Reserve Funding Percentages

HOW DO YOUR CALIFORNIA ASSOCIATIONS STACK UP?

In California there is no statutory requirement for associations to fund their reserves at any particular threshold; however, the state does require that associations conduct a full and complete reserve study with a site inspection of components once every three years and update the reserve study annually. While you're at it, your board may ask you to compare their association with the average community in California. Chris Sanders, President at Barrera & Company, Inc., keeps his finger on the pulse of associations' reserves in California and, in order to help our community managers, he has prepared a breakdown of the association reserve funding thresholds for a sampling of 1,000 condominiums and single-family homes in both Northern and Southern California. The sampling features 500 Northern and 500 Southern California homeowners associations and provides a general look at where HOAs currently stand on a percentage basis.

According to the data, 43% of the sample associations are under the 50% funded mark, while 59% are above and a small percentage (13%) are at the "ideal" 100% and above mark. Of the 43% under the 50% funded mark, 67% of those were in CIDs consisting of 75 units or less. This supports the theory that

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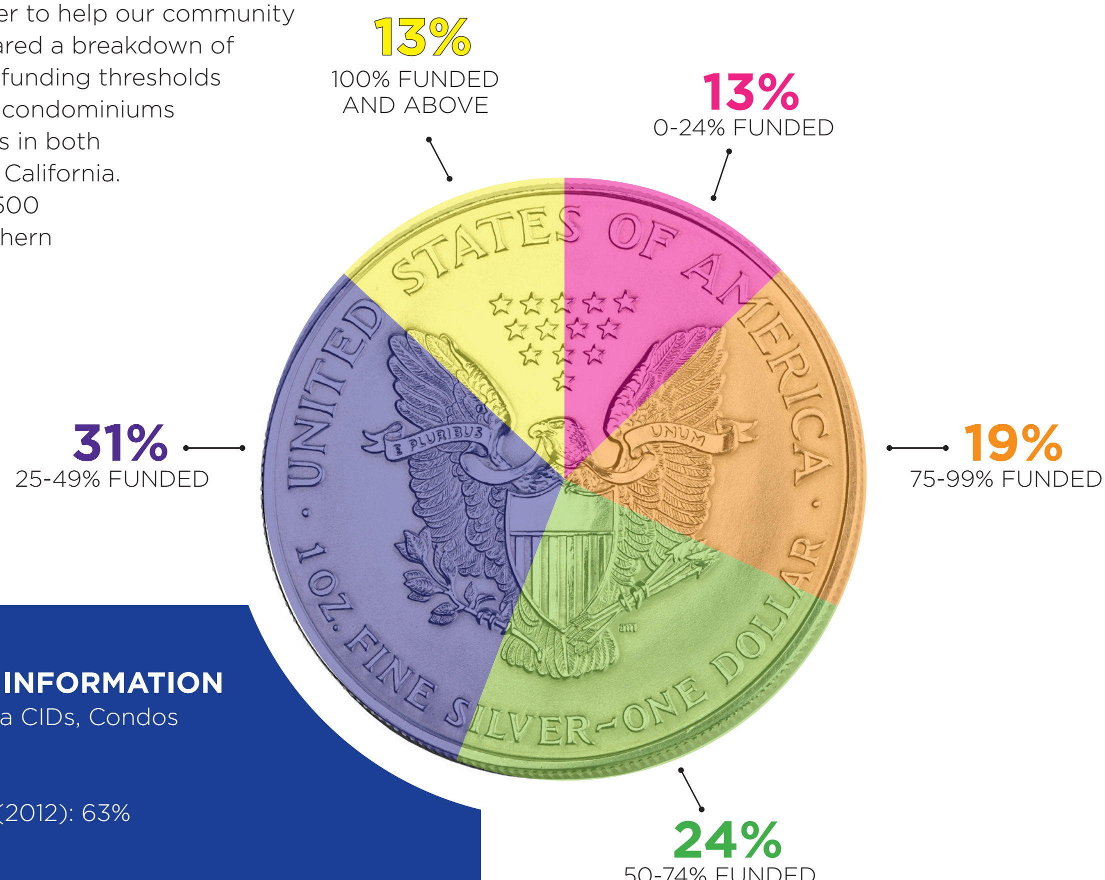

DATA BREAKDOWN INFORMATION
(Sample of 1,000 California CIDs, Condos and SFHs)

Average Percent Funded (2012): 63%
Northern California: 64%
Southern California: 62%

Geographic scope: Northern California included East Bay, Napa, Peninsula, and San Mateo areas; Southern California included Los Angeles, Orange County, and San Diego.

Percentages for fiscal year-end 2012: Majority 95%+ are as of 12/31/12, 5% have a mid year fiscal year-end sometime in 2012.

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smaller associations tend to run at a lower percentage, and thus are more vulnerable to special assessments or prone to needing a loan to meet their reserve expense requirements.

Overall, approximately 26% of CIDs are at the extremes (13% at 100+% and 13% at the low end of 0-24%), with the majority of the associations somewhere in the middle. It should be noted that this data indicates a specific percentage at a particular time.

What is not included in this analysis, yet is equally important, is the selected path these associations are looking to take in the future. When sharing this information with your boards, you will want to stress that this is simply for comparison and nothing replaces foresight and forward planning to strengthen reserve funding percentages and ensure associations run smoothly.

Statistics provided by Barrera & Company, Inc., which serves San Diego, Orange County, Coachella Valley and the Inland Empire.