



THE PRACTICAL GUIDE TO HOMEOWNER ASSOCIATION MANAGEMENT

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# **HOA Reserves, Assessments, Loans, and More: Are You Managing Your Condo/HOA's Finances Wisely?**

An HOAleader.com Webinar

Presented By

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# Your Presenters



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# Agenda

- **Understanding HOA Reserves**
- Reserve Study Basics
- Other Options – When Reserves Aren't Enough
- Tips for Effective Money Management
- Communicate, Educate & Engage
- Conclusion and Q&A

# Understanding HOA Reserves

## 1. Defining HOA Reserves



## 2. Owner's Perspective



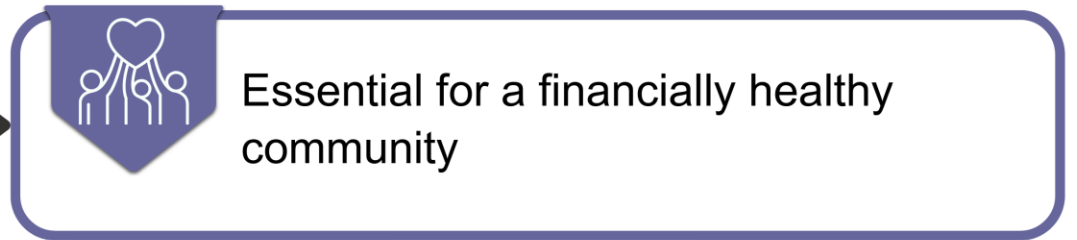
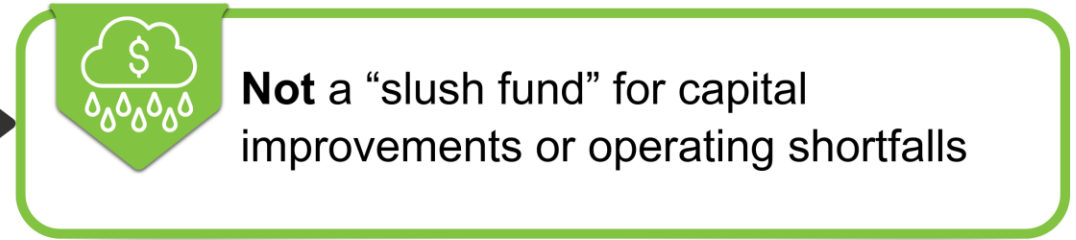
## 3. Board's Perspective



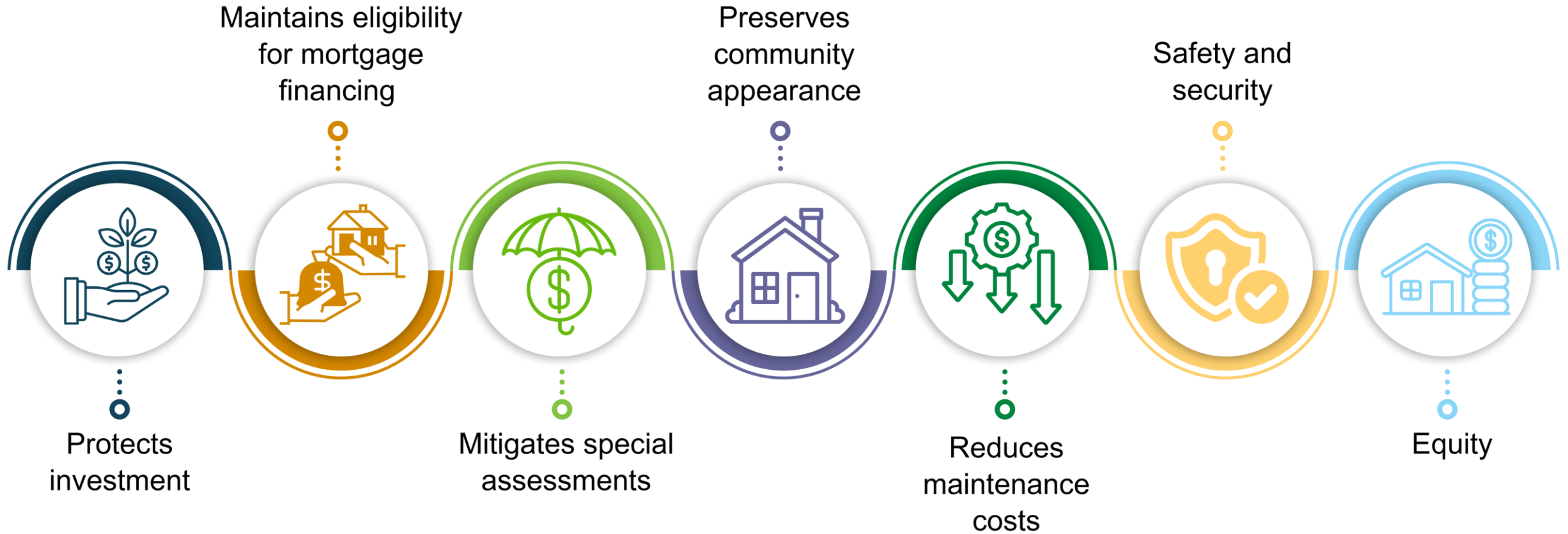
## 4. Manager's Perspective



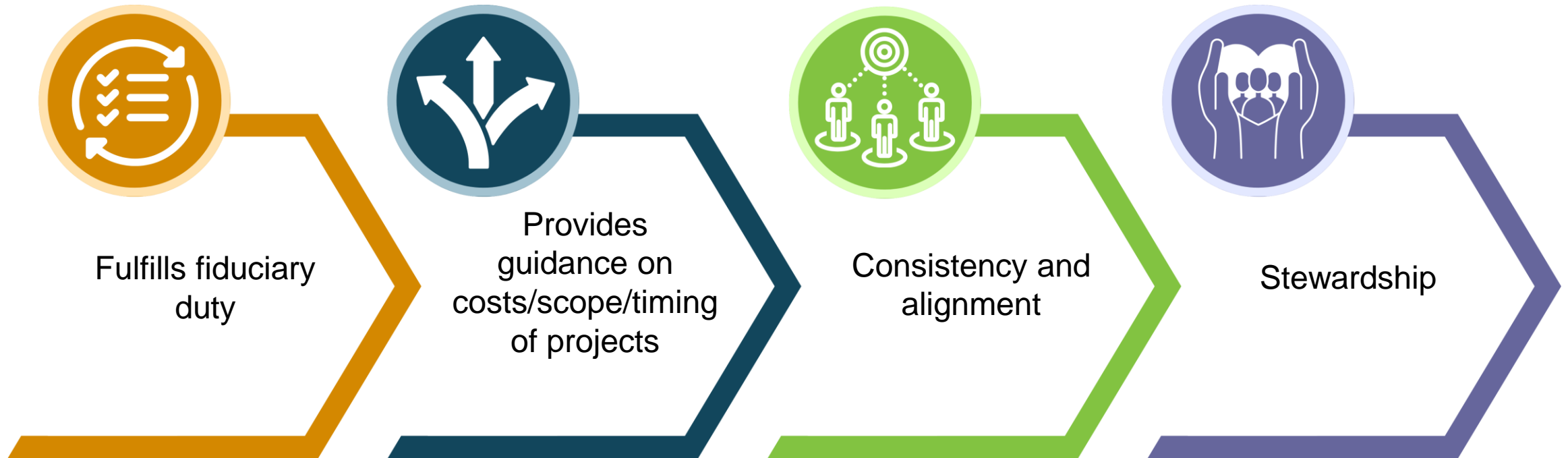
# Defining HOA Reserves



# Importance of Reserves – Owner’s Perspective



# Importance of Reserves – Board’s Perspective



# Importance of Reserves – Manager’s Perspective



Fewer surprises  
and complaints



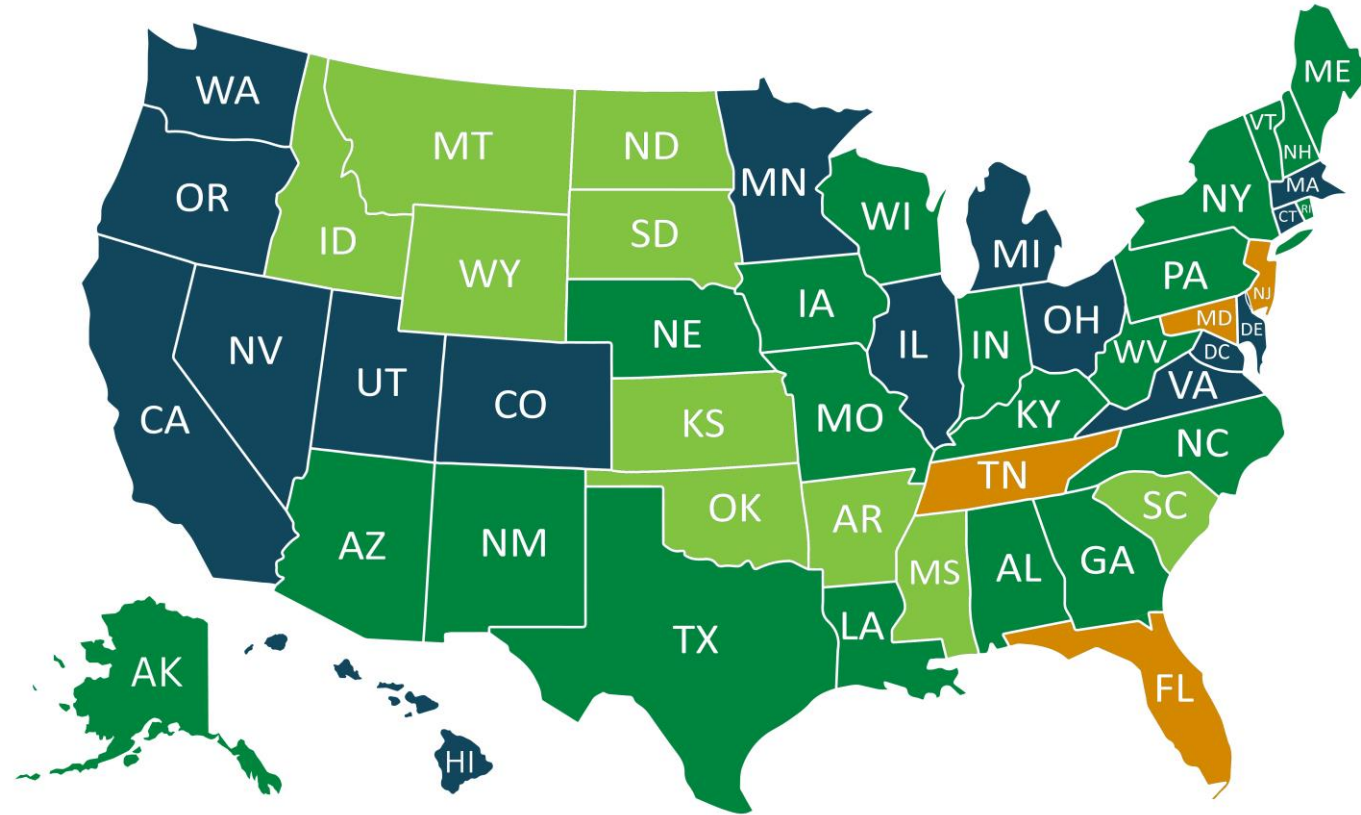
Saves time with  
decision-making and  
projects



Compliance with laws  
and accounting  
requirements



# Legislative Requirements



Reserve study and/or funding requirements

Updated statutes since June 2021

Statutory guidance for reserves

No requirements

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# Reserve Study Basics



## Physical Analysis

Property Classification  
Inspection  
Life Valuation  
Cost Estimating



## Financial Analysis

Funding Methodology  
Current Fund Status  
Funding Plan & Goals/Strategies

# Physical Analysis



## Property Classification 3-Part Test

Association Responsibility



## Inspection

Quantify  
Quality  
Condition Assessment



## Life Valuation

Useful and Remaining  
Useful Life  
Age, History, Condition,  
Material Quality, Use,  
Environmental Exposure



## Cost Estimating

Historical  
Local Similar Scopes  
Include Demo and  
Disposal  
Current vs. Future  
Values

# Physical Analysis

Line Item	Reserve Component Inventory	RUL = 0 FY2022	1 2023	2 2024	3 2025	4 2026	5 2027
<b><u>Exterior Building Elements</u></b>							
1.280	Roofs, Asphalt Shingles, Phased					228,696	234,414
1.400	Roofs, Flat, Phased					71,748	73,542
1.540	Sealants, Windows and Doors, Phased					12,418	
1.860	Walls, Stucco, Paint Finishes and Capital Repairs, Phased		38,438	39,398	40,383		
1.910	Walls, Trim, Soffits and Fascia, Paint Finishes, Phased		12,812	13,133	13,461		
<b><u>Interior Building Elements</u></b>							
2.200	Floor Coverings, Carpet, Hallways						24,891
2.800	Paint Finishes, Hallways						20,705
<b><u>Building Services Elements</u></b>							
3.060	Air Handling Unit, Rooftop Heating and Cooling Unit					9,934	
<b><u>Garage Elements</u></b>							
7.400	Door and Operator				3,231		
<b>Anticipated Expenditures, By Year (\$4,849,527 over 30 years)</b>		<b>0</b>	<b>51,250</b>	<b>52,531</b>	<b>57,075</b>	<b>322,796</b>	<b>353,552</b>

# Financial Analysis



## Funding Methodology

Cash Flow  
Component



## Current Fund Status

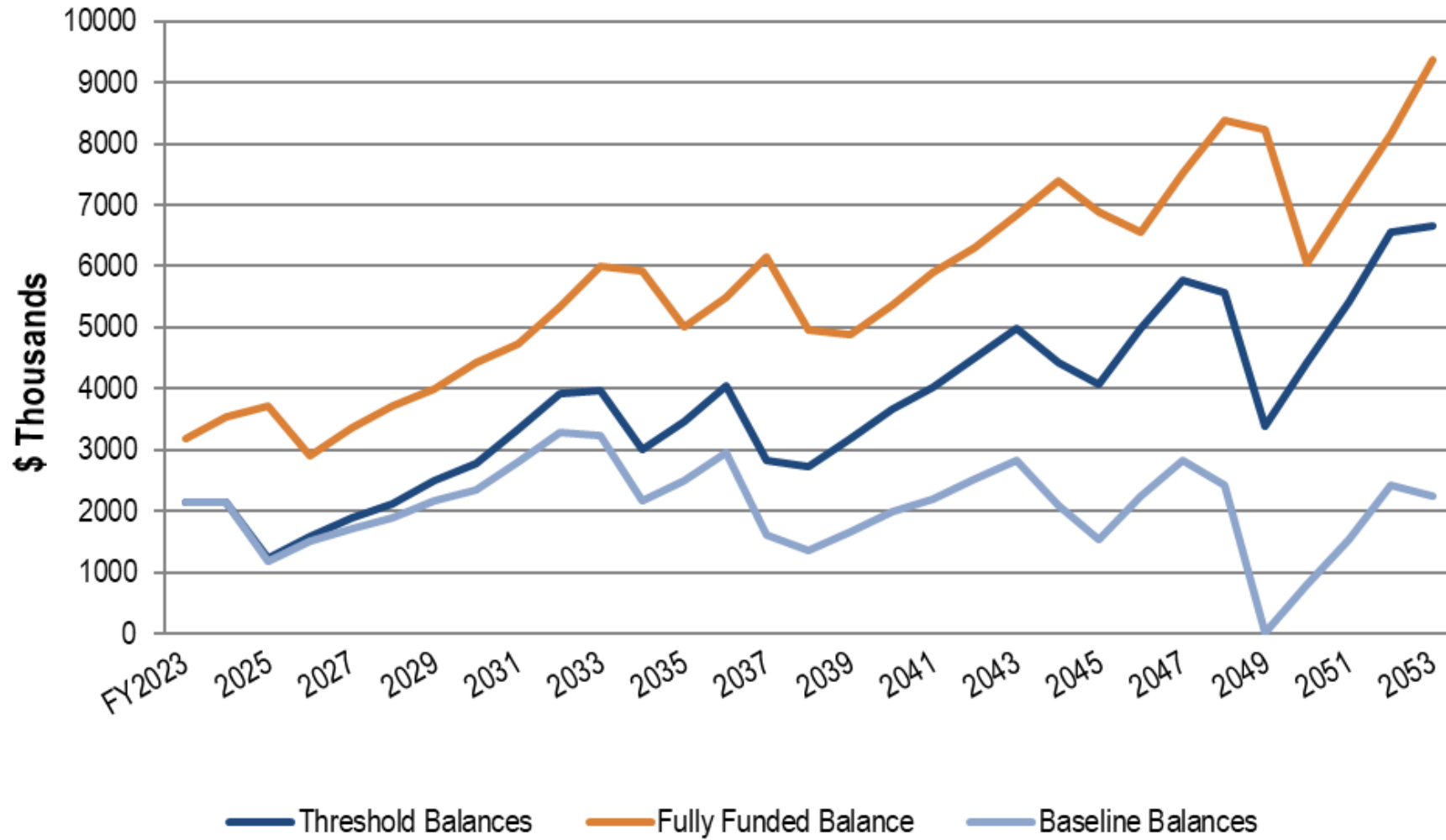
Cash  
Percent Funded  
Projected to year end



## Funding Plan & Goals/Strategies

Full Funding  
Threshold Funding  
Baseline Funding

# Financial Analysis



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# Other Options – When Reserves Aren't Enough



Special Assessments



Loans & Financing



Do Nothing!

# Special Assessments



Check documents to ensure Board can levy without owner approval



Administrative fees, collections, and delinquent payments



Early communication is key

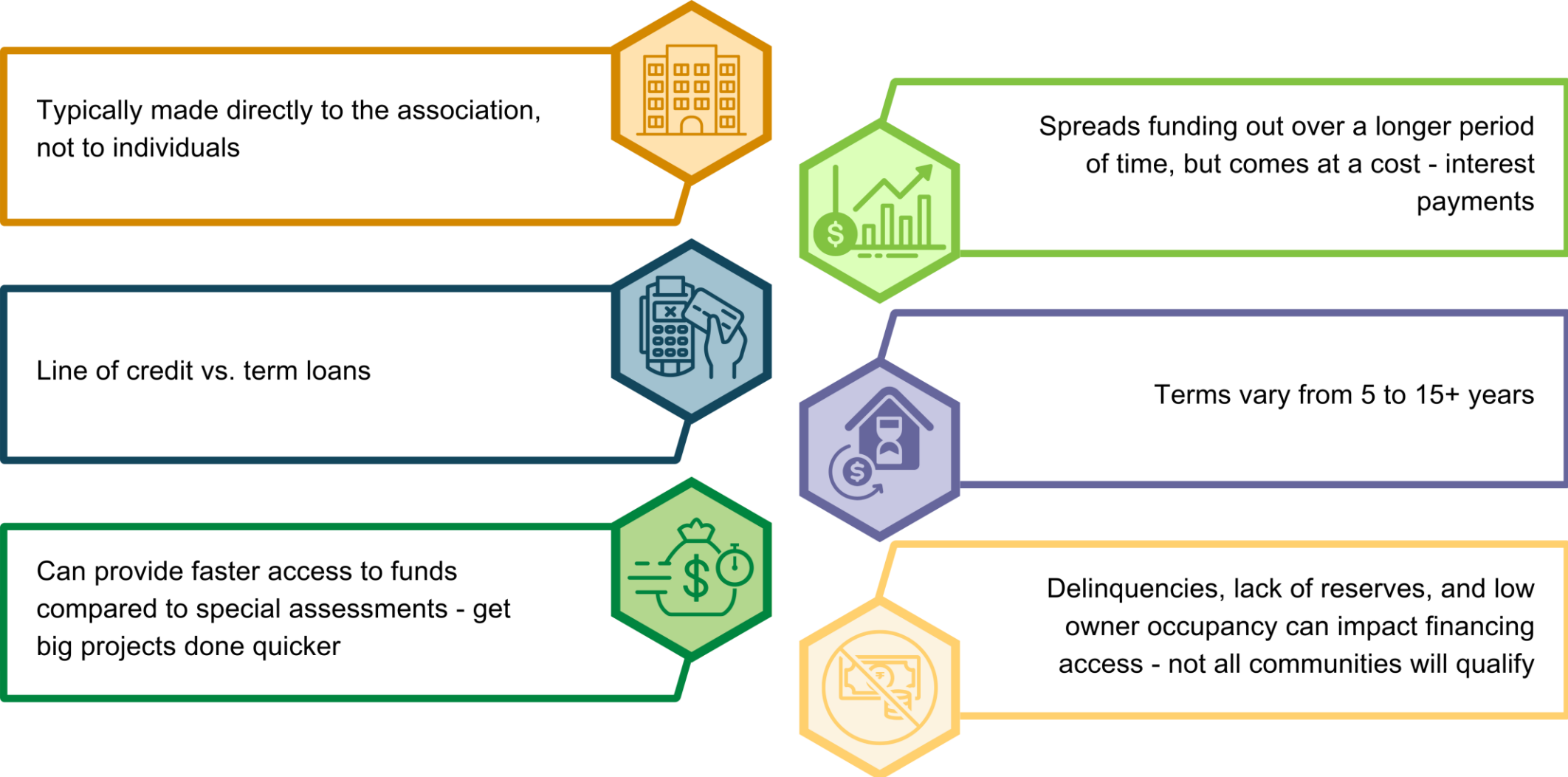


Good for unexpected expenses, but can be a sign of poor management



Repeat assessments can impact property values

# Loans and Financing



# Do Nothing



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# Tips for Effective Money Management



Establish a realistic budget



Establish a reserve fund policy



Monitor and review financial performance

# Establish a Realistic Budget

1



Develop an annual operating budget that includes funds for routine maintenance, utilities, insurance, administrative costs, and contributions to reserves

2



Ensure the budget reflects both current needs and anticipated future expenses

3



Leave yourself working capital and plan for contingencies

# Establish a Reserve Fund Policy



Develop an annual operating budget that includes funds for routine maintenance, utilities, insurance, administrative costs, and contributions to reserves

Consider an investment advisor



Implement clear financial policies and procedures for approving expenditures and managing funds

Priorities – Protection of principal (security), liquidity, then yield





# Monitor and Review Financial Performance



Regularly review financial statements, budgets, and reserve fund status



Conduct financial audits or reviews periodically to ensure compliance and accuracy in financial reporting

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# Communicate, Educate and Engage



Provide clear and timely financial reports to homeowners, detailing income, expenses, reserve fund balances, and any planned expenditures



Foster open communication channels to address homeowner concerns and questions about finances  
Seek input on priorities



Remind them of the importance of adequate reserves and the legal obligations



Encourage continuing education as laws and attitudes change

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# Conclusion

Wisely managing your condo or HOA's finances boils down to...



Avoiding common mistakes



Relying on current and professional information



Communicating the true cost of ownership



Setting your community up for success by having a long-term plan in place



Fostering stewardship to create a harmonious community

# Questions?



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