

Woodledge at Whitford Hills Community Association

Reserve Funds & Investment Plan

Capital Improvement Fund

Year End Operational Account Plan

WHEREAS, ARTICLE VII of the Woodledge At Whitford Hills Community Association Bylaws grants the general power to conduct the business and affairs of the Association to the Board of Directors, whose members shall be members of the Association; and

WHEREAS, the Board of Directors has the responsibility to plan for the proper maintenance, repair and replacement of the Association common elements; and

WHEREAS, the members have the responsibility to fund the proper care of common elements; and,

WHEREAS, proper care of the common elements directly impacts the value of members' homes and,

WHEREAS, the Executive Board has broad range financial duties and responsibilities not limited to preparation of the annual budget, collection of assessments for the management, operation, maintenance, administration, regulation, repair, replacement, care, upkeep, and insurance of common elements,

NOW, THEREFORE, BE IT RESOLVED THAT in order to properly maintain the common area, protect market value of members' homes and livability in the community, the Executive Board of Directors establishes a policy, that shall continue and adhere to by future Directors unless revised, as follows:

Reserve Study Defined: The Executive Board shall have a Reserve Study and Budget that includes the following criteria:

- Identifies all components that are the homeowner association's responsibility to repair or replace and identify each components useful life.
- Assigns a reasonable cost of repair or replacement to each component based on current costs for the area.
- Assigns a reasonable useful life to each component based on conditions of usage and other elements that could impact the useful life.

- Identifies a Year Repair & Replacement Schedule which identifies the years when each component work will be performed including the inflation adjusted cost.
- Establishes a Funding Plan which takes into consideration the costs of repairs and replacements, any contributions from members, impact of inflation, revenue generated from invested reserve funds and taxes owing on interest earned. The Funding Plan shall include the required annual contributions. The Funding Plan should take into consideration and distinguish limited common expenses from general common expenses.

The Funding Plan shall include a "Percent Funded" factor (percent of actual reserve funds on hand versus the ideal of 100%). If Percent Funded balance is below 100%, the Funding Plan shall provide for a plan to systematically increase contributions to attain the 100% level without special assessments, if possible.

Permitted Uses of Reserve Funds: The principal of Reserve funds may be used for unanticipated costs of maintenance and repair not otherwise budgeted for the Common Open Space and Association Facilities, or for the purpose of constructing improvements and facilities in addition to those provided for pursuant to the approved subdivision plan for Woodledge At Whitford Hills Community Association and for the repair and replacement of the specific components identified in the Reserve Study.

Borrowing Reserve Funds: Under no circumstances may the principal for the Reserve Funds be used for any purpose then for the purpose as outlined in Permitted Uses, or borrowed to fund operational budget.

Interest Income Reserve Fund: The interest income from the Reserve fund shall remain within the Reserve fund and applied towards the proper maintenance and repair of the Common Open Space and facilities, as outlined in Permitted Uses.

Annual Review & Revision: The Board shall review the Reserve Study and Reserve Fund annually to reflect changes in costs, inflation and interest yield on invested funds. Component information shall be amended to reflect new information received, component additions or deletions. With this revised information, a new year Reserve Study projection shall be generated and used in conjunction with the Annual Budget process. The Executive Board shall determine after completion of the annual analysis of the Reserve Study and Reserve Fund if and when an updated Reserve Study is warranted.

Investing Reserve Funds: To reduce cash flow requirements of member contributions over time required to support the funding requirements of the Reserve Study the Executive Board shall invest the reserve funds to generate interest revenue that will be added to the reserve account. The Board shall develop an investment strategy and update each year. Unless otherwise approved by the membership, all investments will be FDIC (Federal Deposit Insurance Corporation) or NCUSIF (National Credit Union Share Insurance Fund) insured or guaranteed by the United States Government. The current investment strategy is investment in two 5 year certificates of deposit with Citadel FCU, interest remaining with the principal amount invested, and a money market fund where monthly contributions are credited from monthly assessments.


Investments should take into consideration the repair and replacement schedule so that there is no loss of interest for early withdrawal. The Board shall review the reserve fund investment plan at least annually to ensure that the funds are receiving competitive yields and make prudent adjustments as needed.

Performing the Reserve Study & Annual Review. To ensure objectivity and competency, the Executive Board may consult with CCR Management or hire only a third party Reserve Study professional with experience, references and credentials to do the Reserve Study.


Capital Improvement Fund: Notwithstanding the foregoing, any amounts collected by the Association upon the resale or transfer of units must be maintained in a separate capital account and may be expended only for new capital improvements or replacement of existing common elements and may not be expended for operation, maintenance or other purposes. As a practical matter, any repair that is so major that it may be considered, in essence, a "replacement," is a proper expenditure from this capital improvement account. The current resale fee is \$1000.

Operating Account Year End Target: The Executive Board shall manage the association's finances to have available an operating checking account balance at year- end December 31st equivalent to 45% of that year's budgeted revenues. The purpose for a 45% guideline is to have sufficient funds on hand for unplanned expenses and contingencies that could be deemed necessary to fund emergency situations. The Executive Board believes having a cushion in the operating account provides the association sufficient funding and flexibility to pay operational expenses; in the event of a shortfall in assessment income, emergency or unplanned operation expenditures that presents a need for immediate funding. This guideline also serves as measure for the board not to overspend. While the operating account may give the appearance of surplus funds during the year, it is important that the Executive Board prudently have available sufficient funds in the operating account, at the same time manage to a year end operating account balance. Should the operating account fail to meet the 45% guideline at year end December 31st, the Executive Board should review ways of meeting the target benchmark including Special Assessments if necessary. The benchmark of a year-end balance requirement is a prudent industry standard, that future Executive Board members will be expected to follow. Any funds in excess of the 45% guideline can be declared as Surplus Funds in accordance with Article XIII Section 13.11 of the Declaration.

Dated: July 17, 2015


Lou Franzini, President – Executive Board of Directors


Paul Schroeder, Treasurer – Executive Board of Directors

Attested by: 
Terrence McGovern, Secretary – Executive Board of Directors