

EchoJournal

A Journal for Community Association Leaders

Richard Tippett

EVERYTHING YOU WANTED TO KNOW ABOUT MAINTENANCE AND THE NEED TO FUND

Simply put, the first purpose of maintenance is to protect a community association from “life safety” threats in commonly held areas. Typical threats include:

- Roof leaks into units;
- Mold growth in units and on walls;
- Rot in building, balcony and walkway structures;
- Fence collapses;
- Trip-fall hazards, such as tilted sidewalks, slippery stairs, missing pool tiles and paving potholes;
- Tree damage to landscape and tree damage in the form of falling trees or tree limbs; and
- Flooding due to clogged drains.

The second purpose of capital property maintenance is to preserve the property held in common, the “common areas” belonging to the whole association. This includes the building structures, the landscaping and the recreation facilities. A corollary purpose is to enhance the value of the property.

In order to get at least part of the maintenance managed, most boards establish committees to handle different facets of the work: architectural, landscape, reroofing and painting committees for example. A fifth committee,

to oversee general maintenance, should be added to this list.

The general maintenance committee should be tasked with inspecting and reporting on the needs and condition of such things as common area lighting, drainage, paving, sidewalks, fencing and security gates, pool and pool areas, tennis or sport courts, laundries, clubhouses, elevators, shared hot water systems and garages or carports, for example.

All require maintenance or repair, and the work must be accounted for in the reserves.

The maintenance committee should not be concerned about (unless they are neglected) the normal, ongoing maintenance work assigned to weekly or on-call maintenance contractors.

This on-going work should include:

- replacing broken sprinkler heads and piping;
- control of termites, ants, squirrels and landscape pests;
- minor paving repairs or sidewalk grinding;
- replacing burned-out light bulbs;
- pool cleaning;
- common area laundry and restroom cleaning;
- gutter and roof cleaning;
- lawn mowing and fertilizing;

- tree trimming/hedge trimming/leaf removal;
- root pruning;
- replacement of dead or overgrown landscaping;
- pool and spa cleaning and filter cleaning;
- community building cleaning; and
- cable TV or shared satellite dish maintenance.

RESERVING FOR CAPITAL MAINTENANCE

California law requires that every three years, associations prepare reports of what money will be required to maintain or replace capital common area items. The usual list includes roofing, paving, painting, waterproofing of decks and balconies, siding, plumbing and a host of other items. The report is also supposed to set forth the amounts that must yearly be set aside (reserved) for the replacement or repair of those components. Ideally the report should project funding needs based on a straight line depreciation formula. This method of calculation precludes a lot of financial sleight of hand. It is a calculation standard developed within and strongly supported by ECHO.

The reserve study should spell out the amount of money to be set aside for

maintenance based on need and planning. It should not be a document that sets capital maintenance quality and schedules based on the unwillingness of board members to confront the discomfort of raising fees.

Specifically, the reserve study should:

- set forth the schedule for major maintenance work;
- establish the amount of money required for annual capital maintenance;
- establish the amount of money required for long-term capital maintenance and replacement;
- be tailored to the specific needs of the association it is prepared for;
- be based on actual physical measurement of the capital components it inventories and budgets for; and
- be annually funded by the association at the level set forth by the preparer.

RESERVE COMPONENT CATEGORIES

There are five of these. They are, in no particular order:

Cyclic Regular Components. These are tasks such as slurry sealing paving, painting the buildings and reroofing shake and shingle roofs that recur on a regular, predictable schedule.

Cyclic Irregular Components. These are tasks such as repairing wood or waterproofing at walking decks and balconies, replacing flat roofs or tile roofs, replacing dead shrubbery and trees and rebuilding fences. We know that these tasks are repetitive but don't really know if all roof/deck/fences will have

to be done at one time, or even at regular intervals.

Predictable but Irregular Components. We know that water heaters will corrode, pool pumps will wear out, the pool interior will need to be recoated, that termites will move in, unit interiors will be damaged by leaks, and that water lines will wear out. We just don't know exactly when.

Catastrophic Failure Component. This is almost never reserved for but should be. Catastrophic failures are frequently the result of maintenance too long deferred (see the section on board unwillingness to increase reserve assessment). Typical examples include: hydraulic elevator failures, trees blown down, balcony collapses/structural failures, and deductible or uninsured storm or earthquake damage.

Outdated Design/Aesthetics Component. This also is an important reserve component. Properties that look the same as when they were built twenty-five years ago do not have the same resale value as fresh updated ones. Examples here include paint color changes, landscaping makeovers, redecorated clubhouse, a retiled pool, new entry signs and resurfaced tennis courts.

RESERVES ARE NOT AN OPERATING BUDGET

Reserve studies do not include the everyday costs of operating your association. These costs typically include:

- landscape maintenance, including lawn care, ground planting care and sprinkler maintenance;

- electricity for common area lighting and lightbulbs for the lighting;
- water costs for irrigation;
- drain cleaning;
- roof and gutter cleaning;
- pool and spa maintenance and heating;
- garbage collections and recycling;
- security; and
- management company costs.

These costs go up annually, because the cost of doing business for each of these contractors goes up annually. Increased insurance, increased workman's compensation and increased fuel costs all must be recovered somehow. There are only two ways to do this: decrease service either directly or by using lower-cost (and less skilled) employees or increase prices.

The board needs to accept the reality of these increases and increase membership assessments accordingly. Decreasing the level of service ultimately winds up depreciating the value of the property.

More importantly, capital reserve money should not be spent to cover shortfalls in funding everyday operation. All too often, the money isn't put back.

Dick Tippett is the president of ERTECH, Inc. one of the original condominium reconstruction management companies. He is a member of ECHO's Board of Directors and former Chair of both the Maintenance and the Central Coast Resource Panels.