01 / RESERVE READINESS

ARE YOUR HOA RESERVES READY FOR ARIZONA'S NEXT MAJOR REPAIR?

An Arizona HOA Reserve Study & Capital Planning Checklist A Board Member's Guide to Evaluating Reserve Funding, Infrastructure Risks & Long-Term Financial Readiness

THRIVE COMMUNITY MANAGEMENT

Arizona HOA Board Educational Resource

ARIZONA RESERVE READINESS

Is Your Reserve Study Reflecting Your Community's Financial Reality?

A reserve study is more than a schedule of anticipated repairs. It is a financial planning tool that helps HOA Boards prepare for major component replacements, manage long-term expenses, and understand the potential consequences of deferred maintenance.

For Arizona communities, extreme heat, prolonged UV exposure, monsoon storms, irrigation demands, and aging infrastructure can create financial pressures that are not always reflected in outdated reserve projections.

Before relying on your current reserve study, consider these five questions.

BOARD READINESS CHECKLIST

☐ Has our reserve study been reviewed against current physical conditions rather than simply carried forward from a previous report?

☐ Are replacement costs based on current Arizona contractor pricing instead of outdated national averages?

☐ Does the funding plan account for major capital projects expected within the next three to five years?

☐ Have we compared actual reserve balances and contributions against the study's financial projections?

☐ Can the Board explain the financial consequences of delaying its three largest anticipated repairs?

YOUR COMMUNITY'S RESERVE SNAPSHOT

Association Name: _____

Date of Most Recent Reserve Study: _____

Date of Last Physical Site Inspection: _____

Current Reserve Fund Balance: $_____

Annual Reserve Contribution: $_____

Next Major Capital Replacement: _____

Estimated Replacement Year: _____

Estimated Project Cost: $_____

BOARD DISCUSSION

Does our current reserve study describe the community as it exists today, or the community as it existed when the study was originally prepared?

THRIVE BOARD INSIGHT

A reserve study is only as useful as the assumptions behind it. Accurate asset inventories, realistic replacement costs, and consistent financial oversight are essential to meaningful long-term planning.

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THE ARIZONA CLIMATE EXPOSURE CHECKLIST

Is Your Reserve Study Accounting for Arizona's Unique Infrastructure Demands?

Arizona's climate can place significant demands on community infrastructure. Extreme temperatures, UV exposure, seasonal storms, hard water, and irrigation conditions may influence the useful life and maintenance needs of common-area components.

A reserve study should reflect the actual assets the association is responsible for maintaining, their observed condition, and realistic local replacement costs.

ARIZONA COMMON-AREA ASSET REVIEW

1. Asphalt & Private Roads

☐ Included in reserve study

☐ Current pavement condition verified

☐ Sealcoating, resurfacing, and replacement schedules reviewed

Arizona Consideration: Heat-related deterioration, cracking, pavement oxidation, and accelerated wear.

Projected Replacement Year: _____

Estimated Cost: $_____

2. Roofing Systems

☐ Included in reserve study

☐ Roof condition and remaining useful life verified

☐ Replacement estimates updated

Arizona Consideration: UV exposure, thermal expansion, monsoon damage, and underlayment deterioration.

Projected Replacement Year: _____

Estimated Cost: $_____

3. Pools, Spas & Aquatic Amenities

☐ Included in reserve study

☐ Equipment condition reviewed

☐ Surface, decking, and mechanical replacement schedules verified

Arizona Consideration: Pump and filtration demands, mineral buildup, heat exposure, and surface deterioration.

Projected Replacement Year: _____

Estimated Cost: $_____

4. Irrigation Infrastructure

☐ Included in reserve study

☐ Underground systems and controllers reviewed

☐ Major component replacement estimates updated

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Arizona Consideration: Hard-water deposits, underground leaks, valve failures, and aging irrigation infrastructure.

Projected Replacement Year: _____

Estimated Cost: $_____

5. Community Landscaping & Trees

☐ Association maintenance responsibility confirmed

☐ Major landscape infrastructure reviewed

☐ Storm-related exposure evaluated

Arizona Consideration: Mature tree replacement, irrigation demands, storm damage, and landscape infrastructure.

Projected Replacement Year: _____

Estimated Cost: $_____

6. Perimeter Walls, Gates & Access Systems

☐ Included in reserve study

☐ Structural and mechanical conditions verified

☐ Replacement estimates reviewed

Arizona Consideration: Masonry movement, weather exposure, gate motors, and electronic access-control equipment.

Projected Replacement Year: _____

Estimated Cost: $_____

7. Drainage & Stormwater Infrastructure

☐ Association responsibility verified

☐ Drainage facilities inspected

☐ Major rehabilitation costs considered

Arizona Consideration: Monsoon runoff, erosion, retention basins, and stormwater infrastructure.

Projected Replacement Year: _____

Estimated Cost: $_____

8. Clubhouses & Community Amenities

☐ Included in reserve study

☐ Equipment and facility conditions reviewed

☐ Replacement schedules updated

Arizona Consideration: HVAC systems, exterior finishes, shade structures, playground equipment, and recreational amenities.

Projected Replacement Year: _____

Estimated Cost: $_____

BOARD DISCUSSION

Which community components face the greatest exposure to Arizona's environmental conditions, and are their remaining useful lives supported by current inspections?

THRIVE BOARD INSIGHT

A component appearing in the reserve study does not automatically mean its condition, replacement schedule, or estimated cost is accurate.

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THE FIVE-YEAR CAPITAL COLLISION TEST

What Happens When Multiple Major Repairs Come Due at Once?

One of the greatest challenges in reserve planning is not necessarily the cost of a single project. It is the financial pressure created when several major replacements become necessary within the same funding period.

An association may appear financially prepared for an individual replacement while lacking sufficient liquidity to address overlapping capital obligations.

IDENTIFY YOUR FIVE LARGEST UPCOMING PROJECTS

PROJECT 1

Component / Project: _____
Expected Replacement Year: _____
Estimated Replacement Cost: $_____
Funding Available: $_____
Funding Concern: ☐ Yes ☐ No ☐ Needs Review

PROJECT 2

Component / Project: _____
Expected Replacement Year: _____
Estimated Replacement Cost: $_____
Funding Available: $_____
Funding Concern: ☐ Yes ☐ No ☐ Needs Review

PROJECT 3

Component / Project: _____
Expected Replacement Year: _____
Estimated Replacement Cost: $_____
Funding Available: $_____
Funding Concern: ☐ Yes ☐ No ☐ Needs Review

PROJECT 4

Component / Project: _____
Expected Replacement Year: _____
Estimated Replacement Cost: $_____
Funding Available: $_____
Funding Concern: ☐ Yes ☐ No ☐ Needs Review

PROJECT 5

Component / Project: _____
Expected Replacement Year: _____
Estimated Replacement Cost: $_____
Funding Available: $_____
Funding Concern: ☐ Yes ☐ No ☐ Needs Review

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CAPITAL EXPOSURE QUESTIONS

☐ Are two or more major projects scheduled within the same 12–24-month period?

☐ Have project estimates been adjusted for expected construction cost changes?

☐ Does the reserve funding plan account for overlapping expenditures?

☐ Have we evaluated the potential impact of postponing a major replacement?

☐ Would a significant unexpected repair require additional assessments or another funding source?

BOARD DISCUSSION

If our three largest capital projects became necessary within the next 24 months, could our association fund them without significantly disrupting other financial obligations?

THRIVE BOARD INSIGHT

Reserve readiness depends on the timing of available funds—not simply the total amount projected to be collected over several decades.

RESERVE FUNDING VS. FINANCIAL REALITY

Are Your Reserve Contributions Keeping Pace With Future Obligations?

A reserve study may project a financially sustainable future, but those projections depend on the association consistently following its funding plan.

When annual contributions fall below recommended levels, project costs increase, or major repairs occur earlier than anticipated, the association's actual financial position can diverge from its long-term projections.

RESERVE FUNDING CHECKLIST

☐ Annual reserve contributions match the Board's adopted funding plan.

☐ Reserve balances are regularly reconciled with financial statements.

☐ Projected investment earnings are based on reasonable assumptions.

☐ Reserve expenditures are tracked separately from routine operating expenses.

☐ Major project estimates include appropriate contingency allowances.

☐ The funding plan evaluates periods when reserve cash balances may become unusually low.

☐ The Board has reviewed alternative funding scenarios if future assessment increases become necessary.

RESERVE FUNDING SNAPSHOT

Current Reserve Fund Balance $_____ Planned Reserve Contributions During Review Period $_____ Projected Capital Expenditures During the Same Period $_____ Simplified Funding Difference Current Reserve Balance + Planned Contributions − Projected Capital Expenditures Estimated Difference: $_____ This simplified calculation is a discussion tool only. It does not account for the timing of expenditures, investment earnings, additional cash flows, minimum cash requirements, or the full reserve funding model.

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FINANCIAL OVERSIGHT QUESTIONS

1. Are we funding the plan?

Compare actual annual reserve contributions against the funding schedule recommended in the current study.

2. Are replacement costs still realistic?

Review whether significant projects require updated contractor estimates or revised cost assumptions.

3. Are we protecting future liquidity?

Evaluate whether upcoming expenditures could leave the association with insufficient funds for other scheduled replacements.

4. Have we reviewed alternative scenarios?

Consider how different contribution levels, project schedules, and unexpected expenditures affect future funding.

BOARD DISCUSSION

Are we making reserve funding decisions based on current financial performance, or relying on projections that have not been updated to reflect actual conditions?

THRIVE BOARD INSIGHT

Financial statements show where an association stands today. Reserve planning helps explain where its financial obligations may lead tomorrow.

07 / RESERVE READINESS

ARIZONA LEGAL, DISCLOSURE & LENDING CONSIDERATIONS

What Should Arizona HOA Boards Verify Beyond the Reserve Study?

Arizona associations should consider their governing documents, applicable state statutes, resale disclosure obligations, and, where relevant, condominium lending requirements when reviewing reserve planning practices.

Arizona generally does not impose a universal statewide reserve study requirement or a fixed reserve funding percentage on all homeowners' associations. However, individual governing documents may establish additional obligations, and applicable resale disclosure requirements address reserve information.

Condominium associations may also encounter reserve-related considerations when purchasers seek financing through particular mortgage programs.

ARIZONA GOVERNANCE & DISCLOSURE CHECKLIST

☐ Have we reviewed our declaration, bylaws, and other governing documents for reserve funding or reserve study requirements?

☐ Have we verified the applicable Arizona resale disclosure requirements for our association type?

☐ Can we accurately report the association's current reserve balance and relevant reserve information?

☐ Is the most recent reserve study available when required for applicable resale disclosures?

☐ Do our financial statements and reserve records accurately reflect current association information?

☐ Have we reviewed whether upcoming major repairs or deferred maintenance should be considered in our financial planning and disclosures?

ADDITIONAL CONDOMINIUM CONSIDERATIONS

For condominium associations:

☐ Have we considered whether reserve funding practices may affect project eligibility under applicable mortgage programs?

☐ Are significant deferred maintenance concerns documented and being addressed?

☐ Can the association provide accurate financial and project information when requested for lender reviews?

☐ Have we distinguished lender-specific requirements from Arizona statutory requirements?

BOARD DISCUSSION

Could outdated reserve information, deferred maintenance, or incomplete financial documentation create avoidable complications during a homeowner's sale or refinancing process?

THRIVE BOARD INSIGHT

Reserve planning is not solely a budgeting issue. Clear financial records and consistent capital planning can also support transparency, resale processes, and informed association governance.

Legal and lending requirements vary by association type, governing documents, and loan program.

Boards should consult qualified Arizona legal counsel and appropriate lending professionals regarding specific obligations.

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SEVEN WARNING SIGNS YOUR RESERVE STUDY NEEDS CLOSER REVIEW

A Reserve Study Can Look Complete and Still Leave Important Questions Unanswered.

Even a professionally prepared reserve study requires periodic review against changing conditions, actual expenditures, and the association's evolving financial needs.

Use the following warning signs to identify areas that may require additional Board attention.

WARNING SIGN 1 — INACCURATE ASSET INVENTORY

The study includes assets the association does not maintain, or excludes components that are the association's responsibility.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 2 — OUTDATED REPLACEMENT ESTIMATES

Major project costs have not been evaluated against current Arizona contractor pricing or recent comparable projects.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 3 — UNREALISTIC USEFUL LIFE ASSUMPTIONS

Replacement schedules do not reflect observed component conditions, maintenance history, or environmental exposure.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 4 — OVERLAPPING CAPITAL PROJECTS

Several expensive replacements are projected within a short period without a clearly documented funding strategy.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 5 — INCONSISTENT RESERVE CONTRIBUTIONS

The association has repeatedly contributed less than the adopted reserve funding plan anticipated.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 6 — DEFERRED MAINTENANCE WITHOUT FINANCIAL REASSESSMENT

Major repairs have been postponed without evaluating the potential effects on future replacement costs, component conditions, or funding requirements.

☐ Needs Review ☐ Action Planned ☐ Resolved

WARNING SIGN 7 — FINANCIAL REPORTING WITHOUT FINANCIAL INSIGHT

The Board receives financial statements but lacks a clear explanation of how current reserve performance relates to future capital obligations.

☐ Needs Review ☐ Action Planned ☐ Resolved

BOARD DISCUSSION

Which of these warning signs presents the greatest potential financial exposure for our association, and what additional information would help us make a more informed decision?

THRIVE BOARD INSIGHT

A reserve study should support ongoing financial decisions—not become a document that is reviewed once and forgotten.

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YOUR BOARD'S 90-DAY RESERVE ACTION PLAN

Turn Reserve Study Findings Into Measurable Financial Decisions Identifying funding concerns is only th first step. Effective reserve planning requires clear responsibilities, realistic timelines, and documented Board decisions.

Use this 90-day framework to organize your next steps.

DAYS 1–30: VERIFY

Establish an Accurate Starting Point

☐ Obtain and review the current reserve study.

☐ Confirm the association's maintenance responsibilities.

☐ Compare the component inventory against current community conditions.

☐ Review actual reserve balances and recent expenditures.

☐ Identify missing assets, outdated estimates, or significant discrepancies.

Responsible Party: _____

Target Completion Date: _____

Key Findings: _____

DAYS 31–60: EVALUATE

Understand Financial Exposure

☐ Request updated professional evaluations or project estimates where needed.

☐ Identify the largest capital obligations within the next five years.

☐ Review alternative reserve contribution and expenditure scenarios.

☐ Evaluate the consequences of delaying significant projects.

☐ Determine whether a reserve study update or additional professional review is warranted.

Responsible Party: _____

Target Completion Date: _____

Key Findings: _____

DAYS 61–90: DECIDE

Establish a Clear Financial Direction

☐ Review findings during a properly noticed Board meeting.

☐ Identify priority capital projects and funding considerations.

☐ Document Board decisions and assigned responsibilities.

☐ Establish the next reserve review or study update date.

☐ Determine how relevant financial planning information will be communicated to homeowners.

Responsible Party: _____

Target Completion Date: _____

Board Action Items: _____

YOUR BOARD'S TOP THREE PRIORITIES

Priority 1: _____

Priority 2: _____

Priority 3: _____

BOARD DISCUSSION

What three decisions can our Board make within the next 90 days to improve visibility into future capital expenses and strengthen long-term financial planning?

THRIVE BOARD INSIGHT

The value of reserve planning is measured not only by the quality of the study, but by how effectively its findings inform ongoing Board decisions.

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STRONGER FINANCIAL OVERSIGHT. STRONGER COMMUNITIES.

A Reserve Study Is a Forecast. Strong Financial Management Is What Makes It Actionable.

A reserve study can estimate when major community components may require replacement, but it cannot make funding decisions, monitor financial performance, or resolve competing community priorities.

Those responsibilities require ongoing oversight, informed Board decisions, and a management approach that connects today's budget with tomorrow's capital needs.

At Thrive Community Management, we help Arizona HOA Boards bring greater visibility to financial planning, vendor coordination, and long-term community operations.

From financial reporting and budget oversight to community maintenance coordination and Board support, our approach is designed to help associations make informed decisions while protecting the communities they serve.

IS YOUR HOA PLANNING FOR WHAT COMES NEXT?

Whether your Board is reviewing its reserve funding strategy, preparing for major capital improvements, or evaluating its current management relationship, Thrive Community Management can help you explore a more proactive approach.

EXPLORE HOA FINANCIAL MANAGEMENT SERVICES

REQUEST A MANAGEMENT PROPOSAL

THRIVE COMMUNITY MANAGEMENT

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IMPORTANT RESOURCE NOTICE

This checklist is provided for general educational and Board planning purposes. It is not a professional reserve study, engineering assessment, legal opinion, financial audit, or substitute for advice from qualified reserve study professionals, engineers, accountants, attorneys, or other appropriate specialists.

Arizona statutory requirements, governing documents, and mortgage lending standards should be independently verified for the applicable association and circumstances.

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