

MEADOWCREST HOA ANNUAL MEMBERS MEETING
OCTOBER 15, 2024

Reserve Plan & Study

AGENDA

- Establishing a reserve plan
- Industry recommendations
- Who does the study
- Meadowcrest examples
- Benefits and Risks
- Board & Officers roles

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What is reserve plan and
how is it developed?

WHAT IS A RESERVE PLAN AND HOW IS IT DEVELOPED?

- One of the primary duties of the board is protecting property values. Boards accomplish this, in part, by planning ahead and reserving money for future big-ticket expenses in funds called reserves.
- Identifying what the big-ticket items the HOA is responsible for, what it will cost to replace and/or repair over time is critical in determining how much money the HOA needs to have in reserve to pay for these future long-term expenses.
- Reserve studies have two parts:
 1. A physical inspection, evaluation, and analysis of assets the community maintains, repairs, or replaces.
 2. A review of reserve balances, contributions, and financials.
- The board cannot develop a realistic budget without having a solid reserve plan supported by a reserve study.

Source: Community Association Institute (CAI) The Board Member Toolkit, 3rd Edition

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Industry recommendations

COMMUNITY ASSOCIATIONS INSTITUTE (CAI)

- Community Associations Institute (CAI) is a national, volunteer-driven, non-profit organization formed in 1973 to provide the education and resources to people who live in and work with community associations.
- Idaho Chapter was established in 2018 and is the 64th Chapter of CAI
- CAI establishes best practices for HOA's and works with the legislature to create or change laws impacting HOA's
- Brindee Collins served as the Chair of the Idaho Legislative Action Committee
- Burt Willie currently serves on the Idaho Chapter Board of Directors
- CAI offers training and certifications for managers as well as board members.

Source: <https://www.idcai.org/>



Idaho CAI Blog



Why Does My HOA Need a Reserve Study?

4/17/2024

[2 Comments](#)

By: **Dianne Donnelly** – CMCA, AMS, Park Pointe Management Services

Why does our community need a Reserve Study? If something major needs repaired or replaced, we'll figure it out at that time, or hope we've been setting enough funds aside in our Reserve Account.

Reserve Study requirements are different from state to state. Some states require a reserve study be completed, how often it must be updated, and what percentage of funds, based on the study, must be in the HOA's Reserve account. Idaho does not currently require a reserve study to be completed for a homeowner's association, but don't be surprised if that changes in the near future. Just because it's not required does not take away from the importance of having one completed, and the enormous benefit to your community.

As an elected Board Member, one of your most important responsibilities is Fiduciary Duty. In a Homeowners Association, that means a duty to make decisions and act in the best interest of the association, and its subsequent members.

Taking action, as a Board, shows the community that you are being fiscally responsible and looking to protect the assets of the HOA, not just for the period of time you are on the Board, but for years in the future. Having a Reserve Study completed ensures the HOA increases the value of the property, in whole, over the long-term and ensures that the financial plan is intentional and not reactionary.

Not planning for the future can be short-sighted and can put your community in a very difficult financial position when things begin to deteriorate, or you have large, unexpected repair or replacement costs.

[What is a Reserve Study?](#)

At its core, a reserve study is a financial projection of income and expenses over a pre-determined period of time (I.E. 30

RESERVE STUDY RECOMMENDATIONS

- Idaho CAI article – “*Why Does My HOA Need a Reserve Study?*” – Published April 17, 2024
- “Idaho does not currently require a reserve study to be completed for a homeowner’s association, *but don’t be surprised if that changes in the near future. Just because it’s not required does not take away from the importance of having one completed*, and the enormous benefit to your community.”
- “A Reserve Study should be updated every three to five (3-5) years to account for changes in inflation/interest rates, changes in the rate of deterioration of assets, changes in code /ordinances, changes in Board composition resulting in scope of work changes, and changes in preventative maintenance practices.”

Source: <https://www.idcai.org/blog/why-does-my-hoa-need-a-reserve-study>

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Who does the study?

RESERVE SPECIALIST

- Experts, called Reserve Specialists, prepare reserve studies that tell HOA's how much they need to put aside, or reserve, in each year's budget so when the time comes, money is available to replace or maintain the big-ticket items.
- Reserve funds build up over many years. Therefore, investment strategies are an essential component of any reserve-funding program. Boards have a fiduciary obligation to protect the principal while maximizing the return on the investment.
- The Reserve Specialist will make recommendations to the Board to include the type of funding plan best suited for the HOA (Full, baseline or threshold) as well as the percentage of the annual assessments that should be placed into reserves.

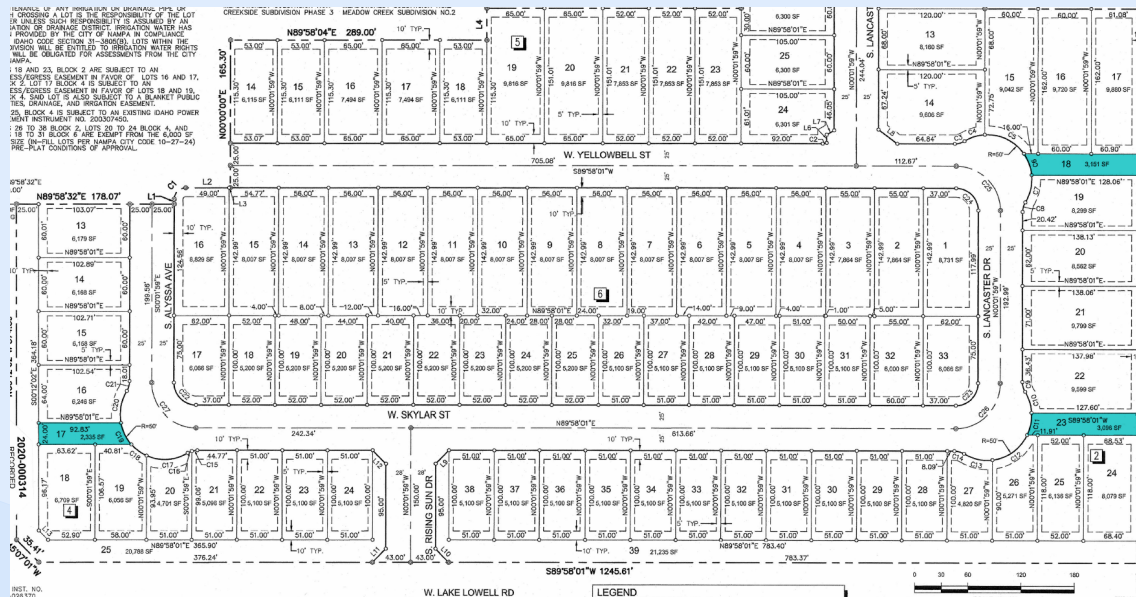
Source: Community Association Institute (CAI) The Board Member Toolkit, 3rd Edition

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Meadowcrest examples

ACCESS DRIVES

- Four (4) exist
- These are private drives owned by the HOA
- Resurfacing and repairs are the responsibility of the HOA



MOUNUMENTS



- Two (2) exist
- HOA is responsible for maintaining and or replacing as needed

COMMON AREAS

- Major irrigation repairs/improvements
- Major landscaping repairs/improvements
- Electrical repairs/improvements



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Benefits and Risks

BENEFITS OF HAVING A PROPER RESERVE PLAN

- Enhances resale values
- Earn interest on properly invested reserve funds
- Funds availability for large ticket expenses
- Maintain common areas for enjoyment of all members

RISKS OF NOT HAVING A PROPER RESERVE PLAN

- Negative impact on resale values
- Possible need to obtain loan to fund repairs (paying interest vs earning interest)
- Possibility of special assessments
- Possibility of increased annual assessments

Source: Community Association Institute (CAI) The Board Member Toolkit, 3rd Edition

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Board & Officer Roles

BOARD OF DIRECTORS

- Board Members have fiduciary duty to make decisions and act in the best interest of the association.
- By taking action, the Board shows the community they are being fiscally responsible and looking to protect the assets of the HOA, not just for the period of time they are on the Board, but for years in the future.
- Having a Reserve Study completed ensures the financial plan is intentional and not reactionary.
- Not having a solid reserve plan can be short-sighted and can put the community in a very difficult financial position when things begin to deteriorate, or there are large, unexpected repair or replacement costs.

Source: <https://www.idcai.org/blog/why-does-my-hoa-need-a-reserve-study>

OFFICER ROLES

PRESIDENT

WORK WITH PROFESSIONALS

Many associations employ either a community management company or a professional manager who directs association operations based on policy set by the board. The president is the liaison between the manager and the association.

Seeking the services of an attorney, accountant, architect, insurance or other professional is in the best interests of the association. Experts provide information and expertise that board members don't normally have. For example:

- Reviewing legal contracts requires advice from an attorney.
- Managing reserve funds requires guidance from an accountant or investment advisor.

PROTECT THE ASSETS

Board members have a fiduciary obligation to protect the community association by:

- Preparing and adhering to an association budget (with the assistance of the professional manager) that reflects the best interests of the community.
- Adequately funding reserve accounts and educating homeowners about the value and purpose of a reserve fund.
- Collecting assessments from homeowners.
- Seeking the advice of a certified insurance specialist, and protecting the association with appropriate levels of insurance coverage.

TREASURER

IMPLEMENT A RESERVE PROGRAM

Reserves are a primary responsibility of the treasurer and the board of directors. The treasurer must:

- Conduct a reserve study.
- Update the reserve study periodically.
- Develop and implement a reserve funding schedule.
- Fund the reserve accounts appropriately.

See Section 12 for more information about reserves.

SELECT A CPA AND CONDUCT AN AUDIT

Ensuring that the association is working with a qualified certified public accountant (CPA) is one of the treasurer's important duties. CPAs with community association experience are better equipped to provide the expertise you need. The treasurer should work with the CPA to perform an annual audit—a very important document for a community association, the management company, and the board. Even if your association uses the services of a CPA, or if your treasurer is a CPA, all board members—especially in self-managed associations—should have a basic understanding of community association finances.

Thank you