



Avoiding Reserves Quicksand!

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Avoiding Reserves Quicksand is a webinar we created to address the common problems boards and managers face in navigating their associations successfully to the future. If you or your association are unsure how much to set aside in Reserves, if your board doesn't even care about Reserve transfers, if your board struggles with hoarding Reserves or spending Reserves too freely, then your association is stuck in some type of Reserve Quicksand. Remember – community association living has been described as “carefree”, but it is anything but “free”! There are costs, and it takes hard work and diligence to stay “on the trail”.

In this webinar, former manager and national consultant Julie Adamen joins Robert to help attendees identify Reserves quicksand, get out of Reserves quicksand, and then avoid getting back into Reserves quicksand in the future. In an environment where Reserve-budget issues have grown to include legitimate safety concerns, effective Reserve planning is serious business. It takes skill to navigate to a future where there are sufficient Reserves to perform projects on time (no deferred maintenance, no special assessments) and where property values are maximized.


Identifying Quicksand:



Identifying Quicksand

Types of Quicksand:

- Not collecting/preparing
- Hoarding Reserves
- Depleting Reserves
- Minimizing Reserve Funding
- Apathy
- Indecision!
- Fixating on Percent Funded



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Getting out of Quicksand:

Get help from an experienced manager or credentialed Reserve Study professional, and always follow the three-part Business Judgment Rule (Duty of Care, Duty of Loyalty, and Duty of Inquiry). Adjust your budget as necessary, making recommended Reserve transfers and spending Reserves as recommended! The objective is caring for the property, not minimizing monthly assessments or amassing a “large” Reserve fund.

Avoiding Quicksand:

It’s all about sustainability. Make Reserve transfers that offset the ongoing cost of deterioration. Rely on your trusted guides and update your Reserve Study regularly.

Remember:



Summary

- The quicksand is out there.
- You’re on the journey. You don’t have a choice about it.
- You’re not on your own.
- There are landmarks along the way

Keep your eyes open, look around,
follow your guide(s) and you’ll be
just fine!



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Additional information:

National Reserve Study Standards (updated 2023) [here](#)

Free chapter 1 download of “Understanding Reserves” book [here](#)

Free Reserve Study proposal request from Association Reserves [here](#)

More information on our speakers here: www.ReserveStudy.com and www.Adamen-Inc.com

WEBINAR QUESTIONS ASKED BY ATTENDEES

General Reserve Questions

Q: I thought WA requires reserve studies every year, not every third. Our HOA includes only ten units. Is our legal requirement every year or every three years?

A: Our understanding is that the State of Washington requires reserve studies to be updated annually, with a site visit conducted at least once every three years. Please consult with your attorney for a conclusive answer on this question. Note that whether required by law or not, updating a budget line item as large as Reserve funding (often 25% of total budget) is reasonable and responsible, ensuring that your reserve funding plan is accurate and actionable.

Q: What is the authority for industry best practices... we have a board member (shareholder) who says that running the association by special assessments is preferable to ongoing budgeted Reserve funding. In addition, previous boards have not prepared our Co-Op for a series of large repair/replacement projects, so special assessments will be required.

A: The authority for reserve-related best practices comes national Reserve Study Standards, found [here](#) (middle of p17). Note that Funding Principles require that funding is stable and equitable. This spreads out the funding evenly over the homeowners, over the years, so everyone pays their fair share. In addition, most Governing Documents require boards to set the budget to pay all the costs of the association, and predictable deterioration is a cost just like all other Operating Budget costs.

Q: Do you have any recommendations on how to address a board or the community when the reserve study says items are up for repair or replacement, but people think the item can wait. I know the reserve study is a guideline and some may be sooner and others earlier, but I want to avoid the community constantly putting things off until they are broken. We are in a community almost 70 years old and I think people have a hard time swallowing how much work needs to be done and that being proactive is better.

A: A reserve study is like a roadmap—it helps avoid emergencies and costly surprises. Waiting until something is broken often results in higher repair or replacement costs. Delaying a project doesn't eliminate costs, it just delays them. So \$ is not "saved" by delaying. Take seriously the recommendations of your outside Reserve Study professional. It's what they do all year... guiding associations forward. Get used to the idea that owning Real Estate is expensive.

Q: Do we spend money when an item is in good condition (e.g a basketball court concrete) but the timing shows it's due?

A: A Reserve Study is a budget guide, not a mandate to perform projects on a particular schedule. In general, Reserve Funding is designed to provide sufficient funds for the

time when the project needs to be accomplished (when it is due for repair or replacement). Update your Reserve Study regularly to ensure you have a reliable, updated Reserve Study to guide your Reserve Funding AND your Reserve spending.

Reserve Component Questions

Q: Should your reserve study specify the type of the component being reserved for? Ie: a TPA/TPO (plastic membrane) roof vs an EPDM (rubber) roof

A: Generally, no. A Reserve Study is not a specification sheet, it is a budget and cash flow guide. In addition, there is no requirement in a Reserve Study to replace “like with like”. Typically, the project will be accurately described, but not down to an expectation for materials used. If you have any questions, please contact your Reserve Study provider for necessary clarifications.

Reserve Funding Question

Q: What if our Reserve Study has the wrong beginning balance?

A: Contact your Reserve Study provider to correct the figure and re-run the Funding Plan.

Q: Is there a reasonable range of % funded an HOA should target?

A: Yes, the ideal range is 70-130% funded, with 100% Funded as the “bulls eye”. Associations in this range are considered “strongly funded” and are less likely to experience special assessments or deferred maintenance issues. On the other end of the scale, below 30% funded means your association is at high risk for cash flow problems.

Q: Define what 100% Funding means.

A: 100% funding means a goal to be “Fully Funded”, where your association has Reserve cash on hand equal to the value of deterioration at your association at that time. So, 100% Funding means your budgeted Reserve transfers are designed to smoothly and evenly draw your association closer to the 100% Funded level, and keep your Reserve Fund stable in that range.

Q: Does it make sense to maintain a minimum balance in reserves in case of a natural disaster or some other major event? If so, is there some guideline for this?

A: There is no provision in the National Reserve Study Standards for a “contingency” Reserve fund balance (or Percent Funded “level”). Reserves are the field of budgeting for predictable upcoming projects, not setting aside funds for “maybe” issues. Realistically, when an association’s Reserves are well funded, there is sufficient cash so that some short-term borrowing may take place to quickly address a natural disaster. Expect to repay those funds to Reserves. Confer with your accountant and legal counsel

in such circumstances, as your Governing Documents or State law may require some additional compliance issues.

Q: If pool repairs are required and we don't have enough saved up to pay from them per the Reserve Study, do we borrow from other line items or do we assess? Note that our Reserve Funding is calculated with Cash Flow (pooled) methodology.

A: In the cash flow (pooled) methodology, there are truly no “pool” funds or “roof” funds or “asphalt” funds. The Reserve Fund is one entity, from which all projects are paid. So, perform the project (technically overspending on that particular line item estimate), and have your Reserve Study updated at the next opportunity to restore balance to your Reserve Funding and Reserve Spending plans.

FL Specific Questions

Q: I understand Reserve Funding is required in FL beginning 2026. If we started collecting Reserves in the past few years, can this \$ be incorporated in our plan? At this time only our Milestone Inspection Phase 1 is done (Phase 2 was not required), not our Structural Integrity Reserve Study (SIRS).

A: Yes, “waiving Reserve Funding” for the mandatory “structurally related” projects is eliminated in 2026. Existing Reserve cash will be allocated to your mandatory components or non-mandatory components by your Reserve Study professional, likely in coordination with the board. Get your SIRS finalized ASAP and begin “working the plan” to fund your mandatory and non-mandatory Reserves. Everything is deteriorating (mandatory and non-mandatory) and will eventually need to be repaired or replaced!

Q: Are HVAC stands on a flat roof building considered as a SIRS component? Likewise, are the utility doors considered as a SIRS component?

A: While the roof itself is considered a “mandatory” component (funding for this type of project cannot be waived), HVAC assets are not considered mandatory. Of course, HVAC assets deteriorate with time and should be funded. You’re fooling yourself if you think you don’t need to fund for such projects. Any Reserve projects you don’t fund on an ongoing basis, you’ll fund on a special assessment basis.

Q: Are common concrete walkways resurfacing in a three floor building considered as a SIRS component?

A: No.

Q: Are you physically located in Florida? And thus, intimately familiar with 718?

A: I (Robert) work from our corporate office in CA. Our [FL office](#) is based in FL, and they are intimately familiar with Florida statutes addressing condominiums (FS 718),

Cooperatives (FS 719), and HOAs (FS 720). Please contact them with your specific questions.

Q: Will the current SIRS requirement change for the state of Florida?

A: I have every expectation it will continue to evolve over the years. It was created rapidly and is in need of adjustment in many areas to be clearer and easier to implement.

Q: In Florida, ANY unit owner, not just a board member, has rights to access ALL the number\$\$, correct?

A: Please ask your association's legal counsel on this matter.