

APRA Advisor

Association of Professional Reserve Analysts (APRA) is a nonprofit corporation established in 1995 by principals of America's leading reserve study companies. The purpose of APRA is to provide a forum to establish a common base of knowledge, standards of care and professionalism within the reserve study industry.

The **APRA Advisor** is a bimonthly publication designed to expand the understanding of reserve planning and increase awareness of **Professional Reserve Analysts**.

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Preventive Maintenance Program

A well thought out preventive maintenance program will save a homeowner association significant money over the long haul. Components and equipment not properly maintained wear out prematurely and in the long run cost more money than it would have cost had they been maintained properly. Unfortunately, HOAs are notorious for not doing adequate preventive maintenance and as a result raising the cost of assessments unnecessarily. The more complex the HOA, the more important it is to have an adequate maintenance program. While it is critically important that high-rises have complete preventive maintenance programs, is also necessary that even small single-family planned communities have such programs to maximize the value of the assessments.

The heart of a preventive maintenance program begins with a well-thought-out maintenance manual. That manual should contain three parts:

1. Owners manuals for all manufactured products; If not available in PDF, scan the manual and convert to PDF. If some manuals are missing, the usually can be located online in PDF.
2. A summary by component of the maintenance to be performed, the frequency and the skill required and,
3. A checklist to follow for the board of directors and manager.

This manual then becomes both a useful tool for ensuring adequate maintenance is accomplished, but also becomes a budgeting tool to ensure adequate monies are in hand to perform the maintenance.

The manual is a scheduling and budgeting tool as well. Some maintenance and inspections will be

operating budget expenses done monthly, quarterly, semi-annually or annually. Others may take place cyclically and are part of the reserve study plan.

The final portion should be a checklist that can be maintained and reviewed by management and the board of directors to ensure the work is in fact being accomplished. In fact, it may be a series of checklists that roll up into a master checklist. For example, most irrigation valves require minimal inspection with maintenance scheduled quarterly. Adding a requirement that the landscaper accomplish and complete a form or mini-checklist as part of his contract results in a series of documents that roll up in and support the master checklist. Some required maintenance will be under contract. For example, most elevator maintenance is included in the elevator maintenance contract. In these cases, it is important to ensure all required maintenance is in those contracts.

The checklist becomes a never ending tool for maintenance management. The summary of frequency, skill required and description of work becomes the base document referenced to accomplish the work. The collection of manufactured products owner manuals becomes the base document upon which much of the manual is built.

Without a properly constructed maintenance manual, preventive maintenance becomes sketchy at best and more often simply nonexistent. The result is early failure of components, residual damage and increased costs that could be avoided. Does your homeowner association have an adequate maintenance manual?

By Roy Helsing PRA - The Helsing Group [APRA](http://www.apra-usa.com)

APRA offers the Professional Reserve Analyst (PRA)TM credential to members that qualify by related education, years of experience and client references.

APRA members provide high quality reserve study service throughout the United States and Canada.

APRA Institute offers professional reserve study provider education with its Annual Symposium, Webinar Series and PRAs-Only website resources.

**For contact and membership information:
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Snapshot Reserves

A reserve study identifies a homeowner association's future repairs and replacements like a snapshot in time. Imagine that you could picture the buildings and grounds as they would be in five, ten, even thirty years. A reserve study acts just like that by estimating the useful life of the common elements and the cost to replace them in the future.

A reserve study includes common element components that have useful lives of, usually, 2 to 30 years, a schedule of when events should take place and a funding plan to advise the board how to accumulate the money needed to pay for those events. Those "components" consist of obvious things like Roofing, Painting, Paving, Pool Plastering, and the not-so-obvious like Treework, Landscape Renovation and Safety Inspections (elevator, fire sprinklers and alarms, tripping hazards). Even the smallest HOAs have at least 15 items that should be included. Large homeowner associations can have hundreds.

Assumptions made for a reserve study can change over time. Reserve studies

can be affected by new labor-saving techniques, building designs and materials that reduce projected costs or extend useful lives. As these improvements become known, so should your reserve study. Annual updates confirm that the schedule and costs are still accurate.

Age, condition and rate of deterioration can be positively impacted by preventive maintenance implemented by the HOA which increases useful lives. Changes in inflation and the interest earned from invested reserves need to be revised as well.

The annual update is a snap compared to the initial reserve study which requires significant field work to compile data. The annual update merely tweaks certain aspects of the original study.

Now that you're focused on reserves, it's time to start shooting. Frame by frame, the results will develop picture perfect.

By *Richard Thompson* -
www.Regensis.net **APRA**

End of Life Issues

Dear Unit Owner,
The Board of ABC Condominium is saddened to inform you that our boiler has died. In lieu of flowers, please send a check for \$2,000 which is your share of the replacement cost.
Sincerely,
Your Grieving Board

The end of life of common elements in a homeowner association (HOA) can be traumatic to the board, owners and management, especially when there is no reserve study. When major components must be replaced, the special assessment letters that go out are seldom anticipated.

One of the most difficult challenges that HOAs face is dealing with physical obsolescence. HOAs that are 30-40 years old are struggling with deteriorating condition. Regardless of the quality of the regular maintenance program, the time ultimately arrives maintenance money is being wasted and major repairs or replacements must be made.

How HOAs come to terms with these end of life issues are described by Elisabeth Kubler-Ross in her book "Death and Dying", which include denial, anger, bargaining, depression and acceptance. Knowing that the HOA will experience these stages can make it easier for boards and managers to work to a more successful outcome.

Denial. Many boards focus on operation costs in the early years and give little thought to future repairs. Although the board has a fiduciary duty in this regard, there is often relentless pressure from owners to keep fees artificially low to stay competitive with other HOAs. Faced with increases in the annual cost of services, reducing or eliminating contributions to long-term capital reserves is often the path of least resistance to hold off fee increases. However, when a major component fails, there are no funds to replace it and the cost must be paid by special assessment.

The board often buries its head in the sands of denial with statements like "If it ain't broke, don't fix it" and "Just put a Band-Aid on it". The manager must continually remind the board about the

consequences of aging components. Commissioning a reserve study provides a framework for scheduling work and reserve funding goals. The reserve study should also be communicated to unit owners at a special meeting.

Anger. As condominiums approach middle-age, boards are faced with hard decisions. The manager is often the bearer of the bad news and sometimes the board suffers a lapse of memory about previous warnings. They know that special assessments will not be well received and go to great lengths to avoid approving them. Blaming someone else for the problem like the builder or manager will be a temporary distraction but without money, special assessments are the most realistic solution. This is also a good time to enact a plan of increasing fees to build up the reserve fund to avoid special assessments in the future.

Bargaining. Bargaining is a common tactic by members who try to forestall expensive repairs. Those tactics include filing injunctions against the board to stall the process. Other tactics include roofs can be patched, less expensive systems can be bought, the low bid is the best choice or that the repairs should be postponed. Or, a friend in the industry has suggested that the HOA is being taken to the cleaners.

The board may also try to negotiate the useful life of components. Managers can cave into such board pressure but inevitably, the components will fail and often at the least opportune. Consider a boiler failure in mid-winter, when emergency replacement will be much more costly than a scheduled replacement.

Depression. Owners are emotionally involved in decisions that affect their homes. But unlike single family home owners, HOA owners do not directly control the decision-making process. The feeling of powerlessness can be overwhelming and result in depression. Empowering owners by sharing the long-term repair strategy will help counter the feeling of powerlessness. The board can distribute information explaining the issues and asking for input if meetings cannot be held. Informing unit owners in advance

allows them to plan for the upcoming costs. Participating in the process will go a long way in easing a transition to acceptance.

Acceptance. Ultimately, the repairs must be done. The board has the responsibility to maintain the common elements and must make the tough decisions that are in the best interests of the homeowners association. However, gaining owner acceptance is key in maintaining harmony and good relations. To achieve this goal as painlessly as possible, the board should adopt and follow a properly prepared reserve study so that the HOA will be ready for the inevitable end of life issues.

By Patricia Brawley of Community Solutions. [APRA](#)

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Green Bananas

A manager of a seniors homeowner association once commented "We have to approach long range planning carefully around here. Many of our residents won't buy green bananas."

While it's understandable that some folks may not relate to long range planning for practical reasons, the truth is that Americans in general, regardless of age, live "in the now" and reluctantly engage in advance planning. This

attitude is reinforced by the incredible abundance with which our country is blessed. There is also a pervading sense that no matter what happens, something or someone will be there to catch us if we fall. Bankruptcy laws are a case in point: If a personal or business plan doesn't work out, there is limited personal liability.

Homeowner associations are based in the premise that sharing common property makes the unaffordable affordable. The framework allows ownership of parks, pool, ponds and other expensive amenities that few homeowners alone could support. In common wall communities, individual owners turn over their exterior building maintenance duties to the HOA and agree to pay a fair share of the costs. Sharing such costs reduces costs to the individual if proper planning and execution are involved.

Reserve funding is an issue that frequently causes HOAs to stumble. The premise of reserves is that money is set aside systematically to pay for big ticket items like roofing, painting and street maintenance. Since these repairs or replacement crop up infrequently, when they do, the costs are significant. If there has been no systematic accumulation of money to pay for them, guess what? Special Assessment Time!

Special assessments are the product of poor planning. They penalize current owners who are unfortunate enough to live in the HOA when major costs come due. Prior owners skate on their obligations leaving current owners to hold the bag. Special assessments are particularly burdensome because they:

- Put some owners in an immediate financial crisis.
- May be uncollectible if an owner's equity is small.
- Are always politically unwelcome and,
- Pressure the Board to defer needed maintenance to avoid the turmoil.

Homeowner associations that fail to plan for major long range expenses typically do not handle day to day association business very well either. The two seem to go hand in hand. Those HOAs typically keep fees unrealistically low and, by so doing, services are starved, maintenance lags

and curb appeal suffers. Curb appeal directly impacts market value of the homes so in a real sense, owners are cutting their own throats.

There is a fundamental conflict of interest at work here: The long term financial and maintenance needs of the community conflict with the individual homeowner's short term desire to hang on to the money a.k.a. the Green Banana Syndrome. A homeowner living in a stand alone home has the luxury or misfortune of doing business this way while a homeowner association will fail miserably if it does.

A reserve "philosophy" is a fundamental ingredient of HOA policy. The best way to solidify that philosophy is with the adoption of a Reserves Resolution. This resolution reflects the desire of owners to do long range reserve planning and funding. Such a resolution curbs the impulses of some boards "to raid the cookie jar" by misspending reserve money or failing to add to reserves when the plan clearly calls for it. A Reserves Resolution is a critical step toward proper care of the community.

Consider the negative effects of Green Banana thinking on your assets. If such is the case in your community, be aware that you are on a slowly sinking ship and need to take action before it's too late.

By *Richard Thompson* - www.Regensis.net **APRA**

Save the Date
APRA's 2014 Symposium will be held in Orlando Florida May 17-18. Learn cutting edge reserve study techniques. PRAs earn continuing education credits. Network with your peers. Information available at www.apra-usa.com. Early registration and member discounts apply.

Abuzz About Green

More than 500,000 people are sent to emergency rooms every year because of stings from insects such as yellow jackets, honeybees, paper wasps,

hornets and fire ants, according to the National Pest Management Association.

U.S. buildings incur billions of dollars in damage each year from wood-destroying organisms. Insects and rodents spread diseases such as malaria, West Nile Virus, Rocky Mountain spotted fever, Salmonella and various lung infections.

As much as we welcome warm weather each year, insects and animals become more active during this season and can cause significant problems. However, the chemical pesticides used in the past also have raised concerns. Today, more pest control companies are turning to environmentally friendly ways to keep the insects and unwanted critters away, ensuring that human health is a priority.

Some simple, proactive measures can protect residents' health as well as prevent costly damage to property. To help control insects in your community, you have to think like a bug! Insects have the same basic needs as humans: food, water and shelter (called harborage areas). Prevention is the most eco-friendly way to keep pests from invading your buildings.

Here's a checklist of prevention tactics:

Clean and maintain gutters. Leaf debris in gutters creates a damp environment for insects to nest. Gutters also will sag and pull away from the roof damaging the wood. This can create entry areas for insects.

Divert water away from buildings. Study your property's drainage patterns. Are downspouts effectively diverting water away from the structure? Are there any areas that flood after a heavy rain? Areas with high levels of moisture are much more attractive to insects.

Reduce nearby vegetation. Create at least a one-foot clearance between structures and trees or bushes. This reduces moisture at the base of the building, discourages insect harborage, eliminates ways for insects to gain entry and makes future inspections easier. Ground coverings such as mulch should be no more than 2 inches thick.

Unwanted pests are attracted to thick ground coverings, which create a perfect living environment for them.

Discourage rodents. Bird seed and pet food are highly attractive to squirrels and rats. In turn, they commonly enter attics, crawlspaces and other areas open to the outside. These pests chew wires and pipes, potentially causing fires or flooding. They also chew air conditioning ducts, sheetrock, shingles and other building material. To discourage them, residents should be required to store pet food in sealed containers and to place bird feeders at least 100 feet from homes. Residents may be unaware they have a rodent infestation. In addition to health risks from their droppings and the parasites they may carry, rodents often compact the insulation in attics. This can decrease a structure's energy efficiency, resulting in higher power bills and greater emissions. To discourage rodents, seal all openings in a structure, including plumbing and air conditioning pipes, gable vents and roof vents.

Keep up with maintenance. Regular repairs and maintenance help keep a structure free of pests and rodents. Pay special attention to small cracks and crevices which can be sealed with caulking. Cracked siding, gaps near window sills, foundation or chimney cracks, broken thresholds and door seals, roof leaks and plumbing leaks invite pest problems.

Keep siding, posts and fences away from the ground. Siding should be at least 6 inches above the ground to prevent termite infestation. Deck posts, even if they are pressure-treated, should have a base between the wood and the ground. As wood ages, it develops cracks that termites can enter. Decks should be built high enough to inspect underneath. Firewood should be stored at least 6 inches off the ground.

Manage waste wisely. Trash can lids should always be closed. Washing trash cans periodically to remove food sources that attract pests. Dumpsters should be at least 100 feet from inhabited areas.

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A bi-monthly newsletter distributed to over 10,000 homeowner association boards, managers and reserve study providers nationwide. If this is your target audience, see www.apra-usa.com > Newsletters > Advertising for more information.

Mosquito control. Are there standing bodies of water on or near the property that breed mosquitos? A mosquito control program may include something as simple ensuring that ponds are stocked with species of fish that feed on mosquito larvae.

If preventive measures don't work, there are many safe treatments available. Controlling certain pests like termites, cockroaches, rodents and wildlife should be left to pest management experts since extensive knowledge and special equipment are often required to eliminate them. An experienced pest control professional can pinpoint sources and target pests successfully and minimize environmental risks. By understanding pest biology and behavior, professionals often can offer greener solutions than do-it-yourself methods.

Pest control companies today are using many no- or low-toxicity products. For example, glue traps can reduce cockroach populations. Insect growth regulators can prevent certain insects from reproducing with no impact on humans or animals. Applying diatomaceous earth (the fossilized remains of algae) in wall cracks and electrical outlets controls insects naturally by causing them to dehydrate. While botanical or "all-natural" products don't necessarily equal green,

conventional and botanical pesticides play a vital role in the protection of human health, food and property.

Choose a pest control company that is licensed in your state. State requirements for technicians vary. Membership in the National Pest Management Association can indicate whether a company is concerned with continuing education, new technology and improving its practices.

As in many other professions, new third-party certification programs can help consumers find pest control experts who use methods that are less harmful to the environment. Green Shield Certified is administered by the IPM Institute of North America, a nonprofit group recognized by the U.S. Environmental Protection Agency, and endorsed by the Natural Resources Defense Council. QualityPro Green is a designation granted to companies that meet business, training and environmental standards set by the pest management association. Both follow integrated pest management methods, which focus on prevention, monitoring and non-chemical methods of eliminating pests.

Green technicians start with the least invasive techniques and only proceed further with consent of the customer. Pesticides are a last resort. By focusing on green pest control methods, you can protect your residents, your buildings and the environment.

By Mario Ramirez of Forsyth Exterminating in Cumming, GA [APRA](#)

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Laws of Life F to G

Fourth Law of Interference. It is usually impractical to worry beforehand about interferences. If you have none, someone will make one for you.

Fresco's Discovery: If you knew what you were doing you'd probably be bored.

Fudd's First Law of Opposition: Push something hard enough and it will fall over.

Laws of Infernal Dynamics.

1. An object in motion will always be headed in the wrong direction.
2. An object at rest will always be in the wrong place.
3. The energy required to change either one of these states will always be more than you wish to expend, but never so much as to make the task totally impossible.

Ginsberg's First Theorem.

1. Capitalism is based on the assumption that you can win.
2. Socialism is based on the assumption that you can break even.
3. Mysticism is based on the assumption that you can quit the game.

Ginsberg's Second Theorem.

1. You can't win.
2. You can't break even.
3. You can't even quit the game.

Glib's 4th Law of Unreliability. Investment in reliability will increase until it exceeds the probable cost of errors, or until someone insists on getting some useful work done.

Glyme's Formula for Success. The secret to success is sincerity. Once you can fake that, you've got it made.

Gold's Law. If the shoe fits, it's ugly.

Goldenstern's Rules on Wealth.

1. Always hire a rich attorney
2. Never buy from a rich salesman.

Gordian's Maxim. If a string has one end, it has another. [APRA](#)