

# Capital Reserve Fund (CRF) Use Guidelines

## A. Making Additions to the CRF or Funded Projects

The following are *guidelines* for making contributions to the CRF. The Board can either increase or decrease the contributions at their discretion.

1. \$1,000 will be moved, on a yearly basis, from the General Fund to the CRF. This should be performed during the first month of each year.
2. The initiation fee collected from new home buyers will be deposited to the checking account and then immediately transferred to the CRF.
3. Additional funds may be transferred to the CRF at the Board's discretion from the General Fund.
4. Money collected from special assessments targeted for a specific project.
5. Private contributions made to the subdivision.

## B. Project Proposals for Use of CRF Funds

1. Use of money from the CRF should only be used for major capital projects or major repair projects. Money from the CRF shall not be used for routine maintenance or to make-up for insufficient dues collection.
2. Any member of the Board and any voting member of the Stone Creek Homes Association (member in good standing) may submit a request, in writing, for a proposed project. The member submitting the project will become an integral part of the Oversight Committee (see D.).
3. The Board should review the project proposal and vote 'recommend', 'cancel', 'delay recommendation' of the project at their next regularly scheduled meeting.

## C. Project Funding and Accessing Money from the CRF

### 1. Capital Projects

Capital Projects approved for funding by the Board of Directors shall be funded by the use of Assessments to the property owners. The monies in the CRF can be used to reduce the amount required for the Assessment.

The use of the funds from the CRF shall be in accordance with the Stone Creek Homes Association "Declaration of Covenants, Conditions and Restrictions, Article VI, Covenant for Common Property Maintenance Assessments," using the sections described below:

#### Section 4, Special Assessments for Capital Improvement Upon Common Property.

In addition to the monthly assessments authorized above, the Association may levy in any year, a special assessment applicable to that year only, for the purpose of defraying, in whole or part, the cost of any construction or reconstruction, unexpected repair or replacement of a capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two thirds of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose,

written notice of which shall be sent to all members not less than 30 days nor more than 50 days in advance of the meeting setting forth the purpose of the meeting.

Section 5. Uniform Rate of Assessment.

The monthly Common Area assessments must be fixed at a uniform rate for all improved Lots and at a uniform rate for all unimproved Lots, which latter rate shall not exceed 50% of the rate fixed for improved Lots. The special common Area assessments must be fixed at a uniform rate for all Lots. All assessments are subject to provisions of Article IX hereof for exterior maintenance which may not be uniform for all Lots.

Section 6. Quorum for any Action Authorized Under Section 4.

At the first meeting called, as provided in Section 4 hereof, the presence at the meeting of members or of proxies entitled to cast sixty percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Section 4, and the required quorum at any such subsequent meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty days following the preceding meeting.

2. Emergency Basis

Money can be “borrowed” from the CRF on an emergency basis to the General Fund. The following conditions should be followed:

- a. Unanimous Board approval to transfer 40% of funds from the CRF to the general fund. This one time transfer cannot exceed 40% of the balance of the CRF.
- b. Use of more than 40% of the funds from the CRF should have unanimous Board approval and the assent of a simple majority of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than 30 days nor more than 50 days in advance of the meeting setting forth the purpose of the meeting.
- c. The meeting called, as provided for Paragraph b. above, the presence at the meeting of members or of proxies entitled to cast a ‘simple majority’ of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Paragraph b., and the required quorum at any such subsequent meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty days following the preceding meeting.
- d. A plan shall be developed to return the money to the CRF within a certain timeframe, plus 6% interest, shall be developed by the Board. The Plan should describe a dues increase, a special assessment to the homeowners, or other method in accordance with the Covenants.

**D. Oversight Committee and Spending Plan**

Control of the funds dispersed from the CRF shall be controlled by an Oversight Committee in accordance with a determined Spending Plan. A Spending Plan will include the following items listed below.

1. After approval of a project, a committee will be established to oversee each project. The Oversight Committee will update the Board at each of their regular monthly meetings until the project’s completion, and the Association at the Annual Meeting.
2. The Oversight Committee will design the Spending Plan and it will include a description of the project that will highlight the benefits to the subdivision. The Spending Plan will include milestones for the project’s completion and a plan for the dispersal of funds.

3. Written bids from a minimum of two qualified registered contractors will be required prior to beginning each project. The Oversight Committee will present the bids to the Board, with its recommendation for approval. After discussion, the Board will vote on which bid to accept.
  - a. A copy of the contractors' insurance policy should be requested with each bid. The policy should be reviewed to verify the work proposed is covered.
  - b. References from each contractor should be requested and verified. An internet search of the contractor and references from the contractor suppliers should also be performed.
  - c. If the project is greater than \$6,000, request a performance bond for the entire cost of the project.
4. All change orders to the project should be made in writing and submitted to the Board by the Oversight Committee for approval.
5. When advancing money for materials, checks should be payable to both the contractor and the material supplier or payable to the supplier directly.
6. Request signed lien releases from all major subcontractors and suppliers before making final payments.