

Elk Springs Homeowners Association, Inc.
Reserve Funds Administration Policy

Pursuant to the authority granted by Article 4.14 (A) of the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Elk Springs, Garfield County, (the “Declaration”), and as further authorized and required by the Colorado Common Interest Ownership Act, C. R. S. 38-33.3-209.5 (1) (b) (ix), et seq. (the “Act”), the Board of Directors of Elk Springs Homeowners Association, Inc. (the “Association”) adopts the following policy for the administration of its reserve funds. Unless otherwise defined in this Policy and Procedure, initially capitalized or terms defined in the Declaration shall have the same meaning herein. This Policy and Procedure may be amended at any time by the Board of Directors of the Association (the “Board”).

The Association currently has three reserve funds:

1. Road Repair and Maintenance;
2. Water Facilities Replacement and Maintenance; and
3. Capital Improvements.

The primary purpose of the reserve funds is to accumulate funds on a regular basis in order to repair, maintain, build and/or replace the Association’s assets. The Board may create additional reserve funds as the Board deems necessary.

Reserve for Road Repair and Maintenance

In June 2014, an “Existing Pavement Inventory and Needs Assessment” (the “Assessment”) was prepared for the Association by SGM as a basis for a Pavement Master Plan for Elk Springs and to establish a methodology to administer a capital improvements program for road maintenance and/or replacement. The Association has adopted the recommendations in the Assessment and accordingly, on an annual basis, the roads are driven by an Elk Springs representative to identify any changes in surface conditions and update the documentation included in the Assessment (the “spreadsheets”) to reflect the prior year’s capital improvements expenditures and re-adjust the rankings of the pavement sections in order to have a current prioritization of repair and maintenance needs.

In addition, every second year, the roads are walked by Elk Springs personnel to identify areas of road that require resurfacing or minor repair. Such inspections check for condition of the chip and seal road surface, road shoulders for cracking or chipping, high or low spots from ground shifting due to freeze/thaw cycles, erosion from water damage, existence of pot holes or other isolated areas of damage and any other damage.

From such inspection, a determination is made on an annual basis as to which pavement sections require resurfacing, which pavement sections require no

maintenance and which pavement sections require minor repair. History has shown that arterial roads need to be resurfaced every 5-7 years, while side streets, based upon the number of homes being served, require less frequent resurfacing.

At the yearend budgeting cycle for the HOA, the Road Committee will submit a request for funding of their next year's ongoing responsibilities and in addition a request for "Reserves for Road Maintenance".

Reserve for Water Facilities Replacement and Maintenance

Effective December 31, 2015, the Association assumed responsibility for the operation, maintenance, repair and replacement of the water facilities that provide potable water to all users within the Los Amigos Ranch Planned Unit Development, now commonly known as the Elk Springs PUD. The reserve for water facilities replacement and maintenance is currently funded by the annual net income of the water operations as well as an allocation of the current annual assessment.

In 2022, Elk Springs, LLC had SGM prepare a water reserve study. The Association is currently utilizing the SGM study prepared in 2022 to determine appropriate water rates and reserves.

Reserve for Capital Improvements - The Board may authorize funds to be set aside in the Capital Improvements Reserve Fund to fund future capital repairs or improvements benefitting the Association.

Reserve Studies:

In the event that it appears to the Board, in its discretion, that a reasonable annual assessment for Road Committee funding or Reserves for Road Maintenance as well as an assessment for water facilities or that net income of the water operation will not be adequate to fund the cost of necessary maintenance and repair or replacement expenditures, the Association shall commence a third party reserve study. A reserve study is a document prepared by an engineering firm, which uses modern civil engineering and actuarial principles to assess the current condition and predictable depreciation of the Association's assets. The reserve study contains a complete list of all the Association's pavement sections and water assets, and a table indicating, in detail, the required maintenance and timing for each pavement section or water asset. Using these studies, the Association has a reasonable expectation of the types of repairs needed, approximate timing and cost of those repairs and replacement of assets. The Board will utilize the results of the Reserve Studies to determine the appropriate annual assessments to Unit Owners that will go directly into the respective reserve fund. Likewise, the Board intends to spend resources from the respective reserve fund to perform the maintenance and repairs or new build/replacements as indicated in the Reserve Study. A Reserve Study is not required, however, for the Board to authorize all reserve fund expenditures or for the Board to adopt a special assessment.

Use of Reserve Funds:

The Board recognizes that any use of the reserve funds, other than to make the repairs, maintain, replace or build assets as indicated in any applicable reserve study would be inappropriate. A reserve study is not required in all instances, and may not be necessary for reserve fund expenditures for capital improvements, for example. The Board recognizes that there may be an occasional necessity to make repairs not included in a respective reserve study or to advance repairs or replacements earlier than expected. In these instances, the applicable reserve fund may be used only for repair and maintenance of existing Association assets or pavement sections and only with approval of the Board. The Board expects that should a significant catastrophic event occur, the insurance policies carried by the Association may reimburse any losses and may not require the use of the applicable reserve fund.

The Board has adopted a policy for the investment of reserve funds and, as part of its annual financial report, the Association will prepare a report that lists all reserve fund investments, the current market valuation of each investment and a summary of investment earnings during the prior fiscal year.

PRESIDENTS CERTIFICATION:

The undersigned, being the President of the Elk Springs Homeowners Association, Inc. Board of Directors certifies that the foregoing Policy and Procedures for the administration of the Association's reserve funds was adopted by the Board of Directors at a duly called and noticed meeting of the Board of Directors held on November 14, 2022 and in witness thereof, the undersigned has subscribed his name.

/s/ Patrick Fitzgerald

November 14, 2022

Patrick Fitzgerald, President
Elk Springs Homeowners Association, Inc.
Board of Directors

Date Adopted