Proactive vs. Reactive Maintenance: Which Costs your Association Less?

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Presented Sep 22, 2026

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Recap:

Reserve projects are predictable in timing, predictable in cost, so there is no excuse for being surprised. Budget to get these projects done on time.

Since you can't make the Reserve projects go away (they are driven incessantly by Mother Nature and Father Time), you basically have three strategies/choices:

- Prepare in advance to get the project done on time.
- Move quickly and get it done "on time" at the last minute
- Do it late

Just like in a sporting event, time gives you options. In football or basketball, you run out of options as the game clock ticks away near the end of the game. Only desperate, "long shot" strategies are available.

Preparing in advance is regularly the least expensive option. A last minute project is done for whatever the service provider charges… you're at the mercy of the provider who can jam you into their (already tight) schedule. And delaying adds repair projects and scope creep (additional damage) to the cost.

If you haven't been regularly consulting your Reserve Study, some big projects can seem to "surprise" you. But your Reserve Study provider has seen them coming gradually over the years with every Reserve Study update. But now it's a big project, it needs to be done this year, and you're a board member. What are you feeling? It typically follows the pattern of the "five stages of grief" (by Elisabeth Kübler-Ross in her 1969 book "On Death and Dying")

- Denial ("it's fine, it has years left")
- Anger ("why didn't the last board deal with this?")
- Bargaining ("can we patch it one more year")
- Depression ("there's no way we can afford this")
- Acceptance ("all right, what's the plan?")

See the webinar for a short exercise on when to repair vs when to replace.

Summary:

Delaying a predictable project doesn't save the association money. It is an avoidable crisis costing owners more, and likely damaging community spirit, home values, and possibly causing safety concerns,.

Come to grips with the reality that owning and maintaining Real Estate is expensive. Typically, Reserve Funding amounts to 25% of an association's total budget. If not paid, that bill just grows in size and strength like water behind a dam until the association runs out of time and choices and needs to levy a large, destabilizing special assessment.

Bottom line: proactive wins.

Proactive costs less. Reactive costs more.

Want an experienced professional to prepare your next Reserve Study update, ensuring appropriate component selection, life estimates, pricing, and development of an appropriate Funding Plan *custom designed* for the needs of your association? Launch a free online proposal request by clicking here. See our network of regional offices across the country here, serving clients in all 50 states.

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Other Links:

"Understanding Reserves" book (**updated for 2025**). Order single copies on Amazon here, or download chapter one for free here.

Learn about uPlanIt, our free online Reserve calculator tool here

"Proactive and Reactive Maintenance"

Attendee Questions – 2026

General Reserve Questions

Q: How are funds for deferred maintenance and repairs identified in your Reserve Studies? Should each project be identified separately in the budget?

A: Think of your Reserve Study as the roadmap and your financial statements as the scoreboard. You don't necessarily need a separate bank account for every roof, paint project, or piece of asphalt. What you do need is a clear accounting of your reserve balance and a current Reserve Study showing what that money is intended to accomplish.

We always use and recommend the Cash Flow method, which keeps all Reserve funds in one pool, no matter what scheduled project it is to be used for. This method of holding the Reserve cash and calculating funding requirements uses the same foundation of a detailed component list and expenditure schedule that is utilized in the "straight line" funding methodology. The Cash Flow method gives the board flexibility while still providing accountability.

Q: I agree with the statement that owning real estate is expensive. As an HOA board member, what strategies would you recommend to help convince other homeowners of this basic fact? I often hear homeowners say that dues increases are caused by greedy or mismanaged boards, or that dues "should be" low.

A: I'd change the conversation from "dues" to the **true cost of homeownership**. Your roof doesn't care whether homeowners want assessments to remain flat. Neither does your asphalt, your paint, or your plumbing. They're deteriorating every day. Mother Nature and Father Time don't care about your budget or the concerns of your homeowners.

Show homeowners where their money is going. Show them the Reserve Study and the projects coming in the next five, 10, and 20 years. Show them where their Reserve Fund have been spent in the last 5-10 years. Reserve Funding is how today's owners pay their "usage fee" for the components they are enjoying today – offsetting ongoing deterioration. Underfunding Reserves (to keep "dues" low) only dooms future owners to special assessments or deferred maintenance. Mother Nature and Father Time don't care.

Q: If your Reserve Study has no recommended projects for a three-year period, is it still recommended to obtain a three-year Reserve Study update to account for changes in interest rates, replacement costs, and other assumptions?

A: Absolutely. The absence of projects in a particular year (or two or three) doesn't mean nothing has changed. Every year the **Costs** of your component projects, the **Conditions** of those projects, and the **Cash** in your Reserve Fund changes. If you want to be prepared for the future, update your Reserve Study regularly. Otherwise, your dealing with outdated information.

National best practices recommend a diligent visual site inspection at least every third year, and I encourage associations to update their Reserve Study annually in between.

Q: Will you discuss SB 2050 and your thoughts on it? I feel the mandate is too low, and I hope it gets signed.

A: AB 2050 is proposed CA legislation that if passed will go into effect in five years, requiring boards to fund Reserves at least 15% of budget if their current Funding Plan is projected to run out of cash any time in the next 30 years. For boards willfully and significantly underfunding Reserves, driving their associations towards special assessments or the declining home values or safety concerns that come from deferred maintenance, this proposed legislation requires a measured and reasonable minimum Reserve funding rate. By establishing a remedial Reserve Funding minimum, this proposed legislation will protect the homeowners in that association by minimizing the size and frequency of future special assessments. Remember – costs are costs. This legislation does not increase costs at an association. Either the board funds them through the ongoing budget, or via unsettling special assessments. CA is tired of boards not taking care of business themselves.

Reserve Component Questions

Q: Is repiping ever a part of the Reserve Studies?

A: Absolutely, it can be. Our decision to include a project for Reserve Funding relies on the National Reserve Study Standards three part test: that the project be a common area maintenance responsibility, that it is reasonably predictable, and is above a cost that is "material" to the association. Thus major plumbing projects that can be anticipated (scheduled major repairs or repiping) regularly qualify as Reserve components.

Q: The Board is considering replacing turf with concrete to create up to eight additional parking spaces. The cost would be less than 5% of the total operating budget. Would we still need to create a capital expense account, or can we spend some of our Reserves?

A: Per National Reserve Study Standards, creating a new asset is a clearly inappropriate use of Reserves. Reserve Funds are for existing predictable, major projects, not "nice things to do". As a capital improvement, this project will require special funds, such as would exist in a "capital expense account".

Q: Can you discuss projects where proactive preventive maintenance has extended a component's useful life beyond the useful life estimated in the Reserve Study?

A: Sure. We commonly see a portion of a roof that is worn due to an adjacent tree, or damaged by standing water due to a clogged drain. Fix that, and the roof will reach its original design life, which is much longer than if it was left to fail. Similarly, painting the top rail of a wood wall commonly protects that asset, allowing the entire wall system to reach a longer life. Asphalt sealing is like putting sunscreen on your asphalt, protecting the underlying structural elements and allowing it to reach a longer life. The list of examples can go on and on.

Useful life is an estimate, not an expiration date. We look at the component's actual condition and adjust Remaining Useful Life accordingly based on its age and the amount of maintenance being done by the association. Preventive maintenance can often significantly stretch the interval between major replacements and lower the association's long-term costs. We show that and calculate that in a prior webinar here.

Q: Do you have any suggestions on whether it is better for individual condo owners or the association to maintain wooden cantilevered balconies? The word "maintain" is not defined in our declaration and has recently been reinterpreted to mean that individual owners are responsible for maintenance.

A: It's not a matter of which is "better," it is a question of who is legally responsible per the Governing Documents. Generally we find the association is responsible to repair or replace the structure of the balcony (the wood or metal framing), while the homeowner is responsible to "maintain" the surface (using only household skills, tools, and supplies).

From a practical standpoint, consistency is valuable with structural building components. You don't want 40 balconies receiving 40 different levels of care. But first establish responsibility; then the Reserve Study can appropriately reflect that responsibility.

Q: Would you recommend adding a separate component for professional fees related to an elevator modernization or a $15 million building spalling project? Or would you include those fees in the overall project cost or treat them as an operating expense? I've found that legal fees for reviewing contracts and change orders, along with construction and project management fees, can total several thousand dollars.

A: National Reserve Study Standards require that we include all related costs of a major Reserve project in the Reserve Study. It does not require all those costs to be lumped into the project line item, or separated into the major project and supporting costs (permits, consultants, storage, disposal, shipping, installation, inspections, legal, etc.). Bottom line, if those professional related services are a predictable and necessary part of completing the reserve project, they should appear in the Reserve Study one way or another. Either way, complete component/project costs should appear in the Reserve Study.

Q: We are addressing our decks by beginning to include regularly scheduled deck painting in our HOA fees.

A: Excellent. It is more cost-effective and uniform and the quality is held to a higher (commercial) standard when protective deck sealing or painting is done at the association level, rather than left to individual homeowners to accomplish (or not). If it is every year as part of ongoing association maintenance, perhaps it's an Operating Budget cost. But if it is the kind of thing done every other year or less frequently, it's a clear Reserve component, and should be budgeted through the Reserve Study.

Reserve Funding Questions

Q: Instead of asphalt, we have concrete streets. Here in Colorado, snow is a major enemy of concrete. We're planning to replace 5% of our concrete next year. Should we try to get ahead by replacing 10% or more through a special assessment or loan?

A: That depends on how much is deteriorated at this time. There's no reason to replace concrete areas that are intact. Discuss with your Reserve Study provider, but consider that 5% (1/20th of the total), done every other year, will mean that you get through the association in 40 years. That might be a bit "long". Again, working through this with your Reserve Study provider, consider if a higher % is warranted or if the frequency needs to be adjusted. Perhaps compare to how much work has been done at one interval in the past.

Interest / Inflation Questions

Q: If your Reserve Study has no recommended projects for a three-year period, is it still recommended to obtain a three-year Reserve Study update to account for changes in interest rates, replacement costs, and other assumptions?

A: Absolutely. Every year the Costs, Conditions, and Cash in Reserves changes. So a re-balancing is appropriate on a regular basis. It is not just about near-term projects. A With-Site-Visit Reserve Study update at least every third year is national Best Practice, and it is a proven interval allowing you to review the roof condition and assumptions, asphalt, elevator maintenance history, condition of the siding, etc. Special assessment frequency jumps among our clients who update their Reserve Study on intervals longer than three years.