

## **Much We Should Have In Our Reserve Fund?**

In determining how much we should be paying in maintenance assessments each month, our Board of Directors must estimate how much our association is going to spend for operating expenses and how much it must save for future repairs and replacement of common area assets (reserves). However, in order to know how much to set aside for those repairs/replacement the Board needs to know approximately when those repairs/replacements are going to be needed. A reserve study helps to provide that information to the Board.

State statutes require that community associations have an independent reserve study (prepared by an independent consultant or contractor with no connection or interest in the association) done every three years. The results of the reserve study play an important role in determining how much of our monthly assessment will be used to fund the reserve funds.

A reserve study identifies the major components which the association is obligated to repair, replace, restore, or maintain. In addition, a reserve study provides estimates for each components remaining life, cost of maintenance or replacement and the annual dollar contribution required to perform the work. Our Board of Directors consider the findings of the reserve study when they set our community's operating budget for the upcoming fiscal year, thus determining our monthly assessment.

The reserve study is a valuable tool that our Board and management company use in order to ensure that our association has the funds available to properly maintain and replace our common area assets when needed.