

Canterwood Division 12 STEP Association

Reserve Fund Policy

Adopted October 6, 2020

Canterwood Division 12 STEP Association maintains a reserve fund¹ as authorized by state law (RCW 64.38.065). The reserve fund is separate from the operating fund that pays for day-to-day costs of the Association.

State law authorizes the reserve fund to be used for major maintenance, repair, and replacement of common elements (also called reserve components)² and for other unforeseen or unbudgeted costs (RCW 64.38.065 & .075).

Monies in the reserve fund may be invested by the Board as long as the monies are adequately insured and are readily available whenever needed for expenditure.

The policy of the Association is to use the monies in the reserve fund as authorized by state law, and in accordance with the following guidelines:

1. Types of expenditures that can be made from the reserve fund include:
 - a. maintenance, repair, and replacement of STEP system components identified in the reserve study,
 - b. other maintenance, repair, and replacement of STEP system components that were not identified in the reserve study,
 - c. damage to STEP system components not covered by insurance, and
 - d. unexpected but necessary costs in excess of the operating budget.

2. Approval by Board of Directors
 - a. All expenditures from the reserve fund must be approved by the Board of Directors.
 - b. In the event of an emergency, the Board's approval can be indicated by telephone, text message, e-mail and/or other rapid forms of communication with subsequent confirmation in the minutes of the meetings of the Board.

¹ Washington law uses the word "account" for the reserve. The Division 12 STEP Association uses the word "fund" and considers that term to have the same meaning and intent as "account" for the purpose of compliance with Washington law concerning reserves.

² RCW 64.38.065 uses the phrase "common elements" and RCW 64.38.075 uses "reserve components". The Division 12 STEP Association interprets these phrases to mean life limited equipment in the STEP system, including (but not limited to) piping to transmit sewage from each home to the city, sewer line valves, and a chlorinator to pre-treat sewage.

3. Notification of homeowners (pursuant to RCW 64.38.075):
 - a. The Board will provide notification to homeowners of expenditures of types “1.a”, “1.b” and “1.c”. Notification may be by e-mail, newsletter, and/or posting to the Association’s website.
 - b. The Board will provide notification to homeowners of expenditures of type 1.d. Notification shall be by first-class mail, as required by RCW 64.38.075. Additional notification may be made e-mail, newsletter, and/or posting to the Association’s website in order to maximize the opportunity to get the notification to every homeowner. The notification will include, as required by RCW 64.38.075, whether or not the expenditure will be repaid by the homeowners (presumably in the form of a special assessment). If repayment is required, the notification will indicate a repayment schedule, as provided by RCW 64.38.075.
-

Addendum to Reserve Fund Policy

Revised Code of Washington (RCW) Excerpts Pertaining to Reserve Accounts

Reserve Account [RCW 64.38.065]

(1) An association is encouraged to establish a reserve account with a financial institution to fund major maintenance, repair, and replacement of common elements, including limited common elements that will require major maintenance, repair, or replacement within thirty years. If the association establishes a reserve account, the account must be in the name of the association. The board of directors is responsible for administering the reserve account.

Reserve Account – Withdrawals [RCW 64.38.075]

An Association may withdraw funds from its Reserve account to pay for unforeseen or unbudgeted costs that are unrelated to maintenance, repair, or replacement of the Reserve components. The Board of Directors shall record any such withdrawal in the minute books of the Association, cause notice of any such withdrawal to be hand delivered or sent prepaid by first-class United States mail to the mailing address of each owner or to any other mailing address designated in writing by the owner, and adopt a repayment schedule not to exceed twenty-four (24) months unless it determines that repayment with twenty-four (24) months would impose an unreasonable burden on the owners. Payment for major maintenance, repair, or replacement of the Reserve components out of cycle with the Reserve study projections or not included in the Reserve study may be made from the Reserve account without meeting the notification or repayment requirements under this section.