



**Homestead**  
Funds

# Storm Reserve Accounts

Help your cooperative  
plan for the high costs  
of storms and other  
natural disasters



## The Risks and Costs of Natural Disasters

Extreme weather and natural disasters have left their mark on co-ops and communities across the country.

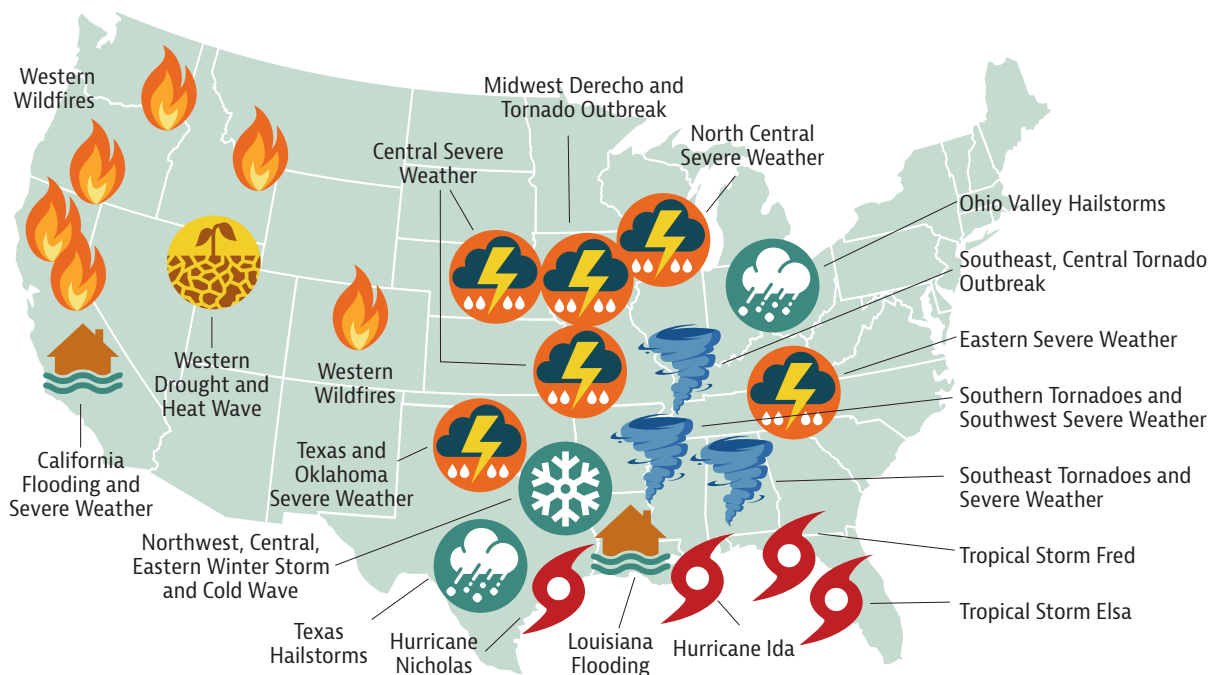
Hurricanes have torn through the South and East Coast, causing massive, record flooding and wind damage. Hailstorms have pounded the West, and tornadoes have ripped across Texas and the Southeast. Wildfires and mudslides have destroyed parts of California.

The frequency of these disasters appears to be increasing — as do the costs associated with them.

According to the National Oceanic and Atmospheric Administration (NOAA), 2021 marked the seventh consecutive year in which 10 or more separate billion-dollar disaster events impacted the U.S.

### U.S. 2021 BILLION-DOLLAR WEATHER AND CLIMATE DISASTERS

*This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States during 2021. Source: NOAA, NCEI*



## Planning for the Unexpected

For cooperatives, large weather events typically mean damage to power lines and other property, along with increased staff expenses as workers put in overtime and travel to make repairs. These surprise expenses are difficult to predict, and cooperatives can't accurately gauge how much of the costs will be recoverable through insurance or Federal Emergency Management Agency (FEMA) programs.

To better plan for storms' financial impact, many cooperatives open reserve accounts. When you open a reserve account with Homestead Funds, you choose how to invest across our family of mutual funds according to

your cooperative's tolerance for risk and expected time horizon. Investing poses risks, including the risk of loss, but it provides the opportunity to earn a return above what is typically available on stable-value funding vehicles. Any earnings compound over time, potentially easing the cooperative's cost burden.

When setting up reserve accounts, cooperatives need to be sure these accounts will not interfere with FEMA eligibility. See the Memorandum insert in this package for background and clarifications provided by NRECA and outside legal counsel.



## A SMART WAY TO PLAN

### Storm reserve accounts:

- Provide a pool of capital, owned directly by the co-op
- Can help you plan for sudden major expenditures
- Can be accessed on demand — no waiting for federal funds or loan approvals
- Provide management flexibility and help protect against disruptions to planned activities and expenses

## THE PATH TO SETTING UP A STORM RESERVE ACCOUNT

### 1

**Define your co-op's understanding of what constitutes a major storm, for example:**

- 10% of members affected for more than 24 hours
- Cost of event exceeds \$100,000

### 2

**Determine the financial impact of major storms for your cooperative historically as a way to assess future change to expense management needs.**

### 3

**Work with cooperative leadership to establish procedures for funding potential future liability using a storm reserve account.**

- Track annual major storm costs.
- Determine average or expected future annual liability.
- Open an account with Homestead Funds in the cooperative's name to serve as a storm reserve account and fund the account.
- When storms occur, make redemptions from the account to cover storm-related costs.

### 4

**Consider and obtain any necessary regulatory approvals. Involve your board in the decision-making process.**

- See the Memorandum insert in this package for background and clarifications provided by NRECA and its outside legal counsel. Counsel's opinion is that a properly executed storm reserve plan should not impact FEMA eligibility.
- As needed, Homestead representatives are available to attend board meetings to discuss our funding vehicles and operational details.

*Below is an example of a tracking sheet. Your cooperative should decide on the range of information to include in your analysis.*

Name of Major Storm	Year	Storm Cost (\$ Thousands)	% of Net Operating Income

## A Rainy-Day Account for Your Co-op

At Homestead Funds, we can help you set up the account structure and invest money earmarked for storm recovery. Assets have the potential to grow, which could ease your cooperative's cost burden. Our family of ten mutual funds allows you to establish a portfolio that helps meet your needs for liquidity while providing the potential for long-term asset growth.

And as a member of the cooperative community, we're here to help. Our registered representatives are available to work with you to construct an appropriate asset mix, open a reserve account and establish funding.

Assets are held in the cooperative's name, typically in a corporate account. Co-ops can fund the account with investments made automatically from a bank or credit union or deposited in lump sums.

## CONTACT US!

Homestead Funds is here to help you take the next step. Enclosed you will find everything you need to open a reserve account, or call **800.258.3030, prompt 3**.

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Investing in mutual funds involves risk, including the possible loss of principal.

*Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit [homesteadfunds.com](http://homesteadfunds.com).*

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