



NORTHRIDGE HOMEOWNERS ASSOCIATION

Northridge HOA Board Reserve Study and Recommendations

January 2025

Overview

While the State of Iowa does not have a requirement to perform a reserve study or allocate funds for reserves, many other states have statutory requirements for HOA boards to have reserves defined and allocated in a designated account. Northridge HOA always had a reserve account set up and contributed to it. However, in the last few years the reserve account has been decreased due to unexpected events such as the Derecho. Based on this, the Northridge HOA board determined the need to reallocate a specified amount of money as reserves and provide a precedent for appropriate levels and management of the reserve fund going forward.

Capital Reserves for Northridge Homeowners Association

Purpose and Importance

- Capital reserves ensure financial stability for the HOA by providing funds for future repairs and replacements.
- They reduce the likelihood of unexpected special assessments on homeowners and provide fairness for current and future homeowners to appropriately assign the depreciation costs for maintaining the physical assets of the HOA over time.
- Adequate reserves maintain property values and support long-term planning.

Current Reserve Goals

- The Northridge Homeowners Association is increasing its reserve target to a minimum of 70% of the annual budget.
- With a current 2025 annual budget of ~\$115,000, the revised reserve target is ~\$80,000.

Reasons for the Increase

- To prepare for upcoming capital expenses, such as tree trimming and removal, repairs of walking trails, tree replacement, and pond maintenance.
- To align with industry standards and recommendations for reserve levels.
- To improve financial preparedness and reduce reliance on short-term funding measures.



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Future recommendations for Northridge HOA Board

1. Routinely conduct a reserve study or update the existing one to identify future expense needs.
2. Adjust annual contributions to meet the new reserve target over time.
3. Continually communicate with homeowners about the importance of the reserve fund and the benefits of the increase.

Conclusion: Building robust capital reserves demonstrates fiscal responsibility and ensures the Northridge HOA is well-prepared to manage both expected and unforeseen maintenance needs. This proactive approach will help safeguard Northridge Parkway's assets and financial health.

References used for reserve study recommendations

<https://emspm.com/hoa-reserves-rule-of-thumb/?utm>

<https://www.reservestudy.com/resources/article/what-is-your-hoa-reserve-fund-strength-calculate-if-your-budget-is-enough/?utm>

<https://clarksimsonmiller.com/hoa-reserve-funds/>

<https://www.townsq.io/blog/hoa-reserve-funds>

Approved by 2025 HOA Board members:

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