

Annual Budget & Reserves Administrative Policy

The purpose of this administrative policy for Sunrise Bay POA is to state the adopted procedures based on authority provided by the governing documents and Code of Virginia as related to the annual budget and reserves.

Specifically, provisions regarding budget and reserves are covered in the Sunrise Bay *ByLaws*, Article VII, Section 8. "Treasurer", and the Virginia Property Owners Association Act, [Section 55.1-1826](#) of the Code of Virginia ("The Act").

1. **Budget Contents.** The Annual Budget and 5-year Projections will include:
 - a. Known operating expenses, including a 3.5% estimated inflation rate where applicable.
 - b. Ad-hoc expenses anticipated for a specific year only (e.g., maintenance items that don't qualify as Reserve expenses).
 - c. Allowances for large operating expenses coming due within the next five years. (e.g., Reserve Study, Structural Engineer Study, Silt Management Study, Audit)
 - d. Annual reserves contribution for each year, as reflected in the professional Reserve Study.
2. **Fiscal Year.** Per the ByLaws, Article XII, the fiscal year of the Association is January 1 through December 31 of every year.
3. **Budget Timeline.** As directed by The Act, prior to the beginning of our fiscal year (January 01 of each year), the Board of Directors will make available to the lot owners the annual budget for the new year. In addition, per the ByLaws, Article VII, the Treasurer will prepare and deliver to the members the annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting in May or June of each year. Therefore, the Board of Directors adopts the following timeline:
 - a. **OCTOBER:** The Annual Budget is drafted in October of each year and presented to the Board of Directors.
 - b. **OCTOBER/NOVEMBER:** The Annual Budget is finalized by the Board of Directors no later than November of each year.
 - c. **NOVEMBER:** A 5-year view of the Budget is produced to project and plan for when an annual assessment increase will become necessary.
 - i. Reviewing the 5-year projections each year should allow for planning well in advance of a year when annual assessments will need to be increased.
 - ii. When an annual assessment increase becomes required for the following year, a Special Member Meeting must be called no later than November to present the budget for approval by 2/3 vote (see Approval of Budget below) including the increased annual assessment amount.
 - iii. Note that annual assessment notifications must go out by December 01 each year, at least 30 days prior to January 01.
 - d. **DECEMBER:** The Annual Budget and 5-year View are posted on the Sunrise Bay website and emailed to the members before January 01.
 - e. **MAY/JUNE:** The following are presented to the members at the annual meeting in May or June:

- i. Budget vs. actuals
 - ii. Statement of income and expenditures
 - iii. Reserve and Operating account balances
 - iv. A 5-year view of budget projections and annual assessments, including projected year(s) when increases will be necessary
 - v. A 5-year view of scheduled replacements from the Reserve Study and the reserve fund status to cover them
4. **Reserve Study.** The Board of Directors will conduct and maintain a professional reserve study every three to five years to determine the necessity and amount of annual reserve funding contributions required to repair, replace, and restore the capital components as defined in The Act, Section 55.1-1800:
 - a. "Capital components" means those items, whether or not a part of the common area, for which the association has the obligation for repair, replacement, or restoration and for which the board of directors determines funding is necessary.
5. **Reserves Review.** The Board of Directors will review the Reserve Study during the budgeting process to determine if there are meaningful discrepancies between:
 - a. the projected and actual condition of the Sunrise Bay capital components that may change the capital components replacement schedule;
 - b. the projected and actual costs for capital component replacements;
 - c. the projected and actual reserve fund contributions and end-of-year balance;
 - d. the actual inflation rate and the inflation rate used for the reserve funding plan (see page A.5.).

If updates to the Reserve Study are needed, the Board of Directors will work with the professionals who conducted the Reserve Study to calibrate the study with current state conditions. These updates will be calculated into any budget or funding plan adjustments required.

6. **Approval of Budget.** Our Declaration requires an approval by the members for any special assessment or annual assessment increase. Therefore, the budget will require a 2/3 vote at a membership meeting (where a quorum is met) if a dues change is required for the next fiscal year. Otherwise, the budget only requires approval by the Board of Directors for adoption.

This administrative policy resolution was duly adopted by the Board of Directors on November 1, 2023, by majority vote at a Board meeting.

A copy of the above-referenced policy is posted to our website and all property owners notified.