

8.10.2023

PEBBLE BEACH VILLAS

PROCEDURE #18

MANAGING RESERVES FUNDS

Purpose: This procedure provides specific standards for managing PBV's reserve funds and accounts. These standards are intended to provide for compliance with FL statutes along with needed planning to provide (a) adequate funding to maintain association property, b) Owners with a rolling three forecast of possible reserve expenditures, and c) Reasonable returns of interest on idle reserve funds.

1. By Florida statute PBV's annual budget will provide "100% Reserve Funding" for each of its five reserve funds. The amount of funds assessed will be based on estimated replacement/repair costs for items covers, yearend fund balances, and estimated remaining useful lifetimes of covered assets. The annual assessment will prorate the difference between estimated yearend fund balance and total estimated replacement/repair costs over the remaining useful lifetime.
2. Monies will be deposited with Elliott Merrill and be managed by PBV's Board of Directors with guidance from Elliott Merrill (EM). As part of EM's role, they will receive owner assessments and deposit reserve monies in at least two local banks. No bank balance should ever exceed the FDIC limit. Additionally, the solvency of these banks should be monitored.
3. A large portion of our Reserve account monies not planned to be dispersed in the next six (6) months shall be invested in local bank CD's to maximize interest while mitigating risks.
4. Bank interest earned in these CD accounts will remain in these accounts and assigned to specific reserve funds by EM's financial accounting systems, at the discretion of PBV' Board.
5. EM'S current practice of providing monthly and annual accounting of these funds and assignments will continue.
6. All expenditures from reserve funds consistent with approval plans shall be approved by PBV's Board Treasurer and/or President as appropriate.
7. When a reserve project greater than \$10,000 is to be contracted and executed, the following steps shall be taken:
 - a. Elliott Merrill will bring in a vendor to survey and report on PBV's current condition.
 - b. A scope of work will be developed from the above report by either PBV and/or EM for the project.
 - c. From this scope of work, a request for quotes will be prepared and submitted to vendors for bids.

- d. PBV's Board of Directors will then select contractor(s) based on bids received.
- 8. PBV's Board of Directors and Elliott Merrill will monitor work, assess completed work vs. contract and upon satisfaction release payments.
- 9. Per statute, once money has been assigned to a reserve account or a reserve fund, it can only be used for the assigned purpose unless otherwise approved by a majority vote of owners.
- 10. The PBV Treasurer will maintain informational files and an operating manual to support future decisions on managing and expending reserve funds. To meet this need:
 - a. PBV will establish and maintain a master logbook documenting
 - i. Statutory basis and definitions governing logbook documenting. In 2019, PBV voted to terminate flood insurance coverage with the understanding that the operating expense savings would be used to increase Reserve Funds to mitigate future financial liability. Given this, total Reserve Fund assessments were increased to \$60,000 per year with future costs to increase for full reserve funding.
 - ii. PBV's Board procedures for managing/expending reserve fund monies
 - iii. A section for each fund detailing what it covers, key assumptions regarding lifetime and replacement costs and financial history
 - iv. Three-year spending plans based on estimated costs or where possible on vendor quotes which are three years old or less
 - v. Legal opinions and information that clarify owner/association responsibilities
 - b. A file for each Reserve Fund documenting:
 - i. Detailed lists of what each Reserve Fund covers (Fund scope)
 - ii. Annual accruals and expenditures detailed for each year
 - iii. Each year's funding targets and the basis for that target
 - iv. Remaining expected asset lifetimes
 - v. Three-year project/expenditure forecasts showing rough scope of work and expected dates
 - vi. History of expenditures from the fund, including
 - vendors considered/selected
 - scope of projects submitted
 - contractors used with owner opinions of the work quality
 - vii. Professional studies and surveys if relevant to future fund issues/expenditures.