

# Fairlington Commons Council of Co-Owners

## Capital Replacement Study

September 8, 2008

### Introduction

The Fairlington Commons Council of Co-Owners must assess the long-term needs of the Commons and ensure that adequate funds to meet those needs are available. Those funds can come from two sources - current year assessments (or in other words - the current operating budget) or from funds held over from prior year assessments (reserve funds).

An inventory of items requiring capitol investment is essentially provided in the line items of the Fairlington Commons operating budget and includes:

#### Buildings

- Paint
- Fences
- Decks
- Gutters
- Roofs
- Plumbing
- Other Building Features

#### Grounds

- Turf
- Lighting
- Shrubbery & Trees
- Sidewalks
- Parking Lots
- Other Grounds Features--Retaining Walls

#### Recreation Facilities

- Swimming Pool
- Other Recreation Facilities

In general, this study will discuss all aspects of each item of the inventory and will:

1. Explain the nature of the items,
2. Assess the condition of the items and estimate their life expectancy,
3. Estimate the item's replacement costs,
4. Recommend, where applicable, methods for reducing repair cost or extending the item's life to help avoid premature replacements; and,
5. Plan for adjusting the operating budget and developing adequate reserves to meet needs over an extended period of time.

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A further goal of this study will be to meet the requirements of the Virginia Condominium Act with respect to reserves for capital components. That Act states:

- A) *Except to the extent otherwise provided in the condominium instruments and unless the condominium instruments impose more stringent requirements, the executive organ shall:*
  - 1) *Conduct at least once every five years a study to determine the necessity and amount of reserves required to repair, replace and restore the capital components;*
  - 2) *Review the results of that study at least annually to determine if reserves are sufficient; and*
  - 3) *Make any adjustments the executive organ deems necessary to maintain reserves, as appropriate.*
- B) *To the extent that the reserve study conducted in accordance with this section indicates a need to budget for reserves, the unit owners' association budget shall include, without limitations:*
  - 1) *The current estimated replacement cost, estimated remaining life and estimated useful life of the capital components;*
  - 2) *As of the beginning of the fiscal year for which the budget is prepared, the current amount of accumulated cash reserves set aside, to repair, replace or restore the capital components and the amount of the expected contribution to the reserve fund for that fiscal year; and*
  - 3) *A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to this section and the extent to which the unit owners' association is funding its reserve obligations consistent with the study currently in effect.*

### **Capital Investments in Buildings**

#### **Building Painting**

A majority of the exterior surface area of our buildings is unpainted red brick, with the exception of the structure within the pool facility, which is constructed from unpainted white “split block” concrete block.

The Commons paints those exterior features that require painting, including porches, columns, doorframes and doors, windows frames and windows, concrete basement window wells, and window well grates. Duron Signature Lifetime Exterior 914 White, a high quality latex paint, is used for a majority of the trim. A limited number of standard colors are used for doors – the basement window well grates are painted black.

The Commons is also responsible for a limited amount of interior painting, including the common areas of our Apartment-style buildings; the common areas associated with our Georgetown-style buildings, and pool facility rooms.

Exterior painting is done on a three-year cycle, with 74 to 79 units painted each year. Interior painting is done less frequently and on an as-needed basis. At the beginning of each year, one third of the Commons needs exterior painting, one third will need it in one year, and one third will need it in two years.

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Painting costs have risen due to the discontinuance of oil-based paint. Annual costs are now approximately \$80,000 per year, with an approximate 10 percent variation due to the different numbers and styles of the units being painted each year.

Preparation for painting is still accomplished by scraping and sanding, although the Commons continues to monitor evolving paint removal technology in search of a more cost effective method. Co-Owners who replace windows are required to cap window frames with aluminum or vinyl to reduce long-term wood replacement and painting costs.

Painting is funded from annual revenue with no need to draw on reserve funds. No significant adjustments in annual revenues are required to sustain this work in the future.

### *Fences and Decks*

The Commons is responsible for the repair and replacement of approximately 6000 linear feet of wood patio fence, 175 gates, and 29 decks. Most fences are associated with multiple units; some decks also serve more than one unit. There are several Co-Owner installed decks that are not the responsibility of the Commons. Commons fences and decks have been left a natural color since the mid-1980s.

Eleven old decks, most serving single units, need to be replaced over the next three years. The life expectancy of the remaining decks is 15 years or more. Fences were replaced over the six-year period 1984 to 1989. The next fence replacement is forecast to start in 2010 or 2011 and continue for a 10-year period.

The estimated replacement cost of the remaining decks is \$50,000 at 2008 prices. The estimated cost of fencing and gates is \$200,000 at 2005 prices.

Fences and decks are repaired on an as-required basis to avoid the need for premature replacement. Repairs are funded from the annual operating budget. Use of synthetic deck surfaces with natural wood posts was evaluated in 2007 and found to be approximately 35 - 40% more expensive and thus not cost effective.

Fences and decks will continue to be replaced from annual revenue with no reserve funding required. \$26,000 has been approved for fence and deck replacement in 2008 with no significant adjustments in annual revenues required to sustain this work in the future.

### *Gutters*

Maintenance and replacement of gutters, including downspouts, is the responsibility of the Commons. Most gutters are aluminum; a few of the original Cyprus or Redwood gutters survive. There is no risk of mass gutter or downspout failure, although older gutters or those that have sustained ice damage are replaced as required.

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For the last three years, an average of just over \$10,000 has been spent on gutter repair and replacement and roughly this amount, adjusted for inflation, is appropriate for the foreseeable future. \$12,000 has been approved for 2008. About one quarter of the money is spent on maintenance or emergency replacement and the balance on replacing old wood gutters before they actually fail.

Gutter repair and replacement is funded from annual revenues. There is no need to fund this work from reserve funds. No significant adjustments in the annual revenues are required to sustain this work.

### **Plumbing**

Maintenance and replacement of water supply lines from Arlington County mains to the individual units, and those supply lines common to more than one individual unit, are the responsibility of the Commons. Maintenance and replacement of sewer lines (laterals) between Commons buildings and Arlington County sewer mains, and those lines common to more than one individual unit, are also the responsibility of the Commons.

The Commons has used the same plumber and backup plumber for approximately 20 years and five years respectively. The primary plumber has camera equipment for diagnosing problems within sewer lines and uses this equipment frequently. While there is no evidence that the sewer lines are nearing total failure, they have aged to a point where some line repair or replacement is required each year. In general, the water supply system is in good condition.

The Commons has explored relining pipes as a preventative measure. Fairlington Glenn, a neighboring condominium association, started to undertake relining, but found that the cost exceeded replacement when the cost of the prep work was added to the cost of relining. This information is consistent with the estimates and contingencies presented to the Commons by a contractor that specializes in relining.

The Commons spent an average of about \$20,000 per year from 2005 - 2007 on plumbing, and has approved \$20,000 for 2008. All plumbing is funded from annual revenues and there is no foreseeable need to fund this work from reserve funds. No significant adjustments in the annual revenues are required to sustain this work.

### **Roofs**

Preventative maintenance, repair, and replacement of roofs are the responsibility of the Commons and potentially our largest long-term capital expense. Our 54 buildings house 229 units that, due to their architectural diversity, are covered by 68 slate roofs, 7 tile roofs, and 6 flat tar roofs.

Commons roofs vary substantially in life expectancy from some that are essentially at the end of their life span to original roofs that, assuming proper maintenance have a half

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century of life remaining. Four slate roofs covering 10 units are new within the last two years (2006 - 2007) and are expected to last a century.

In 2002 and 2005, our roofing contractor provided an estimate of the life expectancy of each tile and slate roof in the Commons. Basically, the roofs over 200 of our units will need to be replaced over the next 50 years, with a slightly higher pace anticipated during the next 10 to 15 years. In actuality, some neighboring Fairlington associations have been able to slow the pace of their roof replacements because the life expectancies provided by this same roofer were proving overly pessimistic.

The cost of replacing slate roofs has been \$15,000 - \$20,000 per unit, depending upon the size, complexity, and location. In 2007 the Commons investigated the cost and practicality of using high quality synthetic slate. The initial cost of replacement is almost 30% less than slate, with significantly reduced maintenance costs (e.g., no ridges to be sealed) for a warranty period of 50 years. This estimated savings was in fact realized in 2008, when two buildings (9 units--two Edgewoods, two Georgetown, and a Fairlington, were re-roofed at a cost of about \$54,500. Life expectancies generally exceed warranties, although we do not have estimates for how much beyond the warranty period synthetic slate roofs can be expected to last. Additional savings will be realized when synthetic slate is removed for future re-roofing. The original tile is no longer manufactured for any of the tile roofs, which have a life expectancy of 40 years or more. They will probably be replaced with a synthetic material also.

Flat roofs have a nominal life expectancy of 15 years, but in practice the Commons has found they last much longer with periodic maintenance. Two flat roofs covering two buildings were replaced between 1998 and 1999 at a cost of \$3,240 per unit.

The Commons has established a roof maintenance program to extend the life of our roofs. *Ad hoc* repairs are made in response to immediate problems - damaged or missing slates, for example. Attention is paid to the condition of gaskets around vent stacks, and to the flashing. For roofs with a life expectancy of 15 years or greater, the Commons conducts systematic maintenance that includes replacement of missing slates, ridge caulking, and flashing on a 12 to 15 year cycle.

The Commons been replacing roofs on 4-5 units annually and expects to continue or increase this pace slightly during the next decade. Roofing is funded from annual revenues and no use of reserve funds is foreseen. Minor adjustments in the operating budget will be needed to increase the rate of replacement. It is anticipated that much of the increase will be met by the shift from natural to synthetic slate.

### **Other Building Features** – (Dormers, Brick Porches, Trim, Common Areas)

The carpet in the apartment-style buildings is a Commons responsibility. This carpet, which covers the common areas (hallways, stairs, and landings), was replaced approximately 20 years ago will probably have to be replaced in the next five years. As

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industrial grade carpet is used to meet the requirements of these high-traffic areas, replacement costs could approach \$20,000, to be funded from the annual operating budget.

Carpentry is performed on the exterior of all Commons buildings and in the common areas of our apartment style and Georgetown style buildings on an as-required basis. Masonry work is also performed on an as-required basis.

The dormers, brick porches, trim, and common areas of our buildings are in overall good condition with no major replacements anticipated in the foreseeable future. All dormers were replaced using redwood in the 1980's. Wood replacement is accomplished in conjunction with the painting cycle or on a case-by-case basis as required. Re-pointing of masonry (brick porches) is done as required. Several porches with underlying structural issues have already been replaced, and several will need to be replaced in the next five years at a cost of roughly \$7,500 each.

Other building features are funded from annual revenue and no use of reserve funds is needed.

### **Capital Investments in Grounds**

#### **Turf**

Fairlington Commons is responsible for maintenance of 22 acres of land, over half of which consists of lawns.

The Grounds are in good condition. Fertilizer, herbicides, and pesticides are applied within strict guidelines each year and reseeded is accomplished each fall to prevent the need for a capital investment in lawns. In some areas where tree shade makes it difficult to grow grass, other ground cover has been planted.

No major capital investments in the grounds are needed. Maintenance of grounds, as described above, is accomplished gradually over time with funds from current annual revenue.

#### **Lighting and Fire Safety Equipment**

There are 153 ornamental black post lamps located adjacent sidewalks throughout the Commons, controlled by 14 photoelectric sensors. As opposed to the larger, commercial style street lamps owned and maintained by Arlington County and Dominion Virginia Power, the Commons maintains the ornamental lamps, associated underground wiring, and the sensors that control them.

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The ornamental black post lamps are in good condition. As a cost savings measure, the lamps have been equipped with low-wattage, long-life fluorescent bulbs. Periodic inspection, lamp and bulb replacement, repair of damaged lamps, and cleaning of the lenses is accomplished by a contractor retained by the Commons. Over time, 86 of the original lamps have been replaced, as have a number of the underground power lines. The remaining 67 original lights are in sound condition and do not show signs of requiring replacement in the near future or at the same time. The replacement cost of individual light fixtures was \$35 in 2006.

The Commons also maintains 43 lights and 18 smoke detectors in the general common areas within our six Apartment-style buildings. The same contractor who maintains our outdoor lighting provides this service. All lights and smoke detectors are in excellent condition as of January 2008. Each of the six buildings as well as the pool bathhouse is equipped with a fire extinguisher. These were replaced about 2003 and are in excellent condition. They are inspected and maintained annually by a company that specializes in fire extinguishers.

Lighting and smoke detector maintenance and replacement is funded from annual revenue with no use of reserve funds.

### **Sidewalks**

Sidewalk maintenance and replacement is the responsibility of the Commons, except for those sidewalks immediately parallel Arlington County public streets, which are the responsibility of the County.

Sidewalks in the Commons have varying life expectancies depending on when they were installed. New sidewalks are expected to last 50 years. Older walks will need replacement at varying times within the next 50 years, some within the next two years. For the last decade, an average of \$28,000 per year has been spent on sidewalk replacement, including the relatively expensive replacement of steps undertaken during this time period. \$25,000 - \$30,000 per year, with adjustment for inflation, is an adequate rate for sidewalk replacement.

Sidewalk replacement is funded from annual revenue and no use of reserve funds is needed.

### **Parking Lots**

Maintenance and replacement of our 10 parking lots is the responsibility of the Commons.

The original parking lot surfaces lasted 25 years from 1972 - 1973 until they were replaced in 1997 at a cost of \$101,000. The contractor who performed the replacement provided a conservative estimate for a surface life of 15 - 20 years, but with proper

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maintenance and care that life could extend beyond 20 years. The Commons believes that the new parking lot surfaces are in fact of higher quality than the originals and can match their 25-year life span.

Our parking lots are in very good condition, and are of better quality than those originally installed in 1972 - 1973. In conjunction with the last resurfacing, improved drainage was installed in several lots, particularly the upper S. Utah Street Lot. A long-term problem with the lower S. Utah Street lot was corrected by excavation and installation of a gravel bed, providing a proper foundation for the asphalt.

Parking lot maintenance includes sealing the cracks on an as-needed basis and, less frequently, the application of asphalt rejuvenator. Based on this aggressive maintenance program, the Board views the anticipated lifespan of our parking lots at 25 years, with replacement in 2022. As all lots have the same life expectancy, they will all be repaved simultaneously to avoid additional overhead associated with spreading the work over a period of time.

In 2004 the same contractor who performed the work in 1997 estimated a cost of \$95,000 to repave the lots. This estimate is lower than the cost of the 1997 replacement as it will not be necessary to repeat the drainage and foundation work that was performed.

Parking lot maintenance is funded from annual revenues. Parking lot replacement will be funded from reserve funds. Contributions of approximately \$11,000 per year are required to meet the expected cost.

### **Shrubbery and Tree Service**

The large grounds maintenance contract does not include all work on shrubbery and trees. The cost of additional services to plant, prune, and remove shrubbery and trees in the general common areas is included in this part of the budget. Shrubbery and tree work, including replacements, is funded from annual revenues.

### **Other Grounds Features (Retaining Walls and Signs)**

#### **Retaining Walls**

There are 22 masonry (stone) retaining walls and 29 timber retaining walls in the Commons.

The masonry retaining walls vary in condition and most date to the original construction in 1943 - 1944. Due to the amount of labor involved in repairing them, they represent a major potential capital expense. Two masonry walls, one of the largest and one of the smallest, have required rebuilding in 2001 and 2007 respectively. The costs were about \$20,000 and \$5,000. Many of the smaller masonry retaining walls will require rebuilding or extensive repair within the next 10 to 15 years.

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Timber retaining walls have been replaced as needed. In 2007 the Commons Grounds Contractor did a survey of the timber retaining walls, categorizing them based on remaining life expectancy and providing a cost estimate for each wall:

Estimated Replacement Span	Number Of Timber Walls	Total Estimated Cost	Average Annual Cost
2007-2011	8	\$12,250	\$2,450
2012-2016	10	\$15,800	\$3,160
2017-2021	11	\$23,775	\$4,755

The rebuilding of retaining walls is funded from annual revenues. The budget for “Other Grounds Services” has been increased to \$25,000 in order to meet this increased need. Some further minor adjustments will be needed from year to year. No use of reserve funds is needed.

### Signs

The Commons has posted large, decorative redwood signs so that guests and safety vehicles can see the addresses of units in the adjacent court from the street. A separate redwood sign immediately below advises that parking is reserved and towing enforced.

In addition to the redwood signs, there are a relatively small number of metal signs regarding dumping, trespassing, and identifying the Commons as private property.

The signs are in excellent condition. Some posts will need to be replaced in the next 20 years, but this can be done on an as-needed basis. A few of the metal signs are fading and may need to be replaced within the next 10 years on an as-needed basis.

All signs were originally purchased and installed with annual revenue. No need to use reserve funds for signs is foreseen.

## **Capital Investments in Recreation Facilities**

### Swimming Pool Facility

The Commons owns and operates a swimming facility for the use of our Co-Owners, residents, and their guests. The facility consists of a 100,000-gallon capacity 25-yard main pool, a 1,500-gallon capacity child’s wading pool, a men’s and women’s bathhouse, lifeguard office, and a pump room. A 7-½ foot tall black-vinyl coated chain link fence surrounds the facility. It is approximately 421 feet in length with posts spaced at roughly 10-foot intervals. Within this area, the wading pool and adjacent deck is enclosed within a 3-foot tall black vinyl coated chain link fence approximately 114 feet in length. A

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concrete deck of 5,100 square feet starts at the pool entrance and runs in front of the bathhouse and office entrances and around both pools. The facility exterior is fully lighted. Within the enclosure there are six entryway lights, 10 pole lights with spherical globes, and three floodlights on the bathhouse capable of fully illuminating the entire enclosure. There are four 500-Watt lights located below the water in the main pool.

The facility was originally constructed in the early 1970s and has undergone several updates and renovations since, the most recent in 2002 when new main drains, returns, skimmers, tiles, and coping stones were installed, beam damage repaired, both pools white-coated, and concrete deck replaced around the deep and far ends of the main pool. To help prevent drowning or disembowelment accidents, dual drains were installed in the main pool and the wading pool drain does not connect directly to the pump. Covers were purchased and installed over both pools.

In addition to the 2002 renovation, extensive work was performed on the facility in 1998. Bathroom floors were removed and re-poured to correct drainage issues, and the toilet stalls, bench-seats, towel, and soap dispensers were replaced. The entire facility was rewired to correct serious safety issues with old, deteriorated wiring, and old lighting was renovated or replaced. Ground Fault Circuit Interrupter (GFCI) outlets were installed in all fixtures, and GFCI circuit breakers installed on circuits serving underwater or pump well devices. The facility complies with modern electrical code requirements.

The main and wading pools are in excellent condition, although they will require white coat prior to the 2008 opening. White coating is needed approximately every six to eight years at a projected cost of \$17,700 in 2008. Due to extensive delamination of the previous layers of white coat, the 2008 cost was in fact about \$22,000.

The concrete deck is also in excellent condition. Two sections were replaced in 2007; other sections have been replaced as needed over the years, most recently in conjunction with the 2002 renovation. The remaining sections of deck have an anticipated life expectancy of 10 to 30 years and will not need to be replaced all at one time. Based on 2007 prices, the replacement cost of the total deck would be approximately \$130,000 - \$135,000.

The extensive 1998 renovation of the structure that contains the bathhouse, lifeguard office, and pump room cost roughly \$42,000, but none of that work will have to be repeated in the foreseeable future. Replacement of the roof in 2009 will cost approximately \$25,000, with an additional \$2,000 in other carpentry.

The fence surrounding the facility will need extensive repair or replacement in one to three years. The fence surrounding the wading pool is in excellent condition and should not require repair or replacement in the foreseeable future.

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The pump system is aging, but is otherwise in first-rate condition and is maintained annually. Barring an unforeseen catastrophic failure, the system should continue to perform well into the future.

The main and wading pools are covered from September through March when they are not in use. The cover was purchased in 2002 with an estimated replacement cost of \$10,000.

Most of past renovations have been paid from annual revenues, rather than reserve funds. All work planned in 2008 and 2009 is to be funded from annual revenues. The Board plans to fund the next white coating of the pool from Reserve Funds. Otherwise maintenance of the swimming pool facility will be funded from the Operating Budget.

### **Other Recreation Facilities**

The Commons maintains a picnic table, a basketball court, a tennis court, and a tot lot located within the Wakefield Street Circle.

**Picnic Table** - The picnic table is a galvanized steel frame anchored in concrete with wood benches and table surface, 11 ½ feet in length. The wood is showing signs of weathering and will need to be replaced within the next five years. The steel frame is sound and appears to not require maintenance or replacement in the foreseeable future. The cost of the picnic table, including steel frame, is estimated at under \$1,000.

**Basketball Court** - The basketball court consists of a 45 by 50 foot concrete slab with backboards and hoops. It is in excellent condition. In 1995, a new concrete slab was poured, posts reset, and backboards, hoops, and nets replaced at a cost of about \$13,500. This work also included resolution of the drainage issue that directly contributed to the early deterioration of the previous playing surface. The slab remains in excellent condition and should last in excess of 50 years from the time it was installed. Poles, hoops and nets are replaced as needed, which is infrequent.

**Tennis Court** - The Commons has one tennis court. It is built on an asphalt slab measuring 108 feet in length by 59 feet in width, enclosed within a 10 foot high black vinyl coated chain link fence with posts spaced at roughly 10 foot intervals. There is a 6-foot, concrete anchored metal frame bench with a wood seat and back just outside the enclosure for waiting players or spectators.

The tennis court was resurfaced and the fence replaced (most of the original posts were reused) in the 1993 - 1994 timeframe at a cost of just over \$5,000. Cracks in the court were sealed and the surface repainted in 1996 and 2005 at respective costs of about \$3,000 and \$5,000. The wood on the bench was replaced in about 2002 and the frame shows no signs of needing maintenance or replacement.

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**Tot Lot** - The tot lot is a 24 by 24 foot area with a substrate of wooden chips. Within this area are a vinyl double slide, a sliding pole, and a “tower” with a wooden ramp to reach the top of the slides and sliding pole. A six-foot bench for parents or caregivers, identical to the one at the tennis court, is located immediately adjacent the Tot Lot. (A third identical bench is located behind 4627 S. 34<sup>th</sup> Street overlooking the woods.)

The current Tot Lot was installed in 2002 following demolition of the original and was located further from the street as a safety measure. The total cost, including demolition and relocation, was roughly \$4,000. With periodic renewal of chips and care for the equipment, the tot lot should last beyond 2027. The cost of replacing the slide and tower, including installation and removal of the old equipment, is estimated at \$1,500 in 2008. Wood chips need to be added to the area every few years. The Commons follows the policy of using only chips that are designed for tot lots, although these are more expensive. The cost of adding chips in the spring of 2008 was \$975.

All work on recreation facilities other than the pool has been funded from annual revenues and no funding from reserve funds has been needed. The Board will assess whether reserve funds will be needed for resurfacing the tennis court and replacing the concrete slab for the basketball court when the life expectancy of these features diminishes to 10 years.

### **Financial Requirements**

Fairlington Commons adopted a policy of spreading out capital replacements, where practical, in the 1980’s. The Commons is painting, replacing roofs, sidewalks, retaining walls, fences and decks, and other capital features every year with fairly little variation in budget from year to year. Other capital features are staggered. The tennis court is not resurfaced in a year when we are white coating the swimming pool. Some upward adjustment in the budget will be required to increase the pace of roof and retaining wall replacement. In 2008 almost \$18,000 is budgeted for white coating the pool. In 2009 this money can be directed to roofing. An increase of roughly \$7,500 in the roofing budget beyond this level is required and can be addressed by increasing the assessments by 1%.

Repaving parking lots is one of two capital expense planned for funding from reserves. The other is white coating the pool. Reserve contributions of roughly \$11,000 and \$4,667 per year are required to fund these items respectively. The Commons has budgeted a \$50,000 increase in reserve funds for 2008, well beyond this level. Most of this is needed to restore reserve funds and to cover unexpected emergencies. In a four-year period the Commons experienced substantial expenses that included the need to underpin several buildings, damage from a hurricane, and damage from a “storm of the century.”

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After 2008 the Board will need to decide whether to fund some of the further capital recreation expense entirely from annual revenue or draw on reserve funds to cover at least part of these expenses. These periodic expenses could be covered by irregular decreases in areas such roofing, fencing and decks, and paving. On the other hand, setting aside additional money for resurfacing the tennis court and other work on recreation facilities could avoid the need for such decreases. This decision could well turn on the question of whether the Commons substantially restores reserve funds to cover unexpected emergencies or must in fact meet such emergencies in 2008 and 2009 from planned additions to reserve funds or drawing on reserves.

It is essential the Board develop budgets that are realistic with respect to inflation and meeting needs for unplanned maintenance. Optimistic assumptions are an easy way to force the Board to allocate money intended to additions to reserve funds to cost overruns or unforeseen maintenance.