

## Resolution #11 Establishing Criteria for Operating and Reserve Budgets/Expenses (Amended 11/16/15)

WHEREAS, under the Declaration, Article XXV, Section 25.2, the Executive Board is empowered to administer to the affairs of the Association and to adopt budgets for revenues, expenditures and reserves; and

WHEREAS the Executive Board must make decisions that require a clear distinction between operating budgets/expenses and reserve budgets/expenses, and in particular the Executive Board must distinguish major repairs and replacements (costs properly charged to the replacement reserve fund) from minor repairs and ordinary maintenance (which should be charged to the operating expense fund);

THEREFORE, BE IT RESOLVED that the Executive Board has established the following criteria for what constitutes operating budgets/expenses and reserve budgets/expenses. These criteria will provide guidance to the Executive Board and the Property Manager as to how future budgets are established and ongoing expenses are allocated between the operating budget and the reserve budgets:

Operating Expense Budget: Funds set aside is to support the customary, day-to-day operational activities of the community. Such activities occur annually, are generally planned and may include, but are not limited to:

- Administrative activities
- Utilities
- Grounds maintenance activities
- Planned common element preventive maintenance activities
- Unplanned repairs to the common elements, with a cost not to exceed \$500, unless approved by the Executive Board.

Replacement Reserve Budget: Funds set aside and invested to cover expected long-term replacement of existing major components in the community, such as roofing, siding, decks, pavement. Spending projects are separately budgeted and tracked, with the costs paid from the balances in this account, shown in the association financial reports. Such activities occur less frequently than annually and may include, but are not limited to:

- Activities may either be a planned or unplanned significant effort to repair or maintain a common element to ensure that the planned useful life of the component is achieved
- Activities may be a planned effort to replace a common element when the useful life of the component has been exhausted
- Activities may be an emergency effort to repair damage to the common elements that has or may cause damage within a unit

Capital Reserves: Funds accumulated and invested to cover the cost of adding new capital components to the community. Spending projects must be planned, approved by the owners and are separately budgeted and tracked, with the costs paid from the balances in this account, shown in the association financial reports.

Operating Contingency Reserves: This operating reserve is for unexpected events, which could include repairs from inclement weather, excessive tree removal, or other items, required to maintain and operate the association – a “rainy day” fund that is prudent to budget for annually.

Insurance Deductible Reserve: Funds set aside to cover any insurance deductible expense. Once the deductible amount is accumulated, no further contributions are made.

A copy of this resolution shall be provided to all Unit Owners. This resolution is effective on October 5, 2009.

Adopted by vote of the Executive Board on October 5, 2009.

Amended by vote of the Executive Board on November 16, 2015.

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President, Mark Abrahamson

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Secretary, Howard Pitkin