects money for specific purpose in the reserve account (e.g. fence painting) is it obligated by law or otherwise to spend the money at some point on that item?

A: No. In FL, where Reserve funding obligations are still computed using the outdated “Component” methodology, funds temporarily associated with one component or another are commonly re-allocated (re-distributed) among the various Reserve components at the end of the year when the Reserve Study is updated.

Q: If the current cost for a component is \$10,000 but it has a RUL of 5 years, is the \$10,000 the price today or the price 5 years from now?

A: Current cost is current cost. If the current cost is \$10,000, then in 5 years, with inflation, the cost will be higher.

Q: Yesterday's webinar said can't include inflation in the current project costs (Florida). That being the case, how can the current percent of funding be accurate, because at 3% inflation per year, the current cost reflected in a study will double every 24 years.

A: I'm sorry, I did not attend the webinar you are mentioning. I do know that FL currently has some state-specific requirements that are unfriendly and unwieldy to associations and those who prepare their Reserve Studies. We like to help our clients prepare for the future, but we're not going to break the law doing it.

Q: We need fence replacements & sprinkler replacements. We simply don't have the funds to cover both those projects. Do you suggest bringing our reserve account down to zero & then a special assessment for the remaining costs? We haven't increased HOA dues in about 8 yrs.

A: You stated the problem. Inflation is real, and you need to increase your HOA dues every year to keep up with inflation. Because you haven't collected the funds necessary to prepare for these predictable projects, you now need to “catch up” all at once with a special assessment. And yes, you also need to increase your HOA assessments to provide sufficient income to sustain your association to prevent this same situation again in the future.

Q: Our declarations refer to the capital reserve funding coming from Pro-rata Common Expenses, not Common Expenses- this seems like an error, as there are Equally Shared Common expenses that need to be funded by the capital reserve due to the amount: example, the clubhouse pool, the irrigation system, etc. Comments?

A: Please have your attorney discuss this with your Reserve Study professional.

Q: How is the Current Full Funding Reserve Balance determined?

A: For each component, the Fully Funded Balance (FFB) is the Current Cost, multiplied by the Effective Age, divided by the Useful Life. These individual calculations are summed for an association total. Please see the definition of Fully Funded Balance in CAI's National Reserve Study Standards [here](#).

Q: What is your advice for funding a very large unanticipated expense, for example, structural compromise of part of common area? Is a special assessment our only option?

A: It sounds like you are in store for a special assessment. You could potentially do some minor borrowing from Reserves to get the project started, but make sure you repay any Reserves borrowed for this project. Consult with your Reserve Study professional.

GENERAL RESERVE QUESTIONS

Q: At a recent webinar, the speaker said something to the effect that the reserve study was a tool to help HOAs with their budget. If so, please give an outline as to how we can do this.

A: One of the results of your Reserve Study is a recommendation on how much to fund your Reserves on an ongoing basis. It is best to use this figure in your budget for the upcoming year. That's a good example.

Q: What does an on-site visit look like (describe)?

A: Please see our recent "Breaking Down... the Reserve Study Process" to learn more about the site inspection portion of a Reserve Study (click [here](#)).

Q1: Are there preventative maintenance templates that condos find helpful, as a due diligence tool for testing their current plans?

Q2: Does the reserve study professional suggest how to best maintain our components?

A: While you may get some preventive maintenance recommendations from your Reserve Study professional, it is best to see that advice from someone specializing in preventive maintenance plans for community associations.

Q: Are you planning to do a webinar on developing Reserve Policy?

A: No. But you can see some sample Reserve policies on our website [here](#) and [here](#).

Q: If you had a professional reserve study done in 2022, how often should you get a new reserve study done?

A: A Reserve Study expires after one year. Best Practice in the community association industry is to update your Reserve Study on the basis of a diligent site inspection at least every third year, with inexpensive no-site-visits in the “in-between” years.

Q: Our state requirement is every 5 years. We update every year so that we keep the reserve budget in control and maintain the property and green scape. Comments?

A: Good for you. For important things in life, it is best to do more than the “minimum standard”.

Q: What is the general cost of having a reserve study completed, and what factors determine the cost?

A: A “Full” Reserve Study (the most expensive type, the type that most associations only need to do once), is commonly about 1% of the association’s annual budget. Its cost depends on the size of the association, type of association (townhome, HOA/PUD, high-rise, etc.), number and type of amenities, age, Fiscal Year End (the busy season for Reserve Study providers is June through November, serving the vast majority of associations with a December Fiscal Year End), and distance from one of our regional offices.

Q: Is there a template available that could help with creating a reserves expense budget?

A: Not really. That’s what a Reserve Study professional will do in the process of preparing your Reserve Study.

Q: What is deferred maintenance?

A: From the proposed 2023 updated version of CAI’s National Reserve Study Standards, Deferred Maintenance is “Maintenance which is not performed and leads to premature deterioration to the common areas due to lack of preventive maintenance. This results in a reduction in the remaining useful life of the reserve components and potential inadequate funding. Typically, Deferred Maintenance creates a need for Corrective Maintenance

Q: Doesn't the California elevated structure inspection (Civil Code 5551) go into effect in 2025?

A: No. It went into effect January 1, 2020. The deadline for compliance is Dec 31, 2024. In other words, you’re running out of time! See more [here](#) and [here](#).

Q: Florida has mandated structural integral Reserve Studies (Reserve Studies incorporating engineering or architectural studies) by 2025, and the elimination of homeowner waiver of Reserve Funding. How do we figure this all out?

A: I wish I had an easier answer. We're still trying to sort out this generally unworkable legislation. We're counting on "fix it" legislation in 2023 to provide more clarity on how to move forward. In the meantime, we're continuing to prepare "regular" Reserve Studies to our FL clients, and we are regularly in contact with FL Legislators, providing them with sample wording supporting condo safety. See more [here](#).

Q: What if the previous boards never followed several reserve studies? Our previous reserve study person refuses to work with us anymore due to past difficulties with those same board members. Of course, the funding was never incorporated for them either, especially roofing and the budget was continually marked down by a couple of them despite the recommendations.

A: That is unfortunate. Your best strategy is to delay no more... start responsible Reserve planning now (with perhaps a new Reserve Study professional who wasn't burned or offended by your prior board).

Q: We are a mutual benefit corporation, not a Common Interest Development. Are we still required to have a reserve study and set aside funds?

A: Regarding the legal requirement, please check with your attorney. Regarding the practical requirement... if you have common area assets, you'd better be budgeting to repair or replace those assets. Every association with significant common area assets requires regular Reserve planning.

Q: If maintenance was neglected for items on our Reserve Study (decisions made by prior boards), how does a new reserve study help?

A: A new Reserve Study identified the current condition of your common area assets and designs a plan to provide funds for the repair and replacement of those assets. It sounds like the repairs and replacements will be sooner rather than later, due to poor maintenance, but that is now water under the bridge.

Q: If we collect bids and a project is more expensive than anticipated in the Reserve Study, what do we do? How does this affect the reserve study and change the timing of things?

A: If your Reserve Study has not been recently updated, I expect you'll find many projects listed in the Reserve Study that due to recent inflation were estimated at lower costs than current "actual" costs. That's the value of updating regularly. Regardless, spend the money to care for your property, and update your Reserve Study with accurate current costs, so you'll be preparing responsibly for the next time around.

Q: In our latest reserve study, components were mentioned that our HOA had already addressed. Can a reserve study be updated after it's been completed?

A: Typically, a Reserve Study professional will update the Reserve Study during a narrow window of time after it was considered “complete”. Since all information in a Reserve Study is in a constant state of change, you need to expect to update it regularly (annually). After it’s been completed, review it, and ask for any inaccuracies (projects listed as needing to be done, that were actually done) to be corrected. If a few months have passed, plan to launch a new Reserve Study update project and capture all those changes in the next update.

Q: We've had two reserve studies done by Association Reserves in the past decade. The one done last year used different component numbers than previously and rearranged the components in very different categories. Why would Association Reserves not keep the same reporting format?

A: Please check with your Project Manager. There are a number of reasons why this would be the case. We are always trying to improve the way we communicate with our clients, and sometimes that means re-organizing the components.

Q: If your Declarations include the possibility of special assessments and if the membership prefers a special assessment rather than higher monthly assessments, is there anything wrong with such an approach?

A: Yes. First, your Governing Documents typically require the board to set the budget sufficient to meet the financial needs of the association. Second, special assessments are never “for sure” – they typically rely on owners voting to approve/pass the motion. Relying on a vote to pass is never a good way to prevent a leaky roof! Third – special assessments are inherently unfair and destabilizing. It’s always better to fund projects evenly, over time, so owners pay their fair share of deterioration over the time they are owners. Fourth – National Reserve Study Standards require us to prepare Funding Plans that spread the cost of deterioration evenly over the ownership base (and not rely on irregular special assessments).

UPLANIT QUESTIONS

Q: Is the software multiuser?

A: Yes. It is an online tool, so anyone with access credentials can utilize the tool.

Q: Is Uplanit now available year round or just during the update phase?

A: uPlanIt is available from the day your Reserve Study is completed (or the day your subscription is launched) until three months into your next Fiscal Year (well after you should have finished working on the budget for that year).

MISCELLANEOUS QUESTIONS

Q: What are the roles for HOA insurance companies to help set priorities and compliance with standard practices. Role of local city with building ordinances and inspections?

A: Sorry, this sounds pretty much outside the scope of expertise of a Reserve Study professional! I know that if something is unsafe (as noted by your insurance company or local building ordinances), that project should appear on your Reserve Study with a zero Remaining Useful Life!

Q: How do we find an engineer to conduct an infrastructure inspection?

A: Check with your local Community Associations Institute (CAI) chapter or use a standard Internet search engine.

Q: Do you do webinars for HOA members, not only the Board? I will check out the Youtube videos but could you do webinars for members? Perhaps the Youtube videos are directed to both boards and members... can you speak to that?

A: All our webinars are prepared and presented to people involved with an association: managers, boardmembers, homeowners, and related industry professionals. Our YouTube videos are also for all people involved with an association. Educated homeowners, boardmembers, and managers make better decisions that lead to an improved quality of life, improved efficiencies, and improved home values in the association.