

## **Reserve Study**

Ohio Laws on Reserves are about *information first* and *money second*. The reserve laws force a Board to obtain and keep updated information on reserves and repair/replacement costs. It protects the Board by relying on the expertise of a reliable professional.

## **Board Responsibility**

The law mandates that the Board enact a budget to replace capital items without the need for special assessments. "Component funding" is a viable method.

- 1) List all capital items
- 2) Estimate the useful life of each item
- 3) Estimate the replacement cost (the current cost is the replacement cost)
- 4) Divide the cost by the useful life (in years) to estimate yearly allocation cost.

**What Does Fully Funding Do?** It saves for capital expenses and helps avoid unexpected assessments. Condo units in fully funded associations are more appealing to buyers.

**Reserve Study Frequency:** 5 years.

## **Can the Board Amend the Reserve Study?**

The study is a reference document that can be altered after discussion with the Reserve Study company. Board input about locally estimated costs (that may differ from the Study), and firsthand experience with the community can be shared with the Reserve Company to reach a final, mutually acceptable document that fits the needs to the Association, and satisfies due diligence by the Board.

## **Should the Study Be Shared with the Unit Owners?**

YES! This is especially important in an association where owners vote to waive full funding. Owners cannot make an informed decision if they do not know what they are waiving. If cost is an issue, at least provide a report summary and chart.

## **Ohio Law**

Ohio Law mandates that the Board plan ahead and budget for costs, that it protect consumers by requiring full disclosure of future repair/replacement costs to all owners. It requires the Board to obtain a reserve fund waiver from a majority of owners.

## **Capital Items**

Physical items currently existing within the association: roofs, retaining walls, siding, roads, concrete, stoops, and entrance signs.

Capital expenditure" is defined as any expenditure of funds for: a) the purchase of an asset whose useful life is greater than one year in length; or b) the replacement of an asset whose useful life is greater than one year in length; or c) the addition to an asset that extends the useful life of the previously existing asset for a period of greater than one year in length. " Landscaping is not considered a capital expenditure.

