



REPLACEMENT RESERVE FUND POLICY

Whereas, Article II, Section 2.1 of the *Amended and Restated Declaration of Covenants, Conditions and Restrictions for Coyote Creek* (the "CC&Rs") stipulates that "the Association, through its Board, officers and committees, shall take appropriate action to manage, maintain, repair, replace and improve the Common Areas together with all Improvements located thereon...."; and

Whereas, Article VII, Section 7.1.A of its Bylaws provides the Association's Board of Directors the power to "exercise for the Association all powers, duties and authority vested in or delegated to the Association..."; and

Whereas, Article VII, Section 7.1 of the CC&Rs authorizes the Board to "levy assessments against each Lot to collect the funds necessary to cover the costs and expenses incurred by the Association together with adequate reserve funds determined by the Board, in its sole and absolute discretion, to be appropriate."


Now therefore, in keeping with the requirements of its CC&Rs and industry-wide accounting practice regarding the establishment and maintenance of a reserve fund, the Association authorizes the establishment of a "Replacement Reserve Fund" separate from any other operating or asset funds, effective September 15, 2010. The following guidelines and criteria shall apply to this Fund:

- 1) The Replacement Reserve Fund shall be used to pay for the major repair, renovation, restoration or replacement of existing physical components/assets of the Association, as well as any design or engineering fees and costs associated therewith.
- 2) The Replacement Reserve Fund shall not be used to meet the operating expenses of the Association, other than on a temporary basis as outlined in section 9 below.
- 3) The Replacement Reserve Fund shall not be used to purchase new capital assets that the Association does not already own.
- 4) A component/asset within this Fund shall be defined as a readily-identifiable existing asset with a cost of \$1,000 or more that has a useful life of more than one (1) year.
- 5) The Association will maintain/upkeep a Replacement Reserve Schedule identifying, to the best of its ability, the estimated replacement cost of each item, remaining useful life, schedule of future replacement and year-end fund balances. This schedule shall be updated annually.
- 6) The primary source of funding for the Replacement Reserve Fund **shall** be from annual assessments, as approved and authorized by the Board of Directors **in** each annual budget.
- 7) All Association members shall be advised, on an annual basis through the distribution **of the** annual approved budget, the amount of funds to be contributed to the Replacement Reserve Fund each budget year.

- 8) The Replacement Reserve Fund shall be identified, maintained and accounted for separately from the Association's operating fund or other asset funds.
- 9) The Association is authorized to borrow from the Replacement Reserve Fund to temporarily fund operations, provided that it is authorized by the Board of Directors at a Board meeting or via a Board Action-in-Lieu. The action will stipulate the amount borrowed and length of time for repayment, after which the full amount shall be reimbursed to the Replacement Reserve Fund plus interest using the percentage rate earned on the amount from which the funds are borrowed for the same period of time.
- (10) Withdrawals from the Replacement Reserve Fund shall be authorized at all times by the Board and shall only be used for the purposes outlined above in sections 1 and 9.
- 11) The Board designated Strategic Planning Committee shall review the Replacement Reserve fund periodically to ensure that it is in compliance with the Reserve Study recommendations. The Committee shall forward any recommendations or concerns to the Board for action as necessary.

The Board of Directors reserves the right to make reasonable interpretations regarding the intent and use of this Policy.

Approved by the Board of Directors on September 15, 2010

By:		September 29, 2010
	President	Date
	Secretary	Date