

Condo Conversations: "Be prepared" is common-interest communities' best bet when budgeting | Home & Living

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When it comes to budgeting, condominium and property owners associations should remember the Boy Scout motto: Be prepared.

Autumn is the traditional time for associations to prepare their budgets for the following year. But as you crunch the numbers and calculate owner dues, don't just focus on costs in the year ahead. You also must set money aside for big-money projects that may be many years down the road.

Like parents who ignore saving now for their child's future college expenses, condo boards and residents may be tempted to lowball the budget because that keeps current owners' assessment as low as possible.

This ignores the fact that roofs, parking surfaces, bulkheads and other major common-interest features of condo communities don't last forever. Sooner or later, they'll have to be replaced, and that carries a big price tag.

Luckily, Virginia compels condo boards to be farsighted. Virginia Code titled 55-514.1 (<https://law.lis.virginia.gov/vacode/title55/chapter26/section55-514.1/>) requires boards to study every five years the future need for repairs, replacement or restoration of capital times, and the amount of reserve funds that should be set aside annually to cover those future costs.

By law, boards must review the "reserve study" annually to determine if those reserves are sufficient. Part of that calculation is estimating the current replacement cost of capital items as well as the items' estimated remaining life. If the reserves are insufficient, boards must "make any adjustments" necessary to ensure the reserves become adequate.

According to the same code:

"A. Except to the extent otherwise provided in the declaration and unless the declaration imposes more stringent requirements, the board of directors 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 board of directors deems necessary to maintain