

Reserve Funds

*By failing to prepare,
you are preparing to fail.*

Heartwood Cohousing
Southwest Colorado

www.heartwoodcohousing.com

Caveats

- Your state may have laws governing reserve studies for condo associations and homeowners' associations.
- Our reserves studies are done in-house. You may want to hire professionals.

Purpose of Reserves

- To have money saved up for when you need it.
- To avoid ever having to charge special assessments. I.e., all expenditures are paid from regular monthly dues.
- To clearly define spending authority.

HOA Reserves, Budgets, and Funds Overview

09/05/19

	Purpose	Creation	Funding	Spending Authority	Notes
Team Operating Budgets	Provide teams with annual budgets for regular spending to fulfill teams' responsibilities.	Decided each fall during budget process.	HOA dues.	Teams can spend money on anything consistent with their team responsibilities listed in Teams Agreement. Individual budget line items make no difference; only the team's total annual budget matters.	Budget amount is for one year only and does not carry forward.
Contingency Fund	Provide teams with extra funds when other budgets are not adequate.	Decided each fall during budget process.	HOA dues.	Steering team authorizes Contingency Funds as it sees fit for the good of the community.	Contingency Fund authorizations are really just budget reallocations.
Extraordinary Spending	Provide teams with budgets for generally nonrecurring special projects.	Decided each fall during budget process.	HOA dues or on rare occasions with internal loans.	Teams can only spend money consistent with the Extraordinary Spending Request approved during budget process.	Each Extraordinary Spending project has a deadline after which the funds are no longer available. If a team will not complete the project before the deadline, they must extend the deadline during the fall budget process.
Team Reserves	Provide teams with budgets for large (between \$500 and \$10K) anticipated spending that happens less frequently than every year.	Decided during periodic Team Reserves revision work.	From HOA dues and HOA operating profits.	Teams can only spend money very specifically for the Team Reserve line item up to the amount of the Reserve Cap plus 20% contingency.	A specific reserve is fully funded when created because all Team Reserves are aggregated.
Planning Reserves	Set aside money for very large (>\$10K) anticipated spending or for possible smaller projects. Spending happens less frequently than every year.	Decided each fall during budget process.	HOA dues.	No spending authority. Team must get community approval to use Planning Reserve for an Extraordinary Spending project.	Each Planning Reserve has its own balance. Funding happens incrementally over time.
Humanitarian Fund	Provide money to members in financial need.	Created in ~2002. Fully fleshed out in community decision August 29, 2007.	Voluntary private donations.	Members make fund distribution requests. Steering team authorizes distributions consistent with criteria in Budget & Assessments Agreement.	Private fund managed by HOA, but not really part of HOA.
Renewable Energy Fund	Provide money for renewable energy projects.	Created by community decision June 24, 2009.	Voluntary private donations.	Common Facility team authorizes distributions for projects that are for renewable energy and would benefit the community.	Private fund managed by HOA, but not really part of HOA.

HEARTWOOD HOA - TEAM RESERVES DETAIL

06/22/21

DESCRIPTION		RESERVE CAP	LIFE CYCLE	ANNUAL FUNDING	BEGIN CYCLE	END CYCLE		LAST REVISED
LAND STEWARDSHIP								
Solar Pump (2012)	R	\$2,400	8	\$300	2012	2020		12/29/12
8 Solar Panels (2012)	R	\$2,500	25	\$100	2012	2037		12/29/12
Gas Pump	R	\$1,400	8	\$175	2003	2011		10/27/04
Cluster Irrigation Pressure Pump	R	\$1,000	7	\$143	2005	2012		12/29/12
Brush Cutter	R	\$850	12	\$71	2005	2017		01/02/10
Chainsaw	R	\$500	12	\$42	2001	2013		06/10/03
Play Structure (SS Ponderosa)	R	\$6,000	30	\$200	2017	2047		12/07/16
Forest Thinning Grant (net)	O	\$5,000	7	\$714	2012	2019	G	01/11/12
TOTAL LAND STEWARDSHIP		\$19,650		\$1,745				
PASTURE & AGRICULTURE								
Tractor - Major Repair (>\$500)	MM	\$7,000	5	\$1,400	2008	2013		05/17/20
Tractor Tires	R	\$2,500	13	\$192	2007	2020		01/18/16
Tractor Fuel Tank (300 gal)	MM	\$1,200	20	\$60	2018	2038		03/17/18
UTV	R	\$18,000	30	\$600	2021	2051		06/22/21
Spring-Fed Pond	MM	\$3,000	30	\$100	2018	2048		03/17/18
High Tunnel Plastic	R	\$550	5	\$110	2012	2017		01/18/16
Farm Barn Roof	R	\$2,000	40	\$50	2018	2058		03/17/18
Hay Barn Roof	R	\$2,000	40	\$50	2018	2058		03/17/18
Wood Fence (along CR 506)	R	\$4,000	16	\$250	2017	2033		12/07/16
Rotary Mower	R	\$2,500	30	\$83	2000	2030		01/02/10
TOTAL PASTURE & AG		\$42,750		\$2,896				
TOTAL TEAM RESERVES		\$168,400		\$20,185				

How We Plan our Team Reserves

- Finance team reviews historical reserves spending for each Team Reserve.
- Do we need to add any new reserves?
- Do any existing reserves need to have their Reserve Cap or Life Cycle revised?

How We Plan our Team Reserves

- Finance team reviews historical reserves spending for each Team Reserve.
- Finance team sends each team a copy of their current Team Reserves.
- suggests revisions based on FT review
- asks each team to review their reserves for possible revision (Reserve Cap or Life Cycle)

How We Plan our Team Reserves

- Finance team reviews historical reserves spending for each Team Reserve.
- Finance team sends each team a copy of their current Team Reserves.
- Finance team compiles results, determines if increase in dues is needed, purposes revisions to community for decision.
- Happens once every 2 or 3 years.

How We Plan our Planning Reserves

- During annual budget work, teams are invited to propose new Planning Reserves. (Planning Reserve Request Template pdf included with slides)
- Total Funding Amount
- Annual Funding Amount
- Years to Reach Total Funding Amount
- Background & Rationale

From: Mac Thomson macthomson@mac.com 
Subject: Planning Reserve Request: Template
Date: September 5, 2019 at 3:29 PM
To:



Planning Reserves represent funding for probable future projects. The funds are set aside, but not authorized to be spent. In the year prior to working on the project, the team will complete an Extraordinary Spending Request form to request authorization to use the funds in the Planning Reserve.

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Project Name:

Team:

Does project have full team support? yes no

Total Funding Amount: \$

Annual Funding Amount: \$

Years to Reach Total Funding Amount:

Background & Rationale:

Other Pertinent Info:

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Mac Thomson

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"Everything in excess!! To enjoy the flavor of life, take big bites! Moderation is for monks."
- Robert Heinlein

How We Plan our Planning Reserves

- During annual budget work, teams are invited to propose new Planning Reserves. (Planning Reserve Request Template pdf included with slides)
- Community decides on Planning Reserve proposals.

How Much is Enough?

Planning & Team Reserves

	Add	Cap	Balance
Old Planning Reserves			
CFT - Pathways	\$0	\$25,000	\$25,000
LST - Cluster Irrigation Upgrade	0	2,000	2,000
PAT - Tractor Replacement	500	25,000	8,000
CFT - Water Tank - Interior Coating	3,000	32,000	22,500
CFT - ET Bed Repair or Replacement	5,000	100,000	31,000
CFT - Potable Water Supply Upgrade	wait	100,000	0
CH - CH Roof Replacement	275	11,000	5,050
New Planning Reserves			
CFT - Pathways (PR Increase)	\$9,500	\$50,000	\$0
LST - Utility Task Vehicle (UTV)	\$1,000	\$8,000	\$0
Total Planning Reserves	\$19,275	\$353,000	\$93,550
Total Team Reserves	\$6,000	\$148,700	\$123,246
Total Planning & Team Reserves	\$25,275	\$501,700	\$216,796
Years to Reach Cap - Planning Reserves		13.5	Years
Years to Reach Cap - Team Reserves		4.2	Years

How We Invest our Reserves

- 25% cash & MMF
- 50% bond index funds
- 25% real estate and stock index funds
- ~4% average annual return (\$6250/yr)
- State laws may apply.