



Welcome to the Board:

A Quick Guide to Reserve Planning and Your
Role as a Fiduciary

Duty of Care, Loyalty, and Act



Duty of Care

Make informed decisions
Act in a prudent and
reasonable manner
Sound business judgement



Duty of Loyalty

Act fairly & in good faith
Act in interest of and
benefit of the HOA
Avoid conflicts of interest



Duty to Act

Perform obligatory duties
Act within scope of
authority

The Board's Role

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The role of the board is to protect and increase property value. This is accomplished by operating the association, maintaining the common property, and enforcing governing documents.

Community Associations Institute - Board Member Toolkit

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Funding Capital Projects



Reserves

- Regular assessments – part of annual operating budget
- Funds acquired over time
- Owners pay for annual use of each component
- Fair and partial to current and future owners



Special Assessments

- Typically result of lack of reserve funds
- Usually unexpected
- Burdensome, financial pressure on residents
- Might require ownership vote



Bank Loans

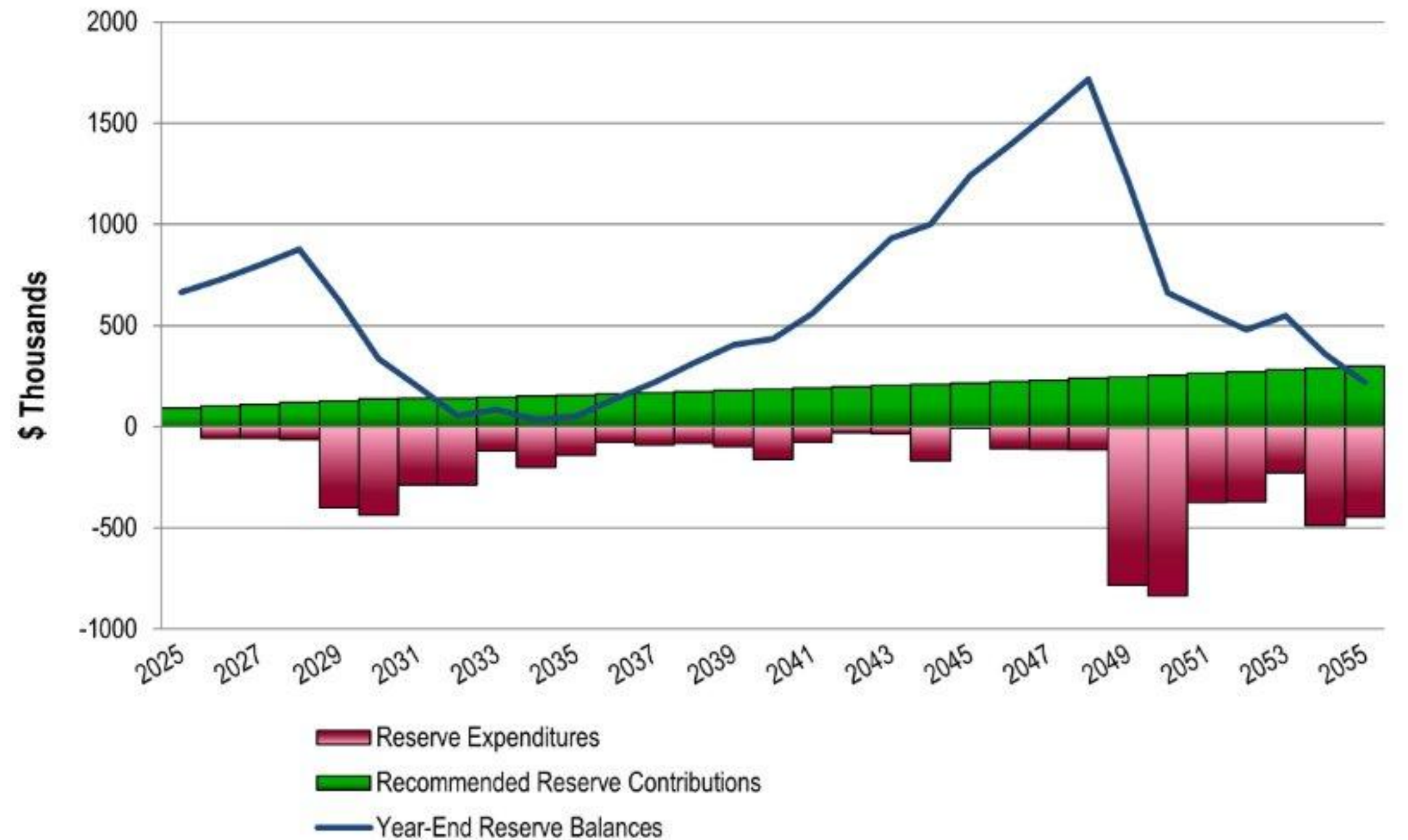
- Immediate cash flow to cover urgent expenses
- Added expense of loan interest

Your Reserve Study

Your reserve study is a long-term capital planning tool that establishes the appropriate annual reserve contributions to offset the cost of future major replacement projects. Following the recommended funding plan mitigates the risk of underfunded reserves and deferred maintenance. The ability to fund future capital projects through reserves and within a timely manner requires adequate funding.

Executive Summary

Found in Section 1 of your report, the executive summary depicts the relationship between annual reserve contributions, forecasted expenditures, and year-end reserve balances



Expenditures

Found in Section 3 of your report, the expenditures table lays out anticipated near-term expenditures, providing a line of sight to upcoming priorities

RESERVE EXPENDITURES

Scenic Ridge Association Madison, USA													
Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		COSTS			Percentage of Future Expenditures	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030
		Useful	Remaining	Costs, \$	Per Phase (2025)	Total (2025)							
				Unit (2025)									
Exterior Building Elements													
Balconies, Composite, Phased	2031	20 to 25	6 to 8	50.00	75,000	225,000	12.8%						
Light Fixtures	2037	to 20	12	100.00	7,500	7,500	0.2%						
Roofs, Asphalt Shingles, Phased	2029	15 to 20	4 to 5	500.00	250,000	500,000	25.0%					284,670	294,064
Roofs, Flat, Phased	2029	15 to 20	4 to 5	1,000.00	75,000	150,000	7.5%					85,401	88,219
Sealants, Windows and Doors, Phased	2029	to 20	4 to 14	3.50	15,750	31,500	1.1%					17,934	
Walls, Masonry, Inspections and Repairs	2031	8 to 12	6	0.80	30,000	30,000	2.3%						
Walls, Stucco, Paint Finishes and Capital Repairs, Phased	2026	8 to 10	1 to 3	1.50	37,500	112,500	7.7%		38,738	40,016	41,336		
Walls, Trim, Soffits and Fascia, Paint Finishes, Phased	2026	4 to 6	1 to 3	500.00	16,665	50,000	7.4%		17,215	17,783	18,370		
Property Site Elements													
Asphalt Pavement, Mill and Overlay, Phased	2031	15 to 20	6 to 7	18.00	114,300	228,600	12.2%						
Pavers, Masonry	2032	15 to 20	7	20.00	24,000	24,000	1.3%						
Retaining Walls, Timber, Phased (Replace with Masonry)	2034	15 to 20	9 to 10	70.00	91,000	182,000	10.7%						
Garage Elements													
Concrete, On-grade, Partial	2035	to 90	10 to 30+	13.00	2,814	84,500	0.2%						
Door and Operator	2028	8 to 15	3	4,000.00	4,000	4,000	0.2%				4,409		
Exhaust System (Fans and CO Detection System)	2039	to 35	14	8,000.00	8,000	8,000	0.2%						
Light Fixtures	2039	to 30	14	250.00	6,250	6,250	0.1%						
Unit Heaters	2039	to 35	14	4,000.00	8,000	8,000	0.2%						
Anticipated Expenditures, By Year (\$6,739,959 over 30 years)								0	55,952	57,799	64,115	400,530	436,744

Funding Plan

Found in Section 3 of your report, the funding plan shows the annual reserve contributions required to maintain adequately funded reserves. This mitigates the risk of special assessments and deferred maintenance.

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS														
Scenic Ridge Association		Individual Reserve Budgets & Cash Flows for the Next 30 Years												
Madison, USA		FY2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Reserves at Beginning of Year	(Note 1)	333,000	663,227	726,790	799,319	876,526	923,983	937,040	198,966	55,207	84,415	34,756	51,733	137,945
Total Recommended Reserve Contributions	(Note 2)	92,000	101,000	110,000	119,000	128,000	137,000	141,500	141,500	146,200	151,000	156,000	161,100	166,400
Estimated Interest Earned, During Year	(Note 3)	16,227	18,515	20,328	22,323	19,987	12,901	7,110	3,286	1,860	1,587	1,152	2,527	1,712
Anticipated Expenditures, By Year		0	(55,952)	(57,799)	(64,115)	(400,530)	(436,744)	(286,714)	(288,645)	(118,852)	(202,246)	(140,175)	(77,415)	(91,042)
Anticipated Reserves at Year End		\$663,227	\$726,790	\$799,319	\$876,526	\$623,983	\$337,040	\$198,966	\$55,207	\$84,415	\$34,756	\$51,733	\$137,945	\$218,045

Common Questions



What if the previous board hasn't completed a previously anticipated project?

We forecast projects based on actual condition and maintenance practices at the time of our inspection. Actual replacement should occur when conditions warrant. Adjusting project timelines does not impact overall reserve fund needs.



What if our current funding is not aligned with the reserve study?

As long as the association has been funding according to the report, reserves should be adequately funded. Misalignment is often driven by a project occurring before or after the forecasted year of replacement. Not funding to the annual recommendations results in underfunded reserves and should warrant further discussions for get back on track.



What do we do if we have questions about the report or your recommendations?

We take pride in ensuring continuity between boards. Contact us at anytime to get in touch with your Advisor or to schedule a meeting to discuss the report and to answer any questions.

What's Next?

1

Review critical outstanding projects

Evaluate the necessity of addressing previously due projects and upcoming projects

2

Confirm reserve fund health

Have annual contributions aligned with the study or do you need to discuss a potential course correction?

3

Contact us with questions

As your advisor, we are with you every step of the way
(800) 221-9882