

# Red Rocks Subdivision Association

## Policies and Procedures For Reserve Study

As required by C.R.S. 38-33.3-209.5

The following Procedures have been adopted by the Red Rocks Subdivision Association ("the Association") pursuant to Colorado Revised Statute ("C.R.S.") 38-33.3-209.5, at a regular meeting of The Board of Directors ("The Board"). Additional policies, procedures and rules may exist separately.

### PURPOSE:

To adopt a policy addressing the need for a reserve study, funding of any work recommended by the reserve study and projected sources of funding, and whether the reserve study is based on a physical analysis or financial analysis. An internally conducted reserve study shall be sufficient.

NOW, THEREFORE, IT IS RESOLVED that The Association does hereby adopt the following procedures regarding reserve studies:

- A. Need for a Reserve Study- the Association is obligated to maintain, repair, replace or improve certain improvements within the community.
- B. The Association will conduct periodic reserve studies based on recommendations obtained from an independent, qualified reserve study professional or an internally conducted reserve study.
- C. Depending on available resources, the Association may either engage a third-party or may made in-house interim updates to a professional reserve study and may adjust the schedule for updating the reserve study. An update to a reserve study may result from an on-site review of the property or an off-site review of the reserve study and the Association's governing documents. The Board of Directors should consider the following factors when determining the schedule for interim updates to a reserve study:
  - 1. Significant additions or replacements to the common elements since the last reserve study;
  - 2. Wear and tear on common elements due to unseasonable weather or lack of maintenance;
  - 3. Technological or product development improvements that could result in cost savings;
  - 4. Substantial increases in cost of materials or labor;
  - 5. Any scheduled maintenance, repairs, or replacements that the Association deferred or accelerated;
  - 6. Whether reserve income was received as planned;
  - 7. Whether reserve expenditures were incurred as planned;
  - 8. The Association's selected method of funding reserves
- D. The full reserve study will consist of a physical analysis and a financial analysis. Interim updates may consist of a physical analysis, a financial analysis, or both. A physical analysis includes an inventory of all improvements that the Association is responsible for maintaining, repairing, replacing, or improving and a visual inspection of those items to determine their existing condition. A financial analysis includes an evaluation of the estimated remaining life of an item, the adequacy of existing reserve funds, projected future reserve income, projected future reserve needs, and the ability to meet future reserve needs under the existing funding plan.
- E. The Association currently has an internally conducted reserve study on file.

- F. As of the date of this policy, the Association plans to update its reserve study once every 5 years.
- G. The Association does not allocate reserve funds for improvements costing less than \$ 1000.00 to repair or replace and the Association does not allocate reserve funds for an improvement with an estimated useful life that does not exceed 5 years.
- H. The Board of Directors will endeavor to fund the Association's reserve fund by contributing, on an annual basis, 2 % of the regular assessment amount, until the reserve fund is funded to 25 % of the amount recommended by the reserve study. Thereafter, should unforeseen circumstances result in the reserve fund balance falling below the 15 % of the fully-funded amount, the Board will endeavor to bring the fund balance back to 50 % within 10 years by increasing the allocations from regular assessments, or by special assessments, or both.
- I. The Association may elect to apply funds from its operating account to maintenance, repair, or replacement costs otherwise covered by reserve funds
- J. The Association will invest all reserve funds in accordance with the Association's policy regarding investment of reserve funds.

CONFLICTS BETWEEN DOCUMENT:

In case of discrepancies between this Policy and Procedure and the Declaration of Covenants, Conditions, and Restrictions (the Declaration), or the Bylaws or The Association, the Declaration shall control.

The undersigned, being the President of the Association, certifies that the foregoing resolution was adopted by The Board of Directors of the Association at a duly called and held meeting of The Board of Directors on the 18 day of July, 2022.

Red Rocks Subdivision Association

James Hill  
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President