



The Berding | Weil Reserve Funding Survey Results for 2008

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The Community Association Seminar hosted by Berding | Weil on November 21, 2008 was well attended and positively reviewed by the attendees. One of the features was our reserve funding survey. We asked the participants to provide answers to some questions about the status of reserve funding in the community associations that they live in or manage. Since all of those in attendance were either managers or board members, that information was available to most attendees. In all, we received reserve funding information for 184 community associations.

As anyone knows who has been reading our essays and articles over the years, we have a concern about the status of association finances generally and reserve funding in particular. We have participated in two prior surveys done 4 and 7 years ago, respectively. Each of those surveys was done on a cross section of associations, both condominiums and planned developments, of various sizes and ages. We followed a similar format for the 2008 version.

Of the 184 responses, 47% were condominiums; 37% were attached planned developments; 6% were both; and 10% were "other," most likely single family home associations. Only 4% were small--less than 20 units. 22% were 21-50 units; 19% were 51-100 units; and 55% were large associations, more than 100 units. They were all ages. 35% were less than 10 years old. 40% were between 11 and 20 years; and 25% were more than 20 years old. We asked the question: **"What percentage of the cash that your reserve study recommends that you have on hand in your reserve accounts today do you actually have?"** The average for all of the respondents was **63%**.

This breaks down as follows: 25% of the associations responding had 0-25% of the cash they should have. 23% had 26-50%; 20% had 51-75%; and 32% had 76-100% of the cash that their reserve study requires that they have on hand today. In 2008, 52% of the respondents had over 50% of the required funding on hand. However, 48% had less than 50% of the necessary funding on hand.

Our analysis. The average percent funded of 63% was higher in 2008 than in our two prior surveys, where we found an average of 54% in 2003 and 53% in 2006. However, the associations responding to the earlier, 2006 survey were much older on average. Fully 52% of the 2006 respondents were over 20 years old, whereas only 25% of the 2008 respondents were that age. At the other end, only 21% of the 2006 respondents were under 10 years old, whereas 35% of the 2008 associations were under 10 years. This is not surprising considering the amount of new construction that has occurred during the past three years and which could easily account for the younger age of the participants, on average, and the increase in the average funding percentage this year. As we identified in the discussion of the 2006 results newer associations tend to at least appear more fully funded than older ones which have begun to add costs for major renovations and repairs, some of which were unexpected.

While the results of this survey might indicate that board member education and a growing awareness of the need for adequate reserve funding has had a beneficial effect overall, there is still a sizeable funding gap, especially when the relatively young average age of the associations in this survey is considered. Given the economic realities we are presently facing, these results should not be cause for a New Year's celebration.