

COMMON FOUNDATIONS

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You Can Meet the Challenges

Recently, we spoke with about two dozen community association professionals – property managers, association managers, lawyers, and engineers. Our objective was to learn how they dealt with the real challenges that we must face every day. In this issue of *Common Foundations*, we would like to share what we learned in the hope that this collective wisdom will be of some help to you as well.

What tools do you use to meet the “Big Picture” challenges that you face?

- Communicate, communicate, communicate
- Start/maintain a newsletter
- Create/maintain an active website
- Give openness and information HIGH priority
- Provide regular orientations for Realtors who sell units in your Association

How can you present the results of a reserve fund study in a way that will be accepted by the owners?

- Use third-party consultant
- Understand obligations under state law
- Understand fiduciary responsibilities
- Hold workshops on study recommendations
- Understand importance of financial credibility
- Include consultants in owners’ meetings
- Communicate effectively
- Acknowledge some flexibility
- Offer options, discuss and choose one



How can you determine what flexibility is possible in a reserve fund study?

- Talk to consultant
- Add “flexibility rating” to each reserve item
- Decide on proactive or reactive maintenance program (we recommend proactive)

What impact does a marginally funded reserve fund have on lenders (and therefore buyers)?

- Reduces lending potential
- Raises concerns about unexpected special assessments
- Compromises perceived value of units and complex
- Questions credibility of Association management

What do you do to improve on the situation?

- Create a separate reserve fund account
- Conduct a credible reserve fund study

Where are the problems? Based on our informal national survey, the following percentages represent the number of those who considered the item noted as the highest priority issue.

Issue	Percentage
Window water infiltration	75%
Inadequate insulation	70%
Pavement maintenance	65%
Site drainage	51%
Poor deck construction	48%
Roof ice dams	43%
Lack of flashing	37%
Improper ventilation	25%
Siding installation problems	20%
Foundation problems	17%

- Provide accountability in reserve fund management — GAAP (Generally Accepted Accounting Practices) compliance

If you can't do everything recommended in your reserve fund study, what should get the highest priority?

- Those related to occupant safety
- Those related to water intrusion risks
- Those where neglect means the project gets bigger, more costly or more complex
- Communicate options and decisions with owners
- Explore doing some projects in phases

What do you do if an owner defaults on his/her payments?

- Understand the Association's rights under state law
- Make sure collection policies are addressed in bylaws
- Maintain good policy and procedures for receivables - be proactive, consistent and clear about policy and expectations
- Take action consistently
- Involve attorney when moving beyond normal collections procedures in seriously delinquent situations

How can you effectively educate owners about the importance of reserve funds?

- Send board members or committee members to Community Associations Institute (CAI) workshops and seminars
- Have frank discussions at annual owners meeting
- Circulate relevant articles about reserve issues found in *Common Ground*
- Provide information on the Association's website
- Have importance reinforced by property manager and reserve fund consultants

How can you effectively inform owners about

the regulatory obligations related to reserve funds?

- The board must understand its own state laws and regulations
- Have the Association's lawyer provide a briefing to the board or at the owners' annual meeting
- Post information on the Association's website or bulletin board

How can you diffuse the "everybody's a construction expert" debates that seem to develop around reserve fund studies?

- Have the reserve fund consultant present his/her report at a general owners' meeting
- Ensure all technical and cost data are clearly illustrated and available to all unit owners
- Remind all that the board has a fiduciary responsibility to rely on the best source of information which usually means licensed Professional Engineers

We'd love to know your thoughts and suggestions to any of these common dilemmas. Please feel free to contact your local Criterium Engineers office.

Chinese Drywall

From about 2002 through 2007, drywall manufactured in China was imported to this country, often to make up for a shortfall in domestic production as a result of the building boom that occurred during those years. Much of that drywall was manufactured with sulfur which is not used in domestic drywall. The drywall also contains strontium at levels 10 times higher than the domestic product. The EPA has yet to determine whether there are health risks associated with this product. Unfortunately, those materials do have the potential to corrode copper wiring and coils in appliances such as refrigerators and air conditioning when exposed to moisture such as in humid climates where much of it was installed. A "rotten egg" smell could be a tip off that your home or condo has Chinese drywall, but is by no means definitive. Contact your local Criterium Engineers office if you have questions or suspect that you may have this product in your home or community.

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