

Red Fox Hills Homeowners Association

Reserve Study Policy

(Adopted pursuant to C.R.S. § 38-33.3-209.5 and § 38-33.3-209.4)

1. Purpose

This Reserve Study Policy ("Policy") is adopted by Red Fox Hills Homeowners Association ("Association") to establish consistent procedures for developing, reviewing, funding, and maintaining the Association's reserve study and reserve account in accordance with the Colorado Common Interest Ownership Act ("CCIOA"). The purpose of this Policy is to ensure that sufficient funds are available to maintain, repair, and replace the Association's capital components without imposing unnecessary or special assessments on owners.

2. Authority

This Policy is adopted in compliance with C.R.S. § 38-33.3-209.5(1)(b)(VII), which requires associations to maintain a written policy governing the investment and management of reserve funds, and C.R.S. § 38-33.3-209.4(1)(b), which directs boards to adopt responsible maintenance and replacement plans.

3. Definitions

- Reserve Study: A written evaluation of the Association's common elements and facilities that includes an inventory of major components, their estimated remaining useful life, and the estimated cost of repair or replacement.
- Reserve Fund: A segregated account established to accumulate funds for future major repair or replacement of common elements.
- Board: The duly elected Board of Directors of the Association.

4. Frequency of Reserve Study

1. The Association plans to conduct or update a reserve study at least every three (3) to five (5) years.
2. The Board may choose to update cost estimates or useful life projections more frequently when significant changes occur.
3. An update may be performed by the Board, a qualified committee, or a professional reserve study provider.

5. Contents of Reserve Study

Each reserve study shall include, at a minimum:

1. A list of all major common elements and components.
2. The estimated remaining useful life of each component.
3. The estimated cost to repair or replace each component.
4. A funding plan showing annual reserve contributions necessary to maintain adequate funding levels.
5. A recommended schedule for repair and replacement activities.

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6. Use and Review of Reserve Study

The Board shall use the reserve study as a financial planning tool when preparing the Association's annual budget. The reserve study shall guide responsible fiscal planning and be reviewed annually during the budget process.

7. Reserve Fund Management

1. Segregation of Funds: Reserve funds shall be maintained in accounts separate from operating funds.
2. Permitted Investments: Reserve funds may be invested only in FDIC-insured accounts, U.S. government-backed securities, or other low-risk instruments approved by the Board.
3. Expenditure of Funds: Reserve funds shall be used exclusively for repair, replacement, and restoration of common elements identified in the reserve study.
4. Transfers: Transfers from reserve funds to operating accounts require Board approval in an open meeting and shall be documented in the minutes.

8. Funding Objectives

1. The Board shall strive to maintain reserve funding at a level that avoids the need for special assessments or borrowing.
2. The Board may adjust contribution levels annually based on the latest reserve study.
3. The reserve contribution shall be included as a separate line item in the annual budget.
4. The Board of Directors will endeavor to maintain the Association's reserve fund balance at or above 75% of the fully funded amount by allocating a portion of regular annual assessments to the reserve fund. Should unforeseen circumstances result in the reserve fund balance falling below 75% of the fully funded amount, the Board will endeavor to bring the fund balance back to 75% within three years by increasing allocations from regular annual assessments, special assessments, or both.

9. Professional Reserve Studies

The Board may engage a qualified professional with expertise in construction cost estimation or reserve analysis to perform or update the reserve study. Selection shall be based on qualifications, experience, and cost.

10. Recordkeeping and Availability

1. The reserve study, funding plan, and related Board resolutions shall be retained in the Association's records for at least seven (7) years.
2. Copies shall be available for inspection by any owner upon written request in accordance with C.R.S. § 38-33.3-317.

11. Communication to Owners

The Association shall provide a summary of the current reserve study, funding plan, or funding status with each annual budget or budget summary mailed to members.

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12. Policy Review

This Policy shall be reviewed at least every five (5) years by the Board and updated as necessary to reflect changes in law, best practices, or the Association's financial condition.

13. Effective Date

This Policy shall become effective upon adoption by the Board and shall remain in effect until modified or repealed by resolution.

Adopted by the Board of Directors on: JAN 5, 2026

Effective Date: JAN 5, 2026

By: _____

Helmuth Naumer, President, Board of Directors
Red Fox Hills Homeowners Association

Attest: _____

Jeff Kagan, Secretary