Top 7 Considerations for your HOA Reserve Fund

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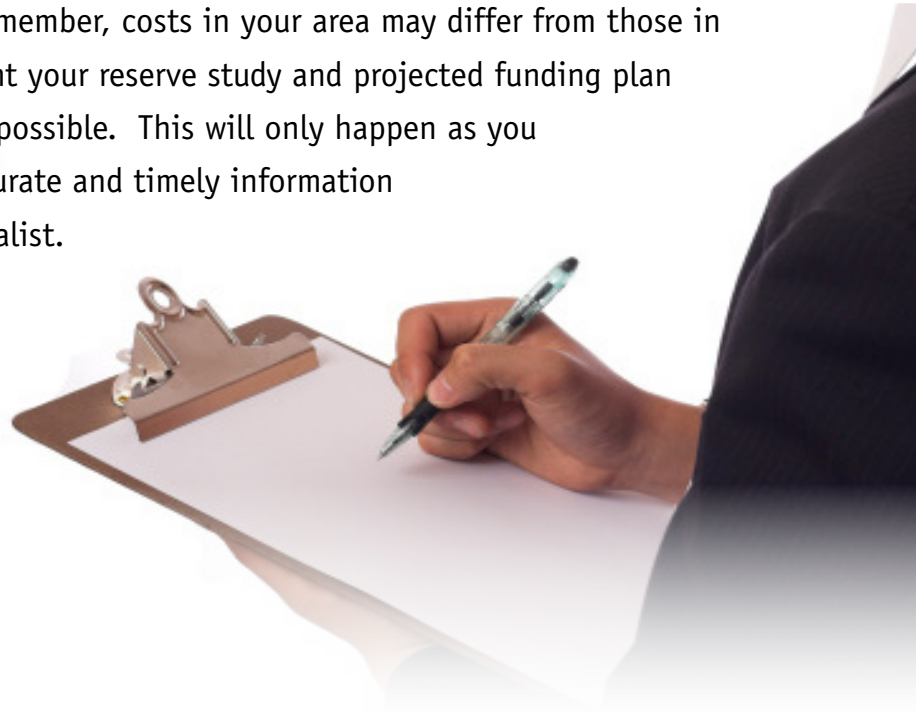
1. Hire a reserve specialist.

If your association does not work with a reserve specialist (a company that prepares a reserve study and plan for your community), consider getting one immediately. Especially in California, not only will they provide you with a reserve funding plan, they should also be providing you with all of the reserve disclosures required by California law. Follow the plan your reserve specialist helps you create, making adjustments only after discussing them with the specialist and considering their advice.

2. Provide the reserve specialist with as much information as possible.

This not only includes the projects you are completing, but also the costs of those projects. Remember, costs in your area may differ from those in other areas. You want your reserve study and projected funding plan to be as accurate as possible. This will only happen as you continue to give accurate and timely information to your reserve specialist.



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3. Know what you're setting aside funds for.

The reserve funds are set aside for long-term items, such as roads, roofs, painting, fencing, etc., that the association is responsible for maintaining and/or replacing. Since these can be expensive projects, an appropriate amount of money must be set aside consistently to cover these costs so that when it comes time to do this work, the funds will be available.

4. Having some money in your reserve fund isn't the same as having enough.

Understand that there may be a good amount of money in your reserves, but your reserve fund still may be underfunded. Avoid the tendency to think that because you have this money in reserves that you can decrease or stop funding the reserves in order to keep the assessments low. The funds are already designated and you may still be underfunded.

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5. Remember that your duty is to be a fiduciary of the association.

In that role, you should be willing to make the hard decisions to make sure the association is properly funding the reserves. This means consistently budgeting so that your association is putting the appropriate amount of money away for projects and costs in the future, as scheduled by your reserve specialist.

6. Do not try to defer maintenance in an effort to keep assessments low.

Instead, look at strategic options that you may have to enhance or extend the life of these reserve items. For example:

a. You may choose to pay the higher price for good quality primer or paint that will last longer. An extra year in the life of your paint job will save you significant labor costs over time.

b. Consider longer lasting options rather than just using the same materials as before. For example: 40 year roofs instead of 30 year, metal or TPO instead of rolled (hot tar) roofing, and cement fiber siding instead of wood products.

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c. Use experts in their field to give you input and options for repairs. For example, this may be very helpful with roads or asphalt. Should you patch and seal, do an overlay or remove and replace? You want to get the best result for your money, considering the conditions of your roads and the life expectancy of different repair options.

7. Use your study as a tool.

Reviewing your reserve plan at least once a year will help you assess if you need to make adjustments based on whether or not they match up with the reserve projections. Again, this will make your reserve fund more useful and accurate as you manage your communities.

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