

Why Update Your Reserve Study?

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Why Update Your Reserve Study? The simple fact is, things change. Just to mention a few, the condition of the property elements on which the reserve study is based change. The association's financial situation and reserve fund balance change. Board members and property managers change.

The condition of the property elements are always changing whether anyone likes it or not. This may be one of the most obvious and common reasons to update a reserve study. Natural aging due to weathering and general wear and tear are a constant factor. Building elements can age at different rates due to many factors. Roofs, parking areas, and fences can sometimes go 10 years with little to no problems and then suddenly their condition can start changing rapidly as they approach the end of their Expected Useful Life (EUL). It's important to monitor these types of site and building elements as they age.

Similar products of various quality will age differently and have different life spans. To the untrained eye it can be difficult, if not impossible, to judge the true quality of a product and its installation. Vinyl siding is a good example. This is an extremely popular building material these days, yet there are various qualities of siding and installation techniques that will cause the siding to age at different rates. Asphalt is another example. The rate of decay for asphalt can vary greatly based on many different and changing factors.

Getting an experienced engineer's opinion of the current building element conditions is a must. Experienced inspectors can see things like no-one else. They can see how building elements are aging. They can see how well things are being maintained. They can tell how long something is going to last and bring aging elements to the forefront before they become a crisis. There are many changing factors that affect how materials deteriorate and age. Differing weather patterns have a profound effect on exterior materials. Different tenants can also have a profound effect on the wear and tear rates of common area interiors. For example, children are much tougher on carpet than the elderly.

Building material prices change. Everyone knows how the price of gas changes on a regular basis, yet somehow it is always rising. Because parking lots, driveways, and roofing materials are all made of oil, they commonly will have higher rates of inflation than other building materials, and sometimes their prices spike up dramatically in short periods of time. Unforeseen materials shortages can also spike up the cost of a particular building material over a short period of time. Updating your reserve study ensures you are looking at current materials prices.

The association's financial situation and reserve fund balance are constantly changing. Reserve funds are constantly flowing both in, and out of the association budget. Getting a current snapshot of the financial picture is a must to provide the board with the information they need to make sound decisions. The association's financial situation and reserve fund balance are critical in balancing and planning the annual budget. The reserve fund component will have both positive and negative effects on the budget. The reserve fund component is a critical piece of the pie that proper budget planning cannot do without.

When board members and property managers change, there is a subsequent change in opinions. Everyone has a different opinion and comfort level when it comes to financial pictures. Some people believe in "saving up" during good times to help them through the tough times. There are also different opinions and comfort levels with regard to the reserve fund minimum balance. This should always be discussed by boards to ensure everyone is comfortable with their defined reserve fund minimum balance. As board members and property managers change, so can their perception of the reserve study picture, and their opinions of what their reserves should look like in the future.

As the saying goes "the only constant in life is change", and so goes your property element conditions, association financial situation, and board members opinions. The picture that was taken when your reserve study was last completed is no longer accurate. The picture is different now, so get a current picture, and re-evaluate what you see in order to best plan your future. Keeping your reserve study up to date is the only way the board, property manager, and association will be able to see the whole picture and make sound decisions. The bottom line is that updating your reserve study keeps everything and everyone, up to date, and on the same page.