

APRA

Association of Professional Reserve Analysts

August 11, 2014

Ms. Claudia Rosolen
Commission Coordinator
The Commission for Common-Interest Communities and Condominium Hotels
2501 East Sahara Avenue, Suite 202
Las Vegas, Nevada 89104-4137

Re: LCB File No. R050-13

Ms. Rosolen,

Out of concern for the interests of our members conducting business in Nevada the Association of Professional Reserve Analysts would like to make the following comments and recommendations regarding the proposed changes to NAC 116:

Section 1: Proposed addition to NAC 116:

"For the purposes of paragraph (a) of subsection 1 of NRS 116.31152, the 5-year period for conducting a reserve study commences on the date on which the on-site inspection of the major components is performed."

APRA Recommendation:

For the purposes of paragraph (a) of subsection 1 of NRS 116.31152, the 5-year period for conducting a reserve study commences on the first day of the association's fiscal year for which the study was prepared, date on which the on-site inspection of the major components is performed.

APRA Comment:

The purpose of a reserve study is to serve as a budgeting tool during the budget preparation period for the upcoming year. Tying the 5-year period to the date of the site visit could have the adverse effect of making each subsequent reserve study prepared earlier in the year until the study is prepared so early in the year that it is no longer a valuable tool. We suggest tying the period to the year before fiscal year for which the report was prepared. Therefore an association with a reserve study prepared in July of 2014 for fiscal year 2015 should have another reserve study prepared the year before FY 2020, or FY 2019. In this way an association that "missed" their deadline and had a study prepared in the early part of the same fiscal year for which their report is being prepared (ie prepared date of 1/15/2014 for FY 2014) would get "back on track" at the following cycle by being required to have their study prepared the year before FY 2019. This would also solve the issue of an association that initially had a reserve study

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prepared for the upcoming fiscal year but then revised the study later, during the fiscal year for which the report was prepared.

Proposed change: NAC 116.31152 (5) (j)

"A listing and detailed description of each major component of the common elements;"

APRA Recommendation:

"A listing and detailed description of each major component of the common elements included in the study;"

APRA Comment:

This wording is potentially too vague. A Reserve Study is necessarily a budget for those components that require reserve funding. Reserve funding for all components, even major components, may not be appropriate. They might be infrastructure items designed to last the life of the community. Major components would include the structure of buildings themselves or underground utilities. The maintenance of major components could be covered adequately in the operating budget (ie a community that builds into their operating budget the painting of 1/8 of their community annually on an 8-year cycle). This wording would require items to be listed whether they are funded for or not and would be exhaustive.

Proposed change: NAC 116.31152 (5) (k)

"A table showing the remaining useful life of each major component of the common elements from the time of each component's initial or last installation."

APRA Recommendation:

"A table showing the remaining useful life of each major component of the common elements from the time of each component's initial or last installation."

APRA Comment:

The remaining life from the initial or last installation is irrelevant. Also the initial or last installation date may not be known. The remaining life should be based on current condition or based on the rate of current aging as determined by the opinion of the reserve study provider.

Proposed change: NAC 116.31152 (5) (l)

"Using the current replacement cost, a 30-year table that reflects the projected ending reserve fund balance for each year as compared to the fully funded balance for that year;"

APRA Recommendation:

"Using the current estimated replacement cost, adjusted for inflation, a 30-year table that reflects the projected ending reserve fund balance for each year as compared to the fully funded balance for that year;"

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APRA Comment:

Using the current replacement cost is appropriate and in accordance with the principles of finance. However the replacement cost should be adjusted for estimated inflation in future years in order for the 30-year table to be relevant.

Proposed change: NAC 116.430 (6)

"If known, any guarantees, expressed or implied, that are provided by any component manufacturer or service provider, with the predictions that would affect the cost or life expectancy of any major components."

APRA Recommendation:

Remove entirely

APRA Comment:

This would serve to undermine the experience and expertise of the reserve study provider. Warranties typically include so many provisions and proration's that they may not be worth relying on and could give the consumer a false sense of how long their product may last. Further the roofer installing a new roof telling us "this roof will last forever" would be an implied warrantee but including such information in the reserve study would be irresponsible and relying on it would be gross negligence. Reading and interpreting warranties and providing opinions on them would require a license to practice law.

Proposed change: NAC 116A.435 (1) (b)

"Has ever had a permit, license or designation from a nationally recognized professional organization that authorizes him or her to act as a reserve study specialist in another jurisdiction revoked or suspended."

APRA Recommendation:

"Has ever had a permit, license or designation from a nationally recognized professional organization that authorizes him or her to act as a reserve study specialist in another jurisdiction revoked or suspended for cause."

APRA Comment:

An individual might have a permit, license, or designation revoked for non-renewal. Suggest adding "for cause" or similar.

Sincerely,


Robert A. Forney
Director & Officer
On behalf of:
The Association of Professional Reserve Analysts