La Cresta Property Owners Association

Reserves vs. Operating Budget & Line-Item Voting Explainer

Prepared for Board / Roads Committee Discussion — August 2026

1. Operating Budget vs. Reserve Fund — Core Difference

Operating Budget (Operational Funds) is the association's day-to-day "checking account." It covers recurring expenses for the current fiscal year and is funded by regular assessments (dues).

Reserve Fund is the long-term "savings account." It is restricted under California's Davis-Stirling Act (Civil Code §§ 5510–5580) for major repairs, replacements, and deferred maintenance of major common-area components identified in the reserve study.

Practical Distinction for Roads & Culverts

Type of Work	Usually Operating Budget	Usually Reserves	Notes for La Cresta
Pothole patching, crack sealing, minor grading, routine drainage cleaning	Yes	No	Day-to-day upkeep
Seal coating or limited surface treatments on sections	Often yes	Sometimes	Depends on scope and frequency
Full reconstruction, major repaving of long stretches, large culvert replacement	No	Yes	Capital projects with longer life cycles; should appear in reserve study
Emergency repairs	Can start in operating; may involve temporary reserve borrow	Possible temporary use with strict process	Follow Civil Code notice/repayment rules (§ 5515)

Key takeaway for the Roads Committee: Not everything related to roads and culverts must come from reserves. Routine and ongoing maintenance belongs in the operating budget. Reserves exist for big, infrequent capital replacements so the association is not forced into sudden special assessments.

2. What Is a Line Item and When Is It Used?

A **line item** is a specific category in the annual budget that shows a planned dollar amount for a particular purpose (examples: "Road Maintenance – Routine," "Culvert Cleaning," "Legal Fees," "Reserve Contribution").

Line items are the building blocks of both the operating budget and the reserve contribution. The full budget is prepared each year, reviewed, and adopted by the Board. Once adopted, the line items serve as the spending plan and tracking tool for the year.

3. Does Using a Line Item Require a Vote?

Adopting / creating the line item (as part of the annual budget) **does require a Board vote**.

Using / spending from an already-approved line item for ordinary expenses within the budgeted amount and purpose **generally does not require a new vote** for every invoice. Management or authorized persons can pay routine costs under the authority of the adopted budget.

When a Vote Is Still Required

Situation	Who Votes?	Notes
Adopting the annual budget and its line items	Board only (majority)	Standard process. Budget distributed to members 30–90 days before fiscal year.
Increasing regular assessments (dues) up to 20%	Board only	Allowed if budget process and notice requirements are followed.

Increasing regular assessments more than 20%	Members (majority of a quorum)	Requires secret ballot under Davis-Stirling.
Special assessment > 5% of current year's budgeted gross expenses	Members (majority of a quorum)	Requires secret ballot.
Routine spending within an approved operating line item	Usually no new vote needed	Authorized by the adopted budget; larger contracts may still need Board motion.
Spending that exceeds the budgeted line-item amount	Board vote	To amend or transfer funds.
Large contracts / significant projects (even if within budget)	Board vote	Many associations set internal dollar thresholds or competitive-bid requirements.
Using reserve funds for a major component	Board authorization	Must stay within reserve purpose. Temporary borrowing has strict notice & repayment rules (Civ. Code § 5515).
Moving money between line items or adding a significant new line item	Board vote	Transparency and proper documentation recommended.

Bottom Line for La Cresta

• Having a line item for roads, culverts, or routine maintenance in the **adopted operating budget** authorizes spending for those purposes without a new vote on every invoice.

• The Board still retains oversight and should vote on significant contracts, change orders, or reallocations.

• Reserve expenditures are more restricted and almost always need explicit Board action (and must follow statutory rules if borrowing).

• Always cross-check against La Cresta's current budget, any Board-adopted spending or contracting policies, the reserve study, and the governing documents for specific thresholds.

This summary is for discussion purposes and is based on general California Davis-Stirling Act principles and typical POA practice. It is not legal advice. Consult the association's governing documents, current reserve study, and legal counsel for specific application to La Cresta POA.