

Soda Springs Ranch HOA Reserve and Replacement Policy

Overview of HOA Reserve Requirements

Definition of HOA Reserves

“Reserves” are funds that associations set aside to cover the anticipated costs associated with the replacement of – and significant repairs to – major common area components that associations are obligated to maintain. These common areas, also sometimes referred to as common elements, are identified in the Declaration of Covenants, Conditions and Restrictions of associations. Reserves are not intended to fund the routine maintenance of common area components. Instead, routine maintenance should be included as part of the operating budgets of associations.

Statutory Requirements for Associations

While HB 1359 does not require associations to actually fund reserves, the new law does require all associations to adopt a reserve policy that addresses: (a) when a reserve study shall be prepared for the portions of the community maintained, repaired, replaced, and improved by the association; (b) whether the reserve study is based on a physical and financial analysis; (c) whether there is a funding plan for any work recommended by the reserve study; and, if so, (d) the projected sources of funding.

The new law does not technically require associations to conduct a reserve study. The section of an association’s reserve policy that addresses “*when* a reserve study shall be prepared” could state the association does not intend to have a reserve study conducted. However, unless your association has no common areas for which it is responsible – we highly recommend that your association have a reserve study prepared which should include a recommended funding plan.

The whole point of a reserve study is to provide associations with a planning tool to determine the remaining life of the physical components the association is required to maintain and the anticipated timeframe and costs associated with the replacement of and major repairs to those components. Without the benefit of a reserve study, associations do not have the proper tools necessary to plan and budget for significant future expenditures.

While the new law does not require associations to actually *fund* reserves to address future financial obligations, it is essential for associations to plan for the future.

Reserve Policy for Soda Springs Ranch

The Board of Directors has created an analysis of the HOA’s Reserve and Replacement Fund for all appropriate infrastructure of the HOA. The Board will update this analysis every three years based upon current market replacement cost.

The funding of the Reserve and Replacement account is accomplished via quarterly billings to the HOA members. The quarterly billings will consist of two components:

- 1) Billings to cover HOA operating fees
- 2) Billings to fund a reserve for the Reserve and Replacement fund

On an annual basis, as a part of the annual budget planning, each tract representative serving on the SSR Board of Directors will be presented with the Reserve and Replacement (R&R) Analysis. The Tract Representatives will use the R&R Analysis as an input into determining the R&R fees associated with their tract's quarterly HOA fees for the upcoming year. The Tract Representative will consider such aspects as the current R&R Fund for their tract when determining what they wish to set their tract's R&R fees at for the fiscal year.