

**RESOLUTION 20-12-30**  
**OF**  
**HIGHLANDS RANCH COMMUNITY ASSOCIATION, INC. REGARDING**  
**FUND MANAGEMENT AND RESERVE STUDY POLICY**

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**SUBJECT:** Adoption of a Fund Management and Reserve Study Policy in accordance with C.R.S. § 38-33.3-209.5.

**PURPOSE:** To provide notice of the Association's adoption of a uniform and systematic policy governing reserves and reserve studies for community assets and funds.

**AUTHORITY:** The Declaration, Bylaws and Articles of Incorporation of the Association and Colorado law.

**EFFECTIVE DATE:** December 15, 2020

**RESOLUTION:**

WHEREAS, the Board of Directors determined the need to adopt a policy governing its fund management and reserve studies in accordance with C.R.S. § 38-33.3-209.5.

NOW THEREFORE, BE IT RESOLVED, the Board of Directors takes the following action:

1. The Fund Management and Reserve Study Policy attached to this Resolution as Exhibit A is adopted as the Association's policy governing reserves and reserve studies.
2. Except as expressly amended by this Resolution, the governing documents of the Association remain unchanged.

**PRESIDENT'S CERTIFICATION:**

The undersigned, being the President of Highlands Ranch Community Association, Inc., a Colorado nonprofit corporation, 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 December 15, 2020 and in witness thereof, the undersigned has subscribed his/her name.

**Highlands Ranch Community Association, Inc.,**  
a Colorado nonprofit corporation

By:   
Its: President





**HIGHLANDS RANCH**  
COMMUNITY ASSOCIATION

**HRCA Fund Management &  
Reserve Study Policy**

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Date Policy Adopted: Month: December Day: 15, 2020

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## SECTION 1 - OBJECTIVES AND GUIDING PRINCIPLES

### 1.1 Objectives

The Highlands Ranch Community Association, Inc. ("HRCA", "Community Association", "Association") objectives, in terms of its various funds (operating, reserve, and other), and their corresponding fund balances (undesignated and designated) are set out in this Fund Management & Reserve Study Policy ("Policy"). HRCA will measure progress of all funds as outlined in this Policy on a yearly basis during the budget cycle to ensure financial stability and will continually measure progress toward achieving those objectives.

### 1.2 Guiding Principles

The following principles form the basis for this Policy:

- Healthy reserves and undesignated fund balance levels are important in achieving community goals including financial health and stability;
- Actual reserves and undesignated fund balances should be benchmarked with best business practices, other similar community organizations, HOA's, or municipal jurisdictions and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved;
- Reserves and undesignated fund balance goals need to be consistent with and supportive of realistic longer-term financial plans;
- Reserves and undesignated fund balance appropriations need to conform to the statutory/legal requirements of the Colorado Common Interest Ownership Act ("CCIOA"), the Community Declaration for Highlands Ranch Community Association, Inc. ("Community Declaration"), the Bylaws of the Association, and Generally Accepted Accounting Principles ("GAAP") recommendations.

## SECTION 2 – FUNDS

The Community Association is authorized to collect three types of assessments at an amount set annually by the HRCA Board of Directors ("Board"):

- Administrative Functions Common Assessments ("AFCAs")
- Recreation Functions Common Assessments ("RFCAs")
- Public Functions Common Assessments ("PFCAs")

Section 8.1 of the Community Declaration, "Maintenance Funds to be established," requires the Community Association to establish the following funds:

- Administrative Functions Operating Fund
- Administrative Functions Reserve Fund
- Recreation Functions Operating Fund
- Recreation Functions Reserve Fund
- Public Functions Operating Fund, if Public Functions are ever established
- Public Functions Reserve Fund, if Public Functions are ever established

To date, no Public Functions are offered by the Community Association, so the Public Functions funds have not been established. Each type of assessment collected must be deposited into funds established for that type of assessment. Assessments deposited into an established fund may not be commingled with any other type of fund (i.e., AFCAs must be deposited into Administrative Functions funds and RFCAs must be deposited into Recreation Functions funds).

Section 8.2 of the Community Declaration, "Establishment of Other Funds," provides that the "Association may establish other funds as and when needed" and "If the Community Association establishes any additional funds, the Board shall designate an appropriate title for the fund to distinguish it from other funds maintained by the Community Association."

The following section describes funds have been established for the purpose(s) so identified.

## 2.1 Required Funds: Operating Funds

All operating funds, regardless of the Function they support, reflect the general activities of their respective Functions. The net surplus/deficit of these activities results in fund balances that are not restricted as to use and therefore available for spending for operating purposes (i.e., "Undesignated Fund Balance").

### General Purpose: Current and Accumulated Undesignated Fund Balances

For transparency, current period operating surpluses/deficits are disclosed separately from the accumulated undesignated fund balance in HRCA's internal financial statements although these funds serve the same purpose. HRCA needs to maintain Accumulated Undesignated Fund Balances to provide working capital and to fund operating expenditures before assessments, program revenues, and other administrative/facility revenues are collected. Maintaining minimum working capital levels (see Appendix "A") eliminates or reduces the need to borrow externally and/or internally for operations.

### Primary Purposes:

- **For Unexpected/Unbudgeted Expenses** - Unforeseen and unbudgeted expenditures may arise (e.g., contractual issues, opportunistic purchases) that require immediate funding.
- **To Offset Unrealized Revenues** - Some of the HRCA's revenue sources are subject to downturns in the economy.

Commented [HS1]: Consider adding a note about interruption insurance?

### Other Purposes:

**For Major Emergent Operating Issues / Insurance Reserve** - HRCA may be exposed to major non-recurring costs related to various emergency events or situations, e.g. inclement weather, environmental hazards, etc. This undesignated fund balance provision has been established to offset the cost of insurance claims, deductibles, the magnitude and timing of which is often indeterminable. These emergent situations cannot be anticipated and budgeted for and it is not feasible to absorb the cost of such events in other budget areas in any given year. HRCA may also be subject to cash flow shortages from time to time dependent on cash requirements.

**To Offset Unrealized Revenues** - Some of the HRCA's revenue sources are subject to downturns in the economy. HRCA tries to anticipate economic downturns by budgeting for a base dollar amount of these revenues in its general operations. Despite its best efforts, HRCA is exposed to the possibility of unrealized revenues and/or declines in base revenues from year to year which could result in a net deficit for that year. HRCA cannot always count on budgetary savings or other revenues to offset these shortfalls.

HRCA may also require emergency funds from time to time, from any one of its Undesignated Fund Balances, for unforeseen costs or net deficit. When this occurs, the Association needs to rely upon sufficient funds being available in the applicable Undesignated Fund Balances. For this purpose the Finance Committee has recommended that the Association maintain between one and three months of average operating expenses (excluding programming operating expenses and depreciation, in-kind, and other non-cash expenses) as an Undesignated Fund Balance in the Administrative and each Recreation Operating Fund. The minimum and maximum recommended amounts will be calculated annually during the budgeting process using the prior 3 years of actual expenses.

Commented [HS2]: Review calculation based on this language - previously used 1-year historical actuals

### **2.1.1 Administrative Functions Operating Fund**

**Funding Sources** - include Administrative Functions Common Assessments, Community Improvement Services revenue, Community Events revenue and other general administrative operating fund revenues as budgeted.

Designated funds within the Administrative Functions Operating Fund include the "Special Projects" sub-fund. The Special Projects sub-fund contains non-assessment revenue generated from various promotional agreements with Association vendors. Expenditures from this sub-fund are at the discretion of the Board.

### **2.1.2 Recreation Functions Operating Fund**

**Funding Sources** - include Recreation Functions Common Assessments, Recreation Program revenue, grants and other general recreation operating fund revenues as budgeted.

### **2.1.3 Backcountry Operating Fund**

**Funding Sources** - include annual budgeted allocations transferred from the Recreation Functions Operating Fund, Backcountry Program revenue, land lease revenue, grants and other general backcountry operating fund revenues as budgeted.

## **2.2 Required Funds: Reserve Funds**

**General Purpose** - It shall be the Board's responsibility to create and maintain adequate reserves to provide for the orderly and timely repair and replacement of the common area components so as to minimize the risk to the membership of special assessments, deferred maintenance, or unfunded losses. As such, reserve funds represent the Board designated funds set aside to cover such timely repair and replacement needs of the community. The timing and amount of reserve funding is based on an externally prepared reserve study.

Pursuant to Section 8.19 "Funding of Reserve Funds" of the Community Declaration, the Board shall endeavor, whenever possible, to fund the Administrative Functions Reserve Fund, each Recreation Function Reserve Fund and the Public Functions Reserve Fund, if any, by regularly scheduled payments, included as part of the Common Assessments, rather than by large Special Assessments. In this way, the Association will establish a reserve fund for a specified purpose and direct that money to be placed to the credit of the reserve fund.

The reserve study is to establish a schedule of anticipated repair and replacement projects and recommend a reserve contribution rate, as stated in the Reserve Study Policy (see section 2.2.1).

**Primary Purpose:** To fund major repair and replacement of capital assets in accordance with the Reserve Study. Examples of such capital items for each Function are identified below.

### **2.2.1 Reserve Study Policy**

Pursuant to Section 38-33.3-209.5 of the CCIOA, HRCA is required to adopt policies, procedures and rules and regulations concerning the preparation of reserve studies. This Reserve Study Policy, together with the terms of the Community Declaration and the Bylaws of the Association, is intended to comply with such requirement.

### 2.2.1.1 Reserve Study

The Board shall conduct a reserve study at such times as in its sole discretion it determines is necessary but at least every five years to determine the necessity and amount of reserves required to maintain, repair, replace and restore the Community Association Properties. The Board shall cause the reserve study to be conducted by a third-party reserve study professional, who has a good reputation, sound credentials and appropriate levels of insurance, for the services that are provided to the Association. The reserve study shall be based on a physical analysis and financial analysis. The Board shall, in its discretion, have the authority to and shall make any adjustments deemed necessary to maintain reserves.

Commented [HS3]: Need to discuss with Ken during budget process re: reserve study year 2019 - 2024  
Also need to include items & BOM 2020 needed to do

### 2.2.1.2 Reserve Item Threshold

Only repair and replacement items over \$3,000 shall be considered as part of the Reserve Study analysis and funded from the Reserve Funds. Items that are purchased in bulk that cost less than \$3,000 apiece may be considered in the reserve study if the combined total is greater than \$3,000.

Commented [HS4]: May want to consider starting the estimate as of January 1, 2020 since with the new Fund Board would support having this - to something to discuss during the year-end audit

### 2.2.1.3 Funding Plan and Sources

Reserve Funds will be maintained in accordance with the schedule of anticipated repair and replacement projects in the reserve study. The Reserve Fund shall be funded primarily from Common Assessments and the generation of investment income from the Reserve Fund, in accordance with such funding plans, as are established by the Board. The Finance Committee will review and recommend to the Board an annual contribution to maintain the recommended fund balance each year during the budgeting process.

### 2.2.1.4 Reserve Expenditures

Reserve funds may be used for:

- Projects or purchases pre-approved in the annual budget;
- Projects or purchases anticipated in the Reserve Study but not in the annual budget as set forth in Section 3.4 of this Policy "Fund Expenditures".

### 2.2.1.5 Fund Designation

Reserve funds for the Community Association Properties shall be maintained in a Reserve Fund and shall be used for major capital repairs, replacements, maintenance, care, restoration and improvements.

### 2.2.1.6 Reserve Fund Investments

The Reserve Fund assets will be invested in accordance with the Association's Statement of Investment Policy.

### 2.2.2 Administrative Functions Reserve Fund

**Funding Sources** - annual budgeted allocations transferred from the Administrative Functions Operating Fund.

**Primary Capital Asset Items** - computers, software, furniture and equipment related to the Administrative Function.



### 2.2.3 Recreation Functions Reserve Fund

**Funding Sources** - annual budgeted allocations transferred from the Recreation Functions Operating Fund.

**Primary Capital Asset Items** - facility equipment, building and property improvements, and furnishings related to the Recreation Facilities.

### 2.2.4 Backcountry Reserve Fund

**Funding Sources** - annual budgeted allocations transferred from the Backcountry Operating Fund.

**Primary Capital Asset Items** - trails, vehicles, fences and office equipment related to the Backcountry Wilderness Area.

### 2.3 Other Funds: Capital Improvement Funds

**General Purpose** - Capital improvement funds are internally designated funds set aside to fund general capital projects not specifically funded from other established Reserves or Undesignated Fund Balances. These improvements are typically not part of the Reserve Study.

**Primary Purpose** - Capital projects that will be funded from this reserve are budgeted within the HRCA's long-term Five-Year Capital Plan. Capital Funds may be utilized to fund or partially fund large projects that have been planned and designated as major organization project priorities by the Board.

Commented [H55]: Need to discuss - "intentionally designated" - are these still "back-up" type allocations for capital improvement funds? To date the expenditures have been Board directed - such as updating to effect the cost of the NR remodel & NR tennis pavilion.

#### 2.3.1 Recreation Capital Improvement Fund

**Funding Sources** - annual budgeted allocations transferred from Recreation Functions Operating Fund.

#### 2.3.2 Backcountry Capital Improvement Fund (a.k.a., OSCA Fund)

**Funding Sources** - transactions of the Association related to the Open Space Conservation Agreement ("OSCA") with Shea Homes Limited Partnership ("Shea Homes"). The final contributions to the OSCA fund occurred in 2018.

### 2.4 Other Funds: Bond Funds

**General Purpose** - bond funds are established in accordance with existing bond covenants and are therefore restricted to the exclusive use of repaying outstanding bond obligations.

#### 2.4.1 Debt Service Fund

**Funding Sources** - monthly budgeted allocations transferred from Recreation Functions Operating Fund.

The Debt Service Fund has been established for the following purposes:

- To accumulate funds that are utilized to retire the three bond obligations established in 1995, 1999, and 2005 which funded the original construction of Recreation Centers. HRCA must comply with the specific bond covenants, including a requirement to deposit one-twelfth of the annual principal and interest due for the fiscal year to the Bond Fund each month.

## **SECTION 3 – ADMINISTRATION**

### **3.1 Fund Contributions**

All contributions to Reserve and Capital Funds shall be predetermined and specific to each function, as approved by the Board through the annual financial planning/budgeting process and as recommended by external Reserve Studies.

### **3.2 Minimum and Maximum Fund Balances**

The purpose, source(s) of funding and minimum and maximum fund balance guidelines are shown for HRCA's Funds in the attached Appendix "B". The minimum balances ensure that the respective balances are not depleted to the degree that those balances are no longer able to serve their intended purpose(s). The maximum balances ensure that the Association's guiding principles are achieved and that the respective balances do not grow beyond their intended purpose(s) and thus create idle assets that could be otherwise utilized for other organization priorities. A formal comparative review of actual, minimum and maximum fund balances shall be undertaken annually during the budgeting process. The Finance Committee will recommend actions to the Board of Directors for any fund with actual or reasonably projected year end balances below the minimum or above the maximum.

### **3.3 Internal Borrowing**

Internal borrowing from specific Reserve Funds and Accumulated Undesignated Fund Balances shall be permissible, if a clearly defined and attainable repayment plan, including payment of reasonable interest (based on the Association's ability to invest in short-term investments per the Statement of Investment Policy), is in place. Internal borrowing is more cost effective than external borrowing and allows for more flexibility in establishing fiscally prudent repayment terms.

### **3.4 Fund Expenditures**

The Board has the authority to make or to authorize disbursements from any Operating Fund, Capital Improvement Fund or Reserve Fund per Section 8.7 of the Community Declaration. The Board will use the following procedures for the authorization of these expenditures.

- All expenditures are reviewed and approved as a part of the annual budget process.
- Budgeted capital improvement and reserve expenditures will not require a Delegate presentation unless the expenditure variance is more than 10% or greater than \$20,000 over the original budgeted amount.
- Non-Budgeted capital improvement or reserve expenditures over \$10,000 will require a business case to be reviewed by the Finance Committee, a presentation to Delegates, and approval by the Board.
- At least quarterly, staff will provide actual expenditures compared to budget of all budgeted capital expenditures over \$10,000. The capital expenditure report will be posted on the HRCA website along with the monthly financial reports.

### 3.5 Responsibilities

HRCA's Finance Director shall be responsible for:

- Recommending the necessary contributions and transfers so that HRCA's Fund Balances are maintained in accordance with this Policy;
- Conducting an annual review of all Fund Balances including comparing actual levels with the established minimum and maximum levels within this Policy and with other jurisdiction benchmarks, and reporting the results of such a review to the Finance Committee and Board;
- Recommending changes to the minimum and maximum balance guidelines shown in this Policy; and,
- Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable statutes, accounting standards, economic conditions, etc.

HRCA's Finance Committee shall be responsible for:

- Measuring the progress of objectives and making appropriate recommendations to the Board.

HRCA's Board of Directors shall be responsible for:

- Providing direction for changes to this Policy;
- Reviewing and approving/disapproving recommendations from the Finance Director and the Finance Committee; and
- Adopting any future revisions or amendments to this Policy.

### 3.6 Guide and Transition

The minimum and maximum fund balance guidelines shown in this Policy serve as a guide in moving HRCA toward the goals or targets it wishes to attain, in terms of individual fund balances. It is recognized that HRCA's fund balances may not be between the minimum or maximum levels at the time of enacting this Policy, however, HRCA is transitioning toward meeting the recommended targets.

### 3.7 Definitions

Unless otherwise defined in this Policy, capitalized terms or terms defined in the Community Declaration shall have the same meaning herein as set forth in the Community Declaration.

### 3.8 Supplement

The provisions of this Policy shall be in addition to and shall supplement the terms and provisions of the Community Declaration, the Bylaws, and the laws of the State of Colorado governing the Association.

### 3.9 Deviations

The Board may deviate from the procedures set forth in this Policy if, in its sole discretion, such deviation is necessary under the circumstances.

Commented [HS6]: Another historical reference will be needed to be addressed by legal.

### 3.10 Amendment

The Board may amend this Policy from time to time.

Commented [RS7]: May consider having this revised wording in the HRCA's Financial Statement/Report to the Board being able to indicate that the Board are not set by staff & FC.

## SECTION 4 - GLOSSARY

The following terms are used in this Policy and are defined as follows:

- **“Current YTD Undesignated Fund Balance”** - means the excess of revenues over expenditures for the current budget year which has not been set aside for specific purposes. It could also be referred to as current year deficit or surplus.
- **“Accumulated Undesignated Fund Balance”** - means the accumulated excess of revenues over expenditures from prior years which has not been set aside for specific purposes.
- **“Reserve Funds”** - means funds that are set aside for a specified purpose by the Board pursuant to the Community Declaration. These reserves are established via an independent Reserve Study that is to be conducted in accordance with the "Reserve Study Policy."
- **“Reserves”** - means all of HRCA's Reserve Funds.
- **“Reserve Study”** - There are two components of a reserve study:
  - A **physical** analysis performed by a reserve provider who evaluates information regarding the physical status and repair / replacement cost of the Association's major common area components.
  - A **financial** analysis only assesses HRCA's reserve balance (measured in cash or as a percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan). The Finance Committee recommends to the Board an appropriate reserve balance and reserve contribution.
- **“Working Capital”** - means operating reserves as calculated in accordance with the methodology outlined in Appendix "A".

## APPENDIX “A” – NONPROFIT OPERATING RESERVES INITIATIVE 2011 (“NORI”)

The undesignated fund balance minimum and maximum amounts for operating funds were established using an assessment process recommended by NORI.

### Operating Reserve Calculations

The NORI Workgroup recommends operating reserves of 25% or about 3 months of the annual operating expense budget adjusted for risk factors depending on the organization's needs. There is no single correct solution or benchmark – one size simply does not fit all when it comes to setting the amount for Operating Reserves.

The formula can be calculated in terms of:

- **A percentage** (Operating reserves divided by annual operating expense):  
Ex.  $\$75,000$  (available)  $\div$   $\$600,000$  (annual expense) = 0.13 or 13%
- **Or number of months** (Operating reserves divided by 1/12th of the annual operating expense):  
Ex.  $\$600,000$  (annual expense)  $\div$  12 =  $\$50,000$  per month  
 $\$75,000$  (available)  $\div$   $\$50,000$  (1/12th annual expense) = 1.5 or 1 ½ months

\* The prior year actual expenses are generally used to calculate amounts.

### Risk Factors Impacting Operating Reserve Requirements

1. Revenue volatility factors (such as economic health of the community, issues that could adversely affect current or future revenues and likelihood of severe weather or natural disasters that would affect the organization).
2. Spending flexibility factors (such as the organization's importance in the community for crisis situations, the extent to which economic downturns or other types of events may affect demand for services (either up or down), balance of permanent full time staff vs. temporary part-time, the extent of funding commitments made for longer than one year and the amount of unsecured debt carried by the organization).
3. Governance & management factors (such as planning and budgeting processes).

The Finance Committee determined HRCA's revenue volatility risk is minimal, our spending flexibility risk is low to medium and our governance and management risk is also very low. For these reasons a 1 to 3-month range of operating reserves was determined to be sufficient.

**APPENDIX "B" –MAXIMUM AND MINIMUM FUND BALANCES SUMMARY**

<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum Amount (2020)</b>	<b>Maximum Amount (2020)</b>	<b>12/31/19 Balance</b>	<b>Rationale for Levels Established</b>
Administrative Functions Operating Fund Undesignated Fund Balance	For working capital purposes within the Administrative Functions Operating Fund and for unforeseen general operating emergency expenditures.	Any excess Administrative Functions Operating Fund revenues (including assessments) over expenditures and transfers at the end of each year.	\$262,500	\$787,500	\$1,032,292	<b>Minimum:</b> One month of average operating fund expenditures. <b>Maximum:</b> Three months of average operating fund expenditures.  Average expenditures calculated based on prior 3-years actual expenditures.
Special Projects Sub-Fund	For special projects designated by the Board.	Non-assessment revenue generated from various agreements with vendors of the Association (e.g., Centurylink, Waste Connections).	N/A	N/A	\$251,644  Includes one-time proceeds from sale of the sub-association business.	As directed by the Board.

Fund(s)	Purpose	Funding Source(s)	Minimum Amount (2020)	Maximum Amount (2020)	12/31/19 Balance	Rationale for Levels Established
Administrative Functions Reserve Fund	To fund major repairs and replacement of Administrative Functions fixed assets (e.g., computers, furniture and office equipment.)	Annual budgeted allocations from Administrative Functions Operating Fund (including assessments).	\$48,150	\$96,300	\$579,964	<p><b>Minimum:</b> One year of average administrative reserve expenditures.</p> <p><b>Maximum:</b> Two years of average administrative reserve expenditures.</p> <p>Average expenditures calculated based on prior 3-years actual expenditures.</p>
Recreation Functions Operating Fund Undesignated Fund Balance	For working capital purposes within the Recreation Functions Operating Fund and for unforeseen general operating emergency expenditures.	Any excess Recreation Functions Operating Fund revenues (including assessments) over expenditures and transfers at the end of each year.	\$1,300,300	\$3,901,000	<p>\$588,457</p> <p>Includes prepayments to the Debt Service Fund. 2020 bond payments are \$5,254,166 and the bond fund balance at 12/31/19 is at \$6,165,345 so the bond fund is over funded by \$911,179. Transfers from the bond fund back to the Recreation Operating fund will be done periodically in the future when the bond fund is over funded.</p> <p>\$588,457 + \$911,179 = \$1,499,636</p>	<p><b>Minimum:</b> One month of average operating fund expenditures.</p> <p><b>Maximum:</b> Three months of average operating fund expenditures.</p> <p>Average expenditures calculated based on prior 3-years actual expenditures.</p>

Fund(s)	Purpose	Funding Source(s)	Minimum Amount (2020)	Maximum Amount (2020)	12/31/19 Balance	Rationale for Levels Established
Recreation Functions Reserve Fund	To fund major repairs and replacement of Recreation Functions fixed assets (e.g., recreation facility repairs, equipment repairs and replacement).	Annual budgeted allocations from Recreation Functions Operating Fund (including assessments).	<p>\$2,531,000</p> <p>This amount is utilizing 2018 / 2019 actual expenditures and 2020 / 2021 budgeted amounts. 2017 actuals included \$3.7M of Northridge renovations that skew a 3-year actual average</p>	<p>\$5,062,000</p> <p>See minimum amount note.</p>	\$2,311,055	<p><b>Minimum:</b> One year of average recreation reserve expenditures.</p> <p><b>Maximum:</b> Two years of average recreation reserve expenditures.</p> <p>Average expenditures calculated based on prior 3-years actual expenditures.</p>
Recreation Capital Improvement Fund	<p>To fund future recreation facility capital projects or improvements deemed necessary by the Board.</p> <p>These Capital Improvements are not specifically funded from other established Reserves.</p>	Annual budget allocation from Recreation Operating Fund (includes assessments).	N/A	N/A	\$693,174	<p>\$625,000 budgeted for 2018, 2019, 2020 and 2021 but future contributions to be identified by Board five-year plan.</p>



Fund(s)	Purpose	Funding Source(s)	Minimum Amount (2020)	Maximum Amount (2020)	12/31/19 Balance	Rationale for Levels Established
Backcountry Operating Fund Undesignated Fund Balance	For working capital purposes within the Backcountry Operating Fund and for unforeseen general operating emergency expenditures.	Any excess Backcountry Operating Fund revenues over expenditures and transfers at the end of each year.	\$69,400	\$208,200	\$47,799	<p><b>Minimum:</b> One month of general operating fund expenditures.</p> <p><b>Maximum:</b> Three months of general operating fund expenditures.</p> <p>Average expenditures calculated based on prior 3-years actual expenditures.</p>
Backcountry Reserve Fund	To fund major repairs and replacement of Backcountry fixed assets (e.g., trail, vehicle, and fence maintenance, and office equipment).	Annual budgeted allocations from Backcountry Operating Fund (includes assessments)	TBD	TBD	<p>\$793,155</p> <p>Future Backcountry capital projects will be paid by the OSCA fund; in the event there are no remaining capital projects, the Finance Committee and Board may evaluate the need to re-examine the OSCA agreement to allow funding to be utilized to increase fund balance (operating or reserve) and/or to fund operating / reserve purchases.</p>	<p>As directed by the independent Reserve Study.</p> <p>Additional criteria will be assigned in future years, as the Backcountry Reserve Fund, concurrent with forward looking planning for the Backcountry Wilderness Area.</p>

Commented [H58]: Included as this may be funded by the (trans-fer from Res-Cap which includes assessments

Fund(s)	Purpose	Funding Source(s)	Minimum Amount (2020)	Maximum Amount (2020)	12/31/19 Balance	Rationale for Levels Established
Backcountry Capital Improvement Fund (a.k.a., OSCA Fund)	To fund major improvements to the Backcountry (e.g., new trails, vehicles, fences, and amenities).	Transactions of the Association related to the agreement with Shea Homes, the declarant.	N/A	N/A	\$5,357,808	As directed by agreements with Shea Homes.
Debt Service Fund	To accumulate funds for the repayment of bonds used to finance construction of recreation centers.	Semi-annual payments from the Recreation Functions the Operating Fund as directed by the three bond series obligations (includes assessments).	N/A	N/A	\$6,165,345 2020 bond payments are \$5,254,166 so the bond fund is overfunded by \$911,179. Transfers from the bond fund back to the Recreation Operating fund will be done periodically in the future when the bond fund is over funded.	As directed by the Bond Covenant requirements. The remaining bonds will be retired in 2024.