

Property Owners Association of Meadowdale Hills
Reserve Study Policy

Under the Colorado Common Interest Ownership Act (CCOIA), homeowners' associations are required to have a reserve study policy, "to promote responsible governance." The policy shall address: when a reserve study is going to be done; whether the study is based on a physical and financial analysis; and, whether there is a funding plan for the work recommended by the study.

Definitions:

Reserves: Reserves are funds an association sets aside to cover the anticipated costs for the replacement of or significant repairs to major common area components that the association is obligated to maintain. They are typically not for regular maintenance. They must be maintained separately from the operating funds.

Reserve Study Policy: A Reserve study is a budgetary planning tool designed to assist our association to anticipate and prepare for major repair and replacement projects and expenditures. A study consists of two parts: 1. conduct an analysis which identifies components and/or a financial analysis of associated costs; 2. identify the current status of the reserve fund and a funding plan to cover future major common area expenditures. It can be done by a hired professional or internally.

Component list: The foundation of a reserve study is the component list – a list of any asset the association is obligated to maintain that will ultimately need to be repaired or replaced. There is a four-part test defined in the National Reserve Study Standards for determining what qualifies for reserve budget funding. A component/asset needs to pass all four of the tests.

National Reserve Study Standards four-part test for components on component list:

1. The component must be the association's maintenance responsibility.

MHPOA's maintenance responsibilities are: our roads, including culverts and ditches; the newspaper box on the west end of the association; the bulletin boards; our signs.

2. The component must have a limited useful life.

This test excludes our roads. Infrastructure is not usually considered a reserve line item. If our roads were paved, then the surface of the roads might qualify as a reserve component, if we were not a GID.

3. The component must have a predictable remaining useful life.

This rules out any unpredictable or random items. Emergency repairs are not reserve components.

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4. The component must be above a minimum threshold cost.

This rule is aimed at keeping insignificant repairs in the operating budget, rather than the reserve fund. The amount is determined by the board. Given the size of our assets other than the roads, the MHPOA Board has determined that the threshold should be \$1000.

When a reserve study will be done:

Given that MHPOA does not have any common interest assets that pass the four-fold National Reserve Study standards for what qualifies for reserve budget funding, the reserve study policy of MHPOA is that we will do a reserve study when and if we have assets that meet the four-fold test. The Board will review our components list at the board meeting before the annual meeting to determine if any assets have been added that would qualify for reserve budget funding.

What the study will be based on:

The reserve study will be based on a physical analysis of our major assets and the costs to repair or replace them. A list of current major assets is in Appendix A of this policy.

Funding plan for recommendations coming from study:

Any work recommended by the study will be funded through annual allocations from assessment income to the reserve fund. The amount allocated will be determined by the board during the budgeting process before each annual meeting.

Approved by the MHPOA Board of Directors on June 28, 2017

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Appendix A to the MHPOA Reserve Study policy:

MHPOA Major Assets list as of June 2017

MHPOA Roads – infrastructure, excluded by standard four-fold test from CCOIA reserve requirement

MHPOA Culverts - infrastructure, excluded by standard four-fold test from CCOIA reserve requirement

MHPOA roadside ditches - infrastructure, excluded by standard four-fold test from CCOIA reserve requirement

Newspaper box on west end of MHPOA – valued at \$400, below minimum threshold of \$1000, therefore, excluded by standard four-fold test from CCOIA reserve requirement

MHPOA Bulletin boards – replacement value \$350 each, below minimum threshold of \$1000, therefore, excluded by standard four-fold test from CCOIA reserve requirement

MHPOA entrance signs – valued at \$700, below minimum threshold of \$1000, therefore, excluded by standard four-fold test from CCOIA reserve requirement

End of asset list as of June 2017