ASSOCIATION RESERVES™
Planning For The Inevitable™

COMMUNICATING RESERVE STUDY RESULTS TO HOMEOWNERS

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Board members and managers sometimes ask us how to effectively communicate the results of their Reserve Study to homeowners, or how to "sell" the value of a Reserve Study to their homeowner members. We've spent decades focusing on preparing Reserve Studies for our clients, but appreciate now that boards and managers often need some help to "cross the finish line" and effectively deliver these results to their homeowners. So please see the template "open letter" we've created for you below. Copy it, edit it, and use it effectively at your association! It's just part of our desire to help "improve your future"!

As a board member, our fiduciary duty is to protect, maintain, and enhance the value of our property. This requires we responsibly care for our physical and financial assets. To accomplish this, we commissioned a Reserve Study, which identifies the current condition of our physical assets and recommends a mutli-yr Funding Plan to prepare financially for our upcoming repair and replacement projects. Since the physical condition of our association and our financial resources are in a continual state of change, we expect to follow national Best Practice by having our Reserve Study updated at least every third year.

A Reserve Study is a budget planning tool that identifies three things:

- the predictable and major repair or replacement projects a community association is responsible to accomplish,
- the status of the reserve fund,
- a stable and equitable funding plan to provide the financial resources to accomplish these anticipated projects in a timely manner.

Deterioration of our common area assets is unavoidable and expensive, but fortunately it is very predictable. Ongoing Reserve funding "pays the bill" of this ongoing deterioration, and is as real as any other bill we are responsible to pay. Thus we transfer the recommended portion of assessment income to the reserve fund each month. Ignoring this obligation unfairly shifts this predictable financial burden onto future owners who did not enjoy the full use of these common area assets. Note that Reserve funding does not create a savings account "for a rainy day". These funds are set aside for specific projects.

Reserve Components are chosen based on national standards which require that the useful life and remaining useful life can be reasonably predicted and the cost can be reasonably estimated. Components usually include infrequent major projects like roof replacement, major painting projects, elevator modernization, roadway care, etc. that are too large to be absorbed within our annual Operating Budget.

The Reserve Study suggests a schedule for repair or replacement of the identified components. This schedule guides our spending and helps us make sure funds are available when needed, keeping our property in the best possible condition. We use the "Cash Flow Method" of Reserve Funding, which gives our Reserve Study provider the greatest flexibility to craft a multi-yr Funding Plan that is smooth, stable, and equitable for our owners.

The result for owners is that the need for special assessments is virtually eliminated, because everyone pays their fair share of the cost of ongoing deterioration each month during their years of ownership. Because funds are available when needed, owners will enjoy a great looking property throughout their entire time of ownership. And when the time comes to sell, owners should recoup the funds they have transferred to Reserves over the years because a strong Reserve Fund leads to maximized home values.