

Rimrock Cove Home Owners Association

RESERVE FUND MANAGEMENT POLICY

Adopted per March 25, 2023 Board of Directors Meeting minutes.

- 1) **Background.** Washington State law requires Homeowners Associations to accrue funds for a Reserve Account as part of the members' annual assessments. The purpose of the Reserve Fund is to provide money to meet major maintenance, repair or replacement expenses that are expected to occur within 30 years, such as the replacement of roofs.

The requirements to establish a Reserve Fund and conduct Reserve Studies are outlined in RCW 64.38, RCW 64.90.525, RRC Covenants and Declarations Article XVII, and RRC By-laws X and XI.

- 2) **Purpose.** The purpose of this policy is to give direction to the RRC Board as to how the Reserve Fund is to be managed. This policy outlines the general management principles and how they are to be implemented.
- 3) **Reserve Fund Management.** The general management principles are as follows:
 - a) The Board shall have the authority and responsibility for the administration of this policy.
 - b) The Board shall have the authority to delegate implementation to the Treasurer and / or another Board-designated person.
 - c) The Treasurer, Bookkeeper, or Designated Person shall, in a timely manner, supply the Board with a confirmation of each Reserve Fund investment action.
 - d) The Board has the authority to revise the implementation process as future circumstances may dictate.
 - e) The Board will monitor the ongoing investment activities to ensure proper liquidity and ensure that the investment strategy is consistent with the Association's objectives.
 - f) This policy is to be reviewed and revised periodically as circumstances may dictate.
 - g) The Board is authorized, if appropriate, to open and maintain a brokerage account with a national investment firm or with a bank.
- 4) **Investing Reserve Funds.**
 - a) All investment instruments of the Reserve Fund shall strive to preserve the principal and to incur minimal risk.
 - b) If it desires, the Board may seek the advice of a qualified investment professional.
 - c) The Reserve Fund may be invested in federally insured accounts or in U.S. Government debt obligations.
 - d) Accounts at banks and other financial institutions shall be limited to the maximum of federal insurance.
 - e) Acceptable investment instruments include the following:
 - (1) Saving Accounts
 - (2) Money Market Accounts
 - (3) Certificates of Deposit
 - (4) U.S. Treasury instruments
 - (5) Government Sponsored Enterprise Bond Issues
 - f) Investment in Equities is prohibited.
 - g) The investments shall strive to maximize income consistent with the above principles.
 - h) Investments are to have "laddered" (staged) maturity dates to ensure that funds will be available and provide significant liquidity to meet the expected annual needs as forecasted in the Reserve Fund Study Report or in the case of an unanticipated major repair or emergency.