

# The City Walk Reserve Fund Shortfall

A report by the Reserve Committee

The Reserve Fund is the money we set aside for work on the building, such as maintenance and repairs and improvements, as opposed to the money we spend on operating expenses like electricity and payroll. To learn how much we should set aside, we pay for Reserve Studies to be done. Companies that understand the needs of buildings like ours anticipate the future work we'll need to do, and then recommend how much money we should set aside year by year to pay for it.

Most large buildings like ours order new Reserve Studies every 3-5 years to keep them as up to date as possible.

## The Shortfall

The last Reserve Study for City Walk was done in 2014, and it recommended how much we should pay into the Reserve Fund every year for the next thirty years. Unfortunately, we haven't been following its advice.

From 2016 through 2023, the 2014 Reserve Study recommended that we put a total of \$4.3 million into the Reserve Fund. Instead, we only put \$2.4 million in (only 53% of what we should have set aside) so that today, the fund is short of what it ought to be by almost \$2 million.

The red area in the middle of the graph shows how this shortfall grew over the years.

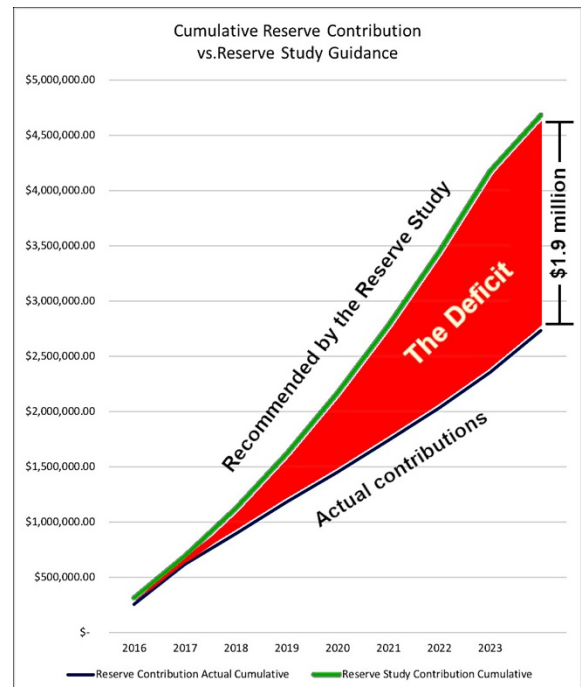
If we don't fix this soon:

- We might have to levy more special assessments, which are harder for most owners to deal with than HOA increases that they can see coming and prepare for.
- Future maintenance might need to be done in stages, which will make it more expensive.
- We might have to put off some maintenance work, which could lead to damage that will cost much more to fix than it would have costed to prevent. (As we've seen with the balcony maintenance project.)

The 2014 Reserve Study predicted our needs very well. If we had followed its guidance, we'd have a healthy Reserve Fund balance today, and the building would also be in much better shape.

## What Won't Work

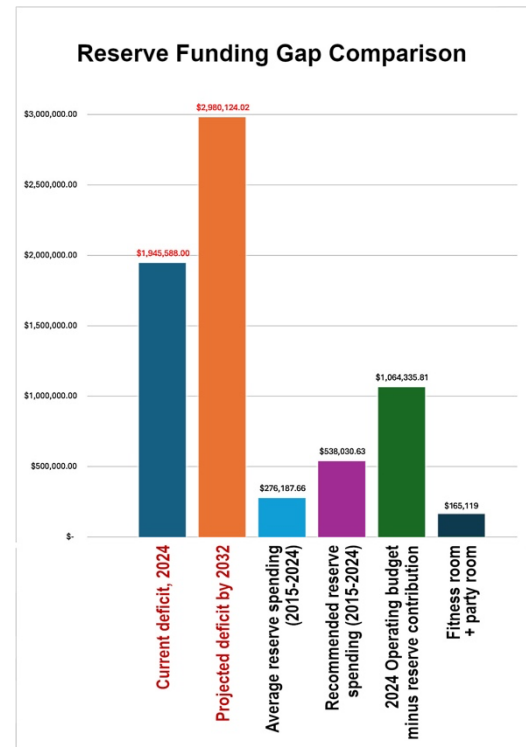
It might be tempting to think that we can keep our HOA fees low and still make up the Reserve Fund shortfall by simply cutting back on expenses, but the numbers show that this won't be enough. We should certainly spend our money as wisely as we can, but the shortfall wasn't created by wasteful spending, it was created by an *unwillingness* to spend: to pay enough into the fund year by year. By now, the shortfall has grown too big to be solved by mere cuts in spending.



The chart to the right shows the size of the current shortfall (the first bar), as well as where it might be in another eight years if we don't increase our contributions to the fund by a lot (the second bar). The next four bars are:

1. The average amount we spent on the building for the past ten years.
2. The average amount that the 2014 Reserve Study recommended that we spend on the building for the past ten years.
3. The entirety of our 2024 operating budget minus what we did contribute to the Reserve Fund.
4. The entire budget for the party room and fitness room renovations combined.

What this chart shows is that even if we could reduce these expenses by large amounts, it wouldn't have much of an effect on the shortfall. For example, even if we had chosen not to renovate the party and fitness rooms at all, the savings would have been just a drop in the bucket.



## A National Problem

It's not just us. The law that spurred the creation of condominiums in America is only about 60 years old. Our building is a part of the first generation of large condo complexes that are all entering old age together and facing the same problem: not enough money in our reserves.

Recommended reading: "[Condos Are in Uncharted Territory](#)" – Slate.com, 7/2/2021.

## What Next?

There's no choice but to do the hard work we should have been doing all along: fund the Reserve Fund adequately. We understand this could be painful, but it has to be done, or things will only get worse. Increased HOA fees, as difficult as they might be for owners to deal with, will not be as bad as unexpected special assessments and increased construction costs.

If our building falls apart around us, nobody wins. Everybody loses.

We urge our fellow City Walk owners to:

1. Take the recommendations of the 2014 Reserve Study seriously and be open to the updates we'll receive from the new study that's about to be conducted.
2. Start putting enough into the Reserve Fund to restore it to where it needs to be and keep it there into the future.
3. Explore ways to reduce the financial shock for owners.

The Reserve Fund shortfall is big, but not so big that we can't still fix it. We, the Reserve Committee, absolutely believe that we can restore our HOA to financial health. However, the longer we wait to start, the harder and more painful it will be.