

BHA Reserve Study FAQs

Late in 2020, BHA's professional reserve study was completed, and BHA's Board of Directors adopted a reserve policy at its November 2021 regular meeting. Here are answers to some frequently asked questions to help our members.

What are reserves for an association?

Money is set aside by a homeowners association to cover repairs and replacement costs for commonly owned assets.

Does BHA have money set aside for reserves?

Yes. Funds have been collected and set aside in reserve for various items. The balances are included on the Association's internal balance sheet and the annual audited financial statement. These financial documents can be found on BHA's website at BaldHeadAssociation.com/financial-report.

How much money should an association have in reserves?

Ideally, a minimum of 60% of the depreciated value of all the Common Areas at any given time. By maintaining a "healthy" level of reserves, an HOA reserve fund limits the risk of needing to ask for additional funds (special assessment) from its members. A reserve study is the best tool to determine the replacement costs.

What is a reserve study?

National best practices require that a reserve study be conducted every 3-5 years by a professional reserve study company that is trained in evaluating the current condition of assets, determining how long until the assets need to be replaced and estimating the cost for eventual replacement. The company compares the level of funding previously collected, factors in inflation and other site-specific costs and recommends a yearly allocation that should be added to the reserves fund over the life of the items to ensure that sufficient cash will be available once the item requires replacement.

When was the last time BHA had a reserve study?

On December 4, 2020, Global Solution Partners completed a professional reserve study for BHA. Previous informal studies were completed with input from on-Island contractors and builders.

What was the outcome of the reserve study?

The 2020 reserve study estimated that BHA maintains \$3.3 million worth of assets. The study recommended funding levels for every asset owned and/or managed by BHA. The staff recommended that a reserve policy be developed in order to plan for proper reserve funding, and the Board of Directors approved that plan in November 2021. Visit BaldHeadAssociation.com/financial-report to view the reserve policy.

What is in the reserve policy?

The reserve policy lays out a plan to fund the reserves at 70% of the reserve study recommendation within five years. The 70% funding level will decrease the risk of special assessments and deferred maintenance. The policy also addresses reserve expenditures and borrowing guidelines.

What wasn't included in the reserve study?

The lagoons owned by BHA and the Wildlife Overlook were not included in the 2020 reserve study. The Wildlife Overlook had not been built at the time the study was completed. Reserves for the Overlook have been included in the 2022 budget at 70% of the final construction plus inflation over 30 years. BHA plans to address ownership and funding for the lagoons in the next two years.