



THE OAKS AT CALABASAS: HOW RESERVE STUDIES HELPED OUR BOTTOM LINE

by Dan Hotchkiss

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Most visitors to The Oaks at Calabasas see a lot to envy: graceful homes, beautifully maintained roads, lush landscaping, and well-heeled residents including film and television stars. With so much to like, it's easy to imagine luxury is all the gated Southern California community has ever known.

Brian Cameron knows better. "I was the first resident of The Oaks," he said. "For eighteen years I served on the board, most recently as treasurer. I have been president as well." As recently as 2007, all was not well in paradise.

"In the year following the transition from developer control of the common areas to HOA control," Cameron recalls, "I came back onto the board and looked at the financial statements. Our reserves had dropped \$400,000 in 2006 to just \$40,000 at the end of 2007. The board had dipped into reserves for operating purposes. You are allowed to do that, but you are supposed to notify the homeowners, and you have to have a plan."

The Oaks at Calabasas was a mess. Fortunately, The Oaks had worked for several years with Association Reserves, Inc. "They helped us to create a plan," says Cameron, "The first thing we did was try to determine how much money we would need short term, whether we had sufficient capital in that \$40,000 to cover it. The Reserve Study shows an expected remaining lifetime for each capital component. We went back to them and said, 'This year it says we should replace the sidewalks. Can we in fact delay that expense, and what effect will that have on future costs?'"

Among its residents, The Oaks has attorneys, accountants, and management professionals. But skill and talent—as too many HOAs have learned to their regret—is not enough. To get agreement on a plan, there is no substitute for an objective, outside voice. "Our Reserve Study gave us hard data," Cameron remembers. "I put together a task force, and our Reserve Study helped them to get us back on track."

It took some time to disentangle all that had gone wrong. The previous HOA president had misallocated funds and overpaid for service contracts, all without approval from the Board. Most seriously, he had approved an agreement with four homeowners (including himself) giving them exclusive access to the roadway connecting to their homes, for a monthly fee of only \$11 per homeowner.

After commissioning a special Reserve Study of costs specifically related to the disputed roadway, the newly constituted HOA board raised the fee to \$164. The homeowners sued the HOA, which called on Robert Nordlund, founder and CEO of Association Reserves, to testify in its behalf. The trial court decided in the HOA's favor. The appeals court affirmed the decision, noting that Nordlund "testified at length concerning the basis for his opinion that the correct assessment was \$163.98, including describing the methodology and database he used to arrive at his estimates."

The HOA was glad it had enlisted Robert Nordlund and Association Reserves to support its position. "Robert performed magnificently," Cameron remembers. "He was able to articulate the source of the charges in such a way that the judge was nodding and convinced we had done everything properly. We were even able to collect our legal expenses."

The Oaks at Calabasas HOA continues to benefit from regular Reserve Studies, and from its relationship with Association Reserves. Laura Thaller, the current general manager, says that the Reserve Studies "absolutely do play a role" in building trust and harmony in the HOA. "I've learned how to evaluate the reserve study and explain it to others. If homeowners aren't asking questions, they are happy."

When questions do arise, Thaller relies on the Reserve Study to explain fees set by the board. "Robert does all of the formulas and detail work. Together we do a whole walk-through every year. Robert has had a long history with this community. He's spent a lot of time on the phone explaining things. He's very accessible, quick to return phone calls, available to us. That makes a big difference when a homeowner wants to know how we arrived at the fees we're charging."

The Oaks at Calabasas enjoys advantages not every HOA can match: affluent homeowners, rising prices, and spectacular views. But The Oaks is not immune to conflict or mismanagement. After its crisis, its HOA rebuilt homeowner trust through responsible board governance and sound management, supported by facts, analysis, and explanations from its trusted partners at Association Reserves.

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