

Sandia Heights Homeowners Association

Financial Reserve Designations

December 2025

Purpose of Building and Maintaining Reserves

The purpose of building and maintaining financial reserves is to ensure the long-term financial stability of the Sandia Heights Homeowners Association (SHHA). Board -designated Reserves provides transparency to stakeholders of the organization as to future plans. the necessary funds to address planned capital expenditures, emergency repairs, and unforeseen events without requiring special assessments or imposing undue financial burdens on members.

Definitions of Reserve Types

Capital Reserve Fund:

Purpose: To fund the repair, replacement, and improvement of common area components and infrastructure. SHHA does not have any common areas.

Use: Replacement and maintenance of capital assets.

Operating Reserve Fund:

Purpose: To cover short-term, unanticipated expenses not included in the annual operating budget.

Use: To fund unexpected costs for insurance deductibles or retention, legal reserves for ongoing lawsuits, long term contracts such as leases where the SHHA maintains multi-year commitments.

Emergency Reserve Fund:

Purpose: To address immediate and unexpected events

Use: Legal emergencies or other unanticipated financial expenditures.

Recommendations for 2026

Capital Reserve Fund:

\$15,000 Sign Refurbishment Reserve

As of August 2025, there were eleven community signs within the SHHA neighborhood. This reserve is established for the replacement or repairs of existing signs as well as for new signs as needed. This reserve shall fund all, a portion or none of the costs associated with community signs.

Operating Reserve Fund:

\$50,000 Legal Reserve

From 2023 through 11-months ended November 2025, annual legal fees averaged \$75,000 (before reimbursements from insurance companies). The 2026 budget for legal fees is \$45,500.

\$50,000 Loss Retention/Deductible Reserve

SHHA will have to fund the first \$50,000 losses and/or legal fees resulting from claims under Directors & Officers' liability insurance claims. There is no provision for these expenses in the 2026 budget.

\$20,000 Insurance Premium Reserve

Insurance expenses were approximately \$13,000 in 2023 and increased to \$45,000 in 2024. The 2026 budget anticipates increases of approximately 25%.

Emergency Reserve Fund:

\$10,000 – No specific designation