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Recovering from Underfunded Reserves – Strategies for Associations

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What's this All About?

The entire community association industry is built on the "thin ice" of volunteer, untrained board members *selflessly and wisely* running the affairs of their multi-million-dollar not-for-profit community association. Community safety, home values, and owner-enjoyment hang in the balance. It is not surprising that many associations successfully budget to pay the monthly invoices that arrive… for landscaping, utilities, insurance, management, etc.

But many associations fail to offset the very real and predictable cost of ongoing deterioration. That bill, also called Reserve Transfers or Reserve Obligations, is as real as any other bill they receive on an ongoing basis. Deterioration happens on a daily/weekly/monthly basis, and it is appropriate to "pay that bill" in a timely manner through ongoing assessments. But many associations do not, and as a result suffer from having inadequate funds to sustain the physical assets of the community. The result is deferred maintenance, declining home values, and discouraged or disgruntled homeowners.

What to do about it?

That is the purpose of this webinar – how to address this problem. Since Mother Nature and Father Time dictate the terms (there will be deterioration, so there will be expenses!), associations have two "cards to play."

Minimize Expenses

Although you have no ability to make costs "go away," with good maintenance you can maximize the life of your common area components and thus maximize the Useful Life of your major (expensive!) assets. With good maintenance you can turn a 20-yr roof into a 25-yr roof and likewise turn a 15-yr wood fence into a 20-yr wood fence. The opposite is also true… that ignoring necessary maintenance increases the frequency you will need to replace major components of your association, increasing Reserve funding requirements. In other words, "skimping" on spending maintenance money will actually increase your costs in the long run.

Increase Reserve Funding

No, we're not talking about bake sales or raffles. We're also not talking about charging a fee to new owners (although this is done at some associations). Success comes from homeowners paying their fair share of expenses, which is exactly what they signed up to do when purchasing a home in the association. Of course, board members signed up to set budgets that sustain the association (not budgets designed to do one thing… to prevent assessments from increasing!).

The webinar first introduces you to the idea of a step increase in Reserve funding - to a level that offsets deterioration and provides the cash for upcoming projected expenditures. Another alternative is a series of smaller increases (a "ramped" Funding Plan). That is more palatable to homeowners but requires enough time before the "big expenses hit" to be a viable option.

If the big costs are imminent, the association is confronted with the need to collect a substantial amount of funds in a rapid manner. That means a special assessment or a loan. Neither are welcomed by homeowners. A special assessment is a slap in the face —an arguably fiscally irresponsible way to pay for predictable projects that deteriorated in plain sight over a period of years or decades. That cost should have been budgeted and the necessary income collected in very small increments over the last 5, 10, 15, or 20 years. Instead of an "immediate" special assessment, a loan may provide a way to spread the costs over a few years. But that opportunity comes at a cost. Loan repayments are expensive. And they come at the same time that Reserve funding needs to increase in order to prevent a future underfunding (and resulting cash flow) problem.

Prevent the Problem

Community association living has been described as "carefree," but it is anything but "free"! Prevent the problem in the future by regularly updating (at least every three years) your Reserve Study from a local credentialed professional, funding as recommended so that the cost of deterioration is evenly spread over the # of years someone enjoys owning a home in the community, and spending those funds in a timely manner to maintain the property (maximizing pride of ownership, minimizing unsightly and costly deferred maintenance, and maximizing home values). Reserve Funding is not only responsible, but also a great investment.

The Details:

While we didn't have time in the webinar to do some actual case studies, watch here as I use our uPlanIt online Reserve calculator tool (available free to our clients throughout their budget season, or $399 per budget season on a subscription basis).

Other Links:

CAI's national Reserve Study Standards (updated 2023)

"Understanding Reserves" book (**updated for 2025**). Order single copies on Amazon here, or download chapter one for free here.

Want an experienced professional to help with your Reserve Study update, ensuring appropriate component selection, life estimates, pricing, and development of an appropriate Funding Plan custom designed for the needs of your association? Launch a free online proposal request by clicking here.

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ASSOCIATION RESERVES®

Planning For The Inevitable

Webinar Questions Asked by 2025 Attendees

General Reserve Questions

Q: You mentioned two states having line-item vetoes in budgets. I heard Florida but I did not catch the other one. What is it?

A: The other state with a line-item veto for Reserve Funding is Ohio. It's just plain crazy. Mother Nature and Father Time laugh at homeowners who think they are "saving money" by not funding Reserves.

Q: Six years ago, our association was well funded and then we experienced some unexpected expenses (foundation work and resolving some improper fill). The board paid for these major issues from Reserves. Now we have no money in reserves to pay for three roofs which are failing. Am I correct in thinking that 6 years ago those expenses should have resulted in a special assessment rather than taking from the siding and roof reserves?

A: If those "problems" were the result of improper original construction, perhaps you should have spoken to an attorney about litigation to get those issues resolved. But that is now water under the bridge. In spending Reserve funds for non-Reserve projects, you depleted your Reserves. It seems to me that the mistake is not replenishing those Reserves over the last six years. A Reserve Study update (or two or three) during those years could have guided the association to have sufficient funds for its "regular" Reserve projects, avoiding your current financial crisis.

Q: We are large, old, and just got a draft of Reserve Study that recommends a very large special assessment and steep Reserve funding increase. We have a dues cap that needs approval to exceed. There is no way we will get the 67% required to approve a special assessment or exceed the cap. Could additional work by the Reserve Study professional offer some potential options, e.g., potential step or ramp increase over X years?

A: Yes, that is very possible. Often, we are unaware of a client's specific Governing Document, Political, or financial limitations. When we learn about those limitations, we work with them to find a creative solution (workaround). Make that request of your Reserve Study provider and see if they can develop a Funding Plan that works within your limitations and provides for your upcoming Reserve projects!

Q: What can be done if board members refuse to apply liens on delinquent homeowners due to personal relationships or if they themselves are behind on dues?

A: That is a governance issue. Boards have a fiduciary duty to enforce the governing documents, care for the property, and provide cash flow for the organization. Ignoring delinquencies due to personal bias is a breach. You may need to contact legal counsel to apply pressure from owners. It also may help to gather some like-minded homeowners and run for the board.

Q: What are your thoughts on "desert" properties like in Arizona and Palm Springs having lower long term reserve building needs with stucco siding and tile roofs vs places like Florida or the Pacific Northwest with a lot of rain and humidity?

A: Reserve funding needs are location-specific. There is no blanket stereotype. It's all about the quantity and type of common area amenities, their condition, and their exposure to the environment. The construction type, materials used, and building style may honestly have as much (or more) influence than the local weather.

Q: How do you recommend addressing board members who do not trust or believe what is in a Reserve Study?

A: You can lead a horse to water, but you can't make it drink. We preach that Mother Nature and Father Time are real and powerful. There are people in association leadership across the country who believe the laws of nature and the basic economic principles don't apply to their association. They also likely think that 2+2=5. Education helps, which is one of the many reasons we present regular (free) webinars. Deterioration is real, and expensive. Those who ignore it do so at their own peril.

Q: What are some strategies for the disconnect that candidates for Board at election time seem to run on keeping assessments low as their election platform which is often executed by refusing to fund reserves properly?

A: Keeping assessments low saves people tens of dollars a month, perhaps hundreds of dollars per year. Maintaining the property well increases home value by thousands of dollars. That is always money well spent. Besides, budgeting responsibly to provide for the needs of the association is the board's job. Unfortunately, short-term thinking is very attractive. But the bills eventually come due, and special assessments are levied in order to collect sufficient funds due to years of "skimping."

Q: We changed HOA management companies 18 months ago and did not have good records of our reserve expenses before then. Can you still do a good Reserve Study?

A: Yes. We can still prepare an accurate study. We'll assess current physical conditions, do a reasonable amount of research such as asking if anyone remembers the name of the roofing company or asphalt company or (roughly) the year that they did their work, and we'll try to track down that information. Good records help, but we can proceed without them by making reasonable estimates.

Q: Do you have a webinar geared towards Budget and Finance Committee members who make recommendations to the board?

A: Yes, actually all our webinars are created with board members, committee members, and managers in mind. I would recommend our Reserve Study Basics, and our foundational curriculum of Reserve Studies 101, 102, and 103 as a good starting point. Check out our webinar archive for upcoming and recorded sessions.

Q: **We have some defects that are arising from the builder that are beyond time statute limitations. This will result in the need for increasing reserves, with very resistant owners. How do we handle this?**

A: Communicate clearly with owners. Tell the truth. It's their home, they deserve to know what's going on. Transparency is always a good strategy. Explain that the time period to seek legal awards for construction defects has passed, and now it's time for the homeowners to (unfortunately) foot that bill via higher Reserve transfers or special assessments, or a combination of both.

Q: **How have you seen property management companies staffed to help with the proper budget planning? As board of director members, we don't always have the full skill set to plan and explain this level of detail.**

A: Managers can serve as key advisors, helping boards interpret reserve studies and prepare responsible budgets. Some managers, and management companies, have better financial skills sets than others. Some associations outsource all their financial tasks to outside companies like Community Financials, nicely complementing the "management" skill set of their manager or management company.

Q: **Can the board take out a loan without the homeowners' approval because they spent most of the money from the reserves?**

A: That depends on your governing documents. Check your CC&Rs and consult your HOA attorney.

Q: **Can you comment on a board that does not include adequate reserve transfers in the annual budget for fear it will jeopardize the overall budget approval?**

A: That's risky and short-sighted. Reserve deterioration is real, predictable, and expensive. Reserve funding is therefore as real an obligation as the power bill or landscape bill. Reserve Funding is not optional—Reserve Funding offsets ongoing deterioration and provide for the maintenance necessary to sustain the association (and the property values of its homeowners!).

Q: **Is it desirable to have reserve funds dedicated to meeting insurance policy deductibles that may (hopefully) never be needed?**

A: No. Expenditures for insurance deductibles are not predictable. Reserves are for predictable common area deterioration. Because of this, some associations hold some extra cash in a "contingency" fund (not Reserves) to mitigate surprises like insurance deductibles.

Q: **We're in dire shape due to our previous Board's not adhering to their fiduciary duty. They raised HOA dues two times within 3 years and we're still in trouble. Can we have a special assessment and have lower, or less frequent HOA dues increases?**

A: Because of inflation, you should expect to have assessment increases every year. Having increases only two out of three years is risky, likely causing your association to fall behind on some or many of its expenditures. Remember that special assessments are unwelcome and designed for surprise (unforeseeable) expenses, not for funding budgeted expenses (check your governing documents!). That said, discuss with your Reserve Study provider to consider all your options. Sometimes, a number of methods need to be combined to yield an effective funding solution for an association.

Q: **We do not expect any expenditure in the next year or two. What would be the best option for the reserve balance to stay in the account?**

A: Keep it growing. Everything deteriorates a little bit more each day, week, and month. So even without discrete expenses, your Reserve Fund should always be growing to offset that ongoing deterioration.

Q: **I am hearing that insurance companies are now insisting that estimated roof life is only 15 years, not 20. Is this correct?**

A: No. If you have a 15-yr old car, and it gets in an accident, the insurance company's maximum exposure is the current value of that old/used car. "Complete Replacement" is the insurance company's obligation with a roof, not just the "current value." As a roof gets to the 15 or 20 yr-old point, its current $ value is close to zero. At that time, it's appropriate to replace it with the ongoing Reserves that you've been collecting. It's not the insurance company's problem. It's fundamentally an old, used up roof. If you squeeze a few more years out of it with timely maintenance, good for you. But it's unrealistic to expect an insurer to replace an old roof that is leaking. That's what old roofs do. An old roof that is leaking is not an accident (insurable loss).

Reserve Component Questions

Q: **I presume the reserve study analysis scope should be as long or longer than the longest UL on any of your list of assets. Is this correct thinking or is there more of a standard you recommend?**

A: National Reserve Study Standards require 30 yrs of income and expense projections. For components with a longer UL or RUL, following a Percent Funded goal means you will be gradually preparing for those "long life" components even if their repair or replacement date is beyond the period of years displayed in the Reserve Study.

Q: **Our board seems focused on keeping dues low. Can you speak on whether this is appropriate or in conflict with their primary responsibility, to sustain the association?**

A: That's a conflict. Governing Documents and principles of being a Fiduciary (caring for the assets of others) require the board to budget for sustainability of the association. Nowhere is the board directed to pursue the goal of "low monthly assessments." Board members who do so incur a significant personal liability exposure and put the well-being (and property values!) of homes in their association in jeopardy.

Q: **I manage a condominium that is preparing for structural repairs. Would those component repairs impact funding in the near future by removing them from the reserve study?**

A: Discuss with your Reserve Study professional. If the funds to perform those projects are outside of Reserves, then the expenses should also be outside Reserves. If repairs are being done with Reserve funds (as Reserve projects), then funding should also be done through Reserves. If these are truly one-time projects, make sure these expenses don't repeat in future years in your Reserve plan.

Q: **We just had a reserve study for the first time. To no one's surprise, we are underfunded. How much flexibility is there in negotiating with the Reserve Study provider on project timing and the cost of repairs? For instance, patch concrete driveway vs. dig up and replace.**

A: Please discuss with your Reserve Study provider. A Reserve Study is a budget and cash flow plan. It may need some "customization" to your association's situation, especially if it is a first-time engagement. But expect the provider not to budge on projects that in their opinion need to be done now (those protecting the association or minimizing future damages/costs). You may need to "face the music" that you've got a problem on your hands. If you decide to go against the provider's advice and take on some risk by patching instead of replacing (for instance), that's on you. It may likely result in net higher costs.

Q: **Our reserve study calls for a plumbing inspection. Can you clarify what that is?**

A: It's usually a camera inspection to assess pipe condition, particularly for aging cast iron or clay lines. It also may be a physical spot-check of some key areas behind some walls. Check with your plumbing provider to see if something like that has been done recently.

Q: **How often ought the board undertake a "from-bottom-up" reassessment of their Reserve Component List? It seems that for older associations the inventory of assets and emerging things might not even have been on inventory lists made decades ago.**

A: True. That is why national Reserve Study Standards articulate Best Practice to have a site-inspection-based Reserve Study update at least every three years. That regular event will capture all reasonably anticipate projects in the next 30 years, and beyond. Changing pricing, changing deterioration rates, changing materials and products, and the aging of the association (causing some "maybe" projects to be "reasonably anticipated") mean that you should expect your Reserve Component List to evolve over the years. If your current Reserve Study provider isn't doing that, get a new one.

Q: Do you offer recommendations in your reserve studies on how to increase the UL on assets to optimize the use of the reserves?

A: We often include maintenance tips and suggestions to extend useful life—like coatings, inspections, or routine care, or we articulate the limitations of what we see <u>not being done</u> at the association.

Q: Suppose that a Pacific Northwest property may have a 20-yr composition shingle roof, but a desert property may have a 25 or 30 yr tile roof. Stucco (common in dryer climates) needs less maintenance than wood siding. Do you anticipate differences in maintenance costs and Reserve funding requirements?

A: Absolutely. Some property designs, materials, and locations will make total cost of ownership significantly higher than other areas. Materials age differently based on climate, exposure, and maintenance. Reserve Study funding recommendations account for that variability.

Q: In the past, we paid for vehicles with operating funds because they were operating leases. Given the new accounting standards, operating leases are now shown on the balance sheet. Is it appropriate to now include these assets in the Reserve Study?

A: Please get accounting advice from your accounting professional. In general, leased assets do not appear in the Reserve Study because they are ongoing monthly costs, not infrequent large replacement costs. Check with your Reserve Study provider to ensure that the assets are properly handled, following the national Reserve Study Standards.

Q: How do you handle a difference between a reserve study and the claimed (rated) life of a roof? In 2009 a 30-year underlayment was put on the roof. Yet 14 years later in 2023 the Reserve Study said the roof had a 25-year Remaining Useful Life. So, which is right… the original expectation that the roof would last until 2039 (30-yrs since installation) or the projection of 2048 from the latest Reserve Study?

A: First, design life is regularly different from the actual life expectancy of a product. Don't expect them to exactly match. That said, usually there is a smaller gap between original "design life" and actual life expectancy. Please discuss with your Reserve Study provider on a discrepancy of this size. It may be a typo, it may be a misunderstanding, it may be that they were provided with inaccurate information.

Q: **Our master HOA bought a golf course, pool, clubhouse, etc. I do not believe any reserves came with the purchase. All are deteriorating. Does this seem recoverable?**

A: Sorry to hear. All assets deteriorate, and deterioration is expensive. If funding to offset the deterioration of these expensive assets hasn't been budgeted, expect that you'll shortly have some bad news about the size of the "catch-up" funding you'll need to do to prepare for upcoming golf course irrigation projects, pool resurfacing, clubhouse renovation, etc. Start with a Reserve Study by a local credentialed provider in order to learn the truth about the financial challenges you are facing.

Q: **How receptive is the reserve study provider to changes in useful life — like for areas that are low priority, like trash room doors, or carpets that have 5-10 more years than the reserve study projects?**

A: We're receptive. But our responsibility is to tell you when an asset is due to be replaced. If you wish to go beyond that and let your place look like a deteriorated dump with corresponding lower property values, that's on you.

Q: **What do we do when a board member claims they have a 50-year roof and feels the reserve study should reflect this?**

A: Check with your local credentialed Reserve Study provider. They will likely ask for documentation (installation date or material specs) if they haven't already. Remember – the board member has a vested interest in a long Useful Life (it will make their Reserve requirements go down), while the Reserve Study provider is only interested in accurately reflecting the truth of the matter. Reserve decisions should be evidence-based, not "wishful thinking."

Reserve Funding Questions

Q: **Which is ideal: increasing the monthly fee to include increased reserve transfers, or keeping the monthly fee lower by having regular or infrequent special assessments?**

A: Increasing your budget to include responsibly sized Reserve transfers to offset ongoing deterioration is the right decision. Special assessments are for surprises that could not be budgeted. Check your Governing Documents – they likely require the board to budget for all the expenses of the association (whether you like it or not). Special assessments are also not reliable sources of income, as they may be subject to owner approval. Reserve funding is for predictable Reserve component deterioration. Use the right tool (budgeted Reserve Funding) to address ongoing Reserve component deterioration.

Q: **Is it better to use all the funds or have a special assessment?**

A: Check with your Reserve Study provider. They will be able provide insights if your Reserve Fund is being dangerously depleted or if it's just a "normal dip." One guide is that at a bare minimum, the end-of-year Reserve balance should <u>never</u> fall below 10% of that year's expenses.

Q: What is the nail in the coffin for associations who decide to dissolve? If dues are behind and an association cannot "catch-up", isn't that a recipe for disaster?

A: It's often a combination of issues coming from a common original – deferred maintenance caused by Reserve underfunding. That leads to an increase in rentals, owner malaise, and what is called the "death spiral." That is when a property isn't worth very much, and the special assessment required to restore it approach the value of the property. In those cases, it requires a "developer" mentality, not a homeowner mentality to put a lot of cash into the property and create something news. Repairing or replacing that old & deteriorated building may no longer be fiscally responsible.

Q: Should insurance or loan payments be coming out of Reserves?

A: Insurance payments – no. Loan payments – it depends. If Reserve Funding was designed to make loan payments, then Reserve income needs to increase to make those payments. Reserve Funding could also remain stable with loan payments coming 100% from the Operating Account (my preferred manner, because it keeps the Reserve Fund paying for <u>ongoing</u> deterioration, not adding the burden of <u>historical deterioration costs and bank fees</u>).

Q: What is the accuracy of a reserve study as far as funding the reserves for all line items? Can funding for some line items be reduced?

A: Reserve studies are planning tools, not exact predictions. A Reserve Study is based on well-founded estimates. Some Reserve Study providers are better at this than others. Expect a credentialed Reserve Study provider to provide more reliable guidance than other professionals (or volunteers). And some estimates will change over time. But expect to hear the truth of the matter from your Reserve Study provider. They see it day-in and day-out all year. Remember that no matter how much you wish it weren't so, Mother Nature and Father Time are powerful forces, and they always win. Your assets will deteriorate, and they will be expensive, no matter how much you wish otherwise. There's no dodging legitimate Reserve expenses.

Q: What can be done if homeowners are not paying their monthly HOA fees? Does this affect underfunded reserves as well?

A: Establish or tighten up your monthly collection policies. When they became a member of the association, they agreed to pay their fair share. Expect it. Otherwise, all those costs fall on the shoulders of the remaining "payers" who are following through on their commitment. If you don't know how to do it (or your mgmt. company is ineffective), enlist the support of a company that does this professionally, like Axela Technologies (see here).

Q: **Our CA HOA is currently underfunded but needs balcony repairs. The Board has not increased assessments for years and just recently increased this year. Do you suggest an emergency assessment?**

A: Check with your Reserve Study provider. If the balcony repairs deplete your Reserve Fund, then likely a special assessment will be needed. It is unfortunate that the board lost valuable time by not increasing assessments (and Reserve Funding) for the last few years.

Q: **The board is considering having a reduced reserve fund based on a committee recommendation (which goes against the reserve study recommendations). The committee feels that they can just budget special assessments in another 5 to 10 years. Shouldn't the Board take the advice of the professional to reduce their risk and meet their fiduciary responsibility?**

A: Without a doubt, follow the advice of the Reserve Study professional. Boards who pursue plans contrary to that of a professional expose themselves to significant personal liability and put their association in jeopardy. The board's job is to provide for the sustainability of the association, and that means having all homeowners pay their fair share along the way not kicking the can down the road so future owners will be burdened by special assessments that never were emergencies. It's not my area of expertise, but it's safe to say that Boards are fiduciaries—they must act on informed, professional guidance, not speculation or hopeful thinking.

Q: **There are many disadvantages to using a loan to dig yourself out of a hole in addition to the higher cost to the owners. We just took out a $6M, 20-year loan to repair hurricane damage, which is securitized against the ongoing income stream of our association. Can you think of any other problems with using loans to pull yourself out of a hole?**

A: It will make units more expensive and will make ongoing homeowner assessments more expensive. The best plan is to follow guidance in the Governing Documents to set assessments to pay the bills of the association. When that is done, you avoid digging yourself into an unfortunate and expensive hole (and you collect interest <u>from</u> the bank!).

Q: **How do you get owners to agree to a monthly assessment increase when they voice that they would prefer a special assessment. We have many large projects, roofs, roads, siding, etc. They have refused to raise monthly fees in favor of a special assessment.**

A: Act responsibly, like the board is supposed to act. Set the budget. If you give them the choice of paying "more" or "less," they will choose "less." Why are you surprised? As a board member, you likely don't have a choice. The expenses will happen, and you are required to budget for known expenses. Besides, the choice is truly not "more" or "less," the choice is "now" or "later." Nobody is saving any money. And when the special assessment happens, they will not thank you for allowing them lower assessments for all those years and happily hand over the cash. Budget accurately and move on.

Q: **It's not related to the reserve account, however, regarding the operating budget, we received an increased invoice during the fiscal year. Our current budget cannot cover the increase, resulting in an overrun. Can we make a mid-year budget adjustment?**

A: Yes, if your bylaws allow it. Check with your attorney and accountant, and make the mid-yr change if allowable. Remember to communicate clearly and repeatedly, informing your homeowners. Be transparent.

Q: **In your charts, you show a level of reserve funding which is under 100% but greater than 70% which shows a low risk of special assessments. However, the reserve plan is designed to meet capital assessments over time. How is the amount of underfunding being handled in the cases represented by the graph? Deferred maintenance? Loans? Other?**

A: It is one thing to technically have a plan that shows the cash will be available to get all anticipated projects done on time (called "Baseline Funding," where the cash or Percent Funded remains above zero). But it is an entirely different matter to have a plan that includes enough "margin" for events that do not occur according to plan ("real life," in other words). The data clearly shows that special assessments are common (cash is insufficient) among associations 0-30% Funded. It also shows that special assessments are rare among associations, 70% funded and above. Pursuing a "Full Funding Goal" (striving to be 100% funded) is a fiscally responsible plan that protects its owners from the unsettling uncertainties of special assessments.

So while an association may be underfunded, if their trajectory is strong and their next 5+ yrs have sufficient margin, they are able to manage their underfunded state by raising their Reserve transfers, providing sufficient cash to perform projects in a timely manner and effectively keeping financial problems (special assessments) away.

Q: **How do you calculate a fully funded reserve balance?**

A: A fully funded reserve means you have set aside the exact amount needed to offset the fractional deterioration of all your Reserve components. See more here. It's a great target against which to measure your Reserve Balance.

Q: **I have an association that spent over $280,000 of their reserve funds over 2 years on unnecessary projects. They cannot take out a loan or do a special assessment without 67% of owners approving. They can raise assessments 10% each year only. Are there any other options to rebuild the reserve?**

A: Yes. Work with your Reserve Study provider to prioritize their spending, learning if there are some projects that can be phased or deferred. If that is not enough, polish your salesmanship skills in order to pass the necessary special assessment. Finally, consider getting your Governing Documents updated so that the board can raise assessments more than 10%/yr. Recovery may be slow, but discipline is key.

uPlanIt Questions

Q: What parameters do you suggest to clients when using your planning tool to avoid making poor decisions?

A: Confer with others to confirm if your assumptions are fiscally responsible and in line with Governing Document requirements (or simply crazy). Don't fudge the truth, pursue the four Funding Goals of sufficient cash, budget stability, an equitable distribution of funding over the owners over the years, and that the Funding is fiscally responsible. Then finally, ask your Reserve Study professional for their written opinion. They will tell you if you're crazy, or if some of your plan has merit. If they break out in laughter, you may wish to rethink your plan.

Q: Is there a generic excel workbook model to help someone get started with drafting a reserve study?

A: Not to my knowledge. A budget line item such as Reserve funding, regularly 25% of your total budget (often your largest single budget line item) warrants this being handled by a professional.

Interest/Inflation Questions

Q: I primarily work with developers and have observed that inflation has significantly impacted the cost of replacement components over the past few years—particularly materials like wrought iron and asphalt. Are you noticing any signs that inflation is cooling, or does it appear to be holding steady compared to previous years? Have you observed any notable trends in material pricing or availability?

A: Inflation is stabilizing somewhat, but it remains elevated in certain sectors of the construction and rehabilitation industries. Supply chains have improved, but we don't see costs coming down to pre-pandemic levels. Inflation is real. Update your Reserve Study regularly (at least every third year).

Q: What annual inflation rate (%) should we factor into our reserve planning?

A: We typically recommend something close to 3, which has been a pretty steady 20+ yr average. A long-term stable inflation value is important to use in a Reserve plan designed to look forward 30 years. Just make sure to update it regularly (at least every third year) to give it new benchmark cost figures.