

SUN CITY SHADOW HILLS COMMUNITY ASSOCIATION

BOARD OF DIRECTORS

FINANCE ADVISORY COMMITTEE, Sub-Committee for

MAJOR REPAIR AND REPLACEMENT FUND and RESERVE STUDY

## Charter:

This charter (“Charter”) governs the operations of the Sub-Committee to the Finance Advisory Committee (“FAC”), the Major Repair and Replacement Fund and Reserve Study (“Committee”) established by the Board of Directors (the “Board”) of Sun City Shadow Hills Community Association (the “Association”). As specified in Article X, Section 10.02 of the Bylaws, the Committee is established as a sub-committee to the FAC and serves at the pleasure of the Board. The Committee is authorized to make recommendations to the FAC regarding matters relating to the Major Repair and Replacement Fund and Reserve Study. The Board, the FAC and/or the Committee shall review and reassess this Charter annually.

## Mission:

The Committee shall convene on an as needed basis to assist the FAC and to make appropriate written recommendations regarding the Major Repair and Replacement Fund and the Reserve Study process to the FAC and the Board. Such work by the Committee will include review of the Reserve Study process including Components, Valuation/Pricing, ~~and~~ Financial Modeling and Report Presentation. The Committee’s work will include, but not necessarily be limited to:

- Review and recommend Reserve Study application software.
- Review and recommend the engagement of a Reserve Consultant to prepare the annual Reserve Study.
- Meet annually and, as needed, with the Reserve Consultant.
- Review best/industry practices regarding preparation of a Reserve Study including review of published industry guidance including but not necessarily limited to guidance published by the Foundation for Community Association Research.
- As appropriate, propose written changes to policies implemented by the Association for the preparation of the annual Reserve Study.
- Review and make written recommendations to the Board on the annual Reserve Study. The review and recommendations will be performed to facilitate all common area components (including real and personal property) owned or leased by the Association: (a) are identified in the Reserve Study; (b) have a reasonable total estimated useful life considering relevant factors; (c) have a reasonable total estimated remaining useful life considering relevant factors; and (d) have a reasonable estimated current replacement cost considering relevant

- factors.
- Review and make recommendations on the estimated cost inflation rate, the investment earnings rate and the income tax rate on investment earnings used by the Reserve Study consultant considering published forecasts of cost inflation and consultations with the Investment Manager for the Association and the independent accounting firm for the Association.
  - ~~Review and prepare written recommendations for proposed changes in component estimated replacement cost, estimated total useful life and estimated remaining useful life.~~
  - Walk common area real property improvement components and view personal property components.
  - Review pictures and written reports and recommendations from the on-site management team and Controller on components.
  - Review and inspect current year's components forecasted to be replaced; discuss observations with on-site management team and Controller and prepare written comments and recommendations, as necessary.
  - Be on the alert for common area real property improvement components and personal property components that are not currently included in the Reserve Study and report findings to the Controller.
  - Review written variance analysis report to be prepared by the Controller which compares actual cost to replace components with the cost estimate included in the most recent Reserve Study. The Controller will furnish the analysis to the Reserve Study Consultant.
  - Review monthly reports prepared by the Controller of the Association which sets forth for the Replacement Fund expenditures for each month during the year and the year to date amounts.
  - Review current year annual Replacement Fund cash expenditures budget by month prepared by the Controller of the Association.
  - Review current year annual Replacement Fund cash expenditures actual and forecast by month to be updated by the Controller of the Association on a periodic basis, at least quarterly.
  - Review all proposed Board Action Forms ("B.A.F.'s") that request spending money from the Replacement Fund, ~~that have been reviewed by the Facilities Services Advisory Committee.~~ Prepare written comments and recommendations on the proposed BAF's and furnish them to the Board for review.
  - Maintain a list throughout the year of items to discuss with the Reserve Consultant.
  - Recommend the hiring of Independent Consultants to perform specific component studies as necessary, i.e. Paving Study.
  - Review written procedures for the routine maintenance of components that are included in the annual Operating Fund budget and make written recommendations as necessary.
  - Review draft report(s) and final report of the annual Reserve Study.
  - Prepare ~~review~~ written analysis of significant changes in the new Reserve Study as compared to the prior Reserve ~~Study.~~ Studies and furnish the analysis to the Board.

## **Interface with and Reporting to the Board:**

The General Manager, with approval by the President of the Board, will appoint member(s) of the management staff to serve as liaison to the Committee. The Committee should refer questions to and seek assistance from the staff liaison when appropriate. If the question requires further research, the staff liaison will instruct the Committee Chair of the most efficient way to accomplish the need.

At no time should the Committee Chair or members of the Committee direct staff to perform a task for the Committee or direct staff on how to perform their job.

## **Committee Composition:**

The Committee should be composed of homeowners with knowledge of construction, engineering, estimating, budgeting and accounting who have expressed an interest in serving the community. The Committee shall have at least three (3) members and not more than nine members (9). Members of the Committee serve without compensation for services rendered.

This Committee will meet on an as needed basis as determined by the Committee. Special meetings will be held periodically.

## **Authority to Spend Funds:**

The Committee has no authority to expend funds of the Association or to direct staff to expend funds without the explicit approval of the Board. The Committee may justify and request from the FAC and the Board approval for expenditures directly related to the duties of the Committee.

Approved By:

### **Sun City Shadow Hills Community Association**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_