CAN RESERVE FUNDS BE USED FOR DROUGHT-FRIENDLY LANDSCAPE RENOVATIONS?



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In the middle of a major drought, many of our California clients are asking this question as they try to be both "good citizens" and financially responsible. The answer is yes, but…

Landscape renovations can be classified as a Reserve Project if they meet the National Reserve Study Standard three-part test:

1) The project is a common area maintenance responsibility

2) The need and schedule can be reasonably anticipated

3) The total cost for the project is significant to the association, and can be reasonably estimated

Many associations already have landscape-related projects in their Reserve Study, the most common being tree trimming. Many others have other periodic landscape renovation projects to periodically freshen up the appearance and health of their greenscape. If your association currently has a landscape renovation Reserve Component, those funds could be used for re-planting and re-designing with drought-tolerant species. If you wish to add such a line item, get some guidance from your Reserve Study and landscape professionals to select an appropriate Useful Life, Remaining Useful Life, and scope. Remember, such an addition will result in an increase to your required Reserve transfers.

Another strategy here in CA would be to borrow from Reserves for a landscape or irrigation renovation, with these borrowed funds expected to be recouped by savings from lower water usage. While Civil Code requires borrowed Reserve funds to be repaid within 12 months, the following clause allows the association to delay repaying the funds over a longer period of time: "…the board may (delay repaying the borrowed Reserves), after giving the same notice required

for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the association." See CA Civil Code 5515(d). So, if you find that a $50,000 landscape renovation project would result in a projected $50,000 water savings over 3.5 years, and if your Reserve balance can support that magnitude of an expense without delaying necessary Reserve projects, an updated Reserve Study can provide your necessary documentation. The result is a zero-interest loan from Reserves to Operating to execute that project. Just let us know, and we'll work that funding into your next Reserve Study update.

A few additional points:

- Make sure the project meets your architectural requirements. You don't want to replace grass in your greenbelts with artificial turf if you've been denying homeowner requests to do similar projects in their front yards!

- If you are installing artificial turf (or something else that will need renovation or replacement), remember to add it to your Reserve Component List!

- If you make design changes to your landscape, think 10, 20, or 30 yrs into the future. The current drought may be temporary, and because of its cost you'll want to enjoy your new landscaping for decades into the future.