WHEREAS, Virginia law requires property owners’ associations to, "Conduct at least once every five years a study to determine the necessity and amount of reserves required to repair, replace and restore the capital components;" and

WHEREAS, the Board awarded a contract to Miller-Dodson Associates, Inc. to prepare a Replacement Reserve Report addressing all items that the Association must repair, replace, restore, or maintain over a 30 year timeframe; and

WHEREAS, the Board desires to adopt said Report to comply with the law and provide the Association with a strategic planning tool to estimate replacement cost, estimated remaining life and estimated useful life of the capital components.

THEREFORE, RESOLVED, the Board hereby agrees to the following

SECTION 1: FINAL REPORT AND CAPITAL SPENDING PLAN

The Replacement Reserve Report dated September 28, 2013 prepared by Miller-Dodson Associates, Inc. is adopted for planning purposes as the Final Report with the following revisions:

A. Overall
   1. Lower the Minimum Recommended Balance for each of the four funds from 5% to 4%.

B. Replacement Reserve
   1. Recalculate Project # 533 "Wood Privacy Fence, Section 17" in the FY2014 plan by changing number of units from "1" to "3,200". Recalculate replacement cost ($) and change "$20" to "$64,000".

   2. Correct the beginning balance of the Replacement Reserve Fund in Table #1 on Page A5 from $772,089 to $785,681.

   3. Change useful life of all air handlers from 24 years to 12 years.

C. Roads Reserve
   1. Eliminate redundancy of Projects #4 and #6: "Shoosmith Road Resurfacing" in the FY2016 plan by eliminating Project #6 and combining Replacement costs to be $48,000 (rounded from $47,918) and combine number of units to be 3,686.
2. Recalculate Project #10 "Yorktown Boulevard, Resurface" to have 21,800 square yards instead of 9,000 to encompass the entire length of the boulevard and maintain one project on the same replacement schedule.

D. Lakes Reserve


E. Dams Reserve

1. No change.

In proposing the FY 2014-2015 Annual Budget, the General Manager is to use the Report as the Replacement, Roads, Lakes and Dams portions of the FY 2014 Capital Spending Plan.

The Board determines specific projects and amounts as part of the Budget authorization.

SECTION 2: CASH FLOW METHOD

The Cash Flow Method Minimum Annual Funding of Replacement Reserves is adopted as the Association’s official funding method to ensure adequate funding is available throughout the 30-Year Replacement Reserve period. The Cash Flow Method is defined as follows:

"The Cash Flow Method calculates the Minimum Annual Funding of Replacement Reserves that will fund Projected Replacements identified in the Replacement Reserve Inventory from a common pool of Replacement Reserves and prevents Replacement Reserves from dropping below a Minimum Recommended Balance."

SECTION 3: CONTRIBUTION TO RESERVES

As part of the FY 2014-2015 Annual Budget, the General Manager will propose a Contribution To Reserves amount after considering different ways of lowering the impact on the annual assessment such as taking into account the effect of anticipated annual Road Fees as well as the adequacy of the existing balance of the Roads Reserve Fund to fund road projects in the next five years.

The Board determines specific Contribution to Reserves as part of the Budget authorization.
SECTION 4: FUTURE REVISIONS

Revisions to the Replacement Reserve Report will henceforth be made by written instructions approved by the Board of Directors.

The General Manager is directed to work with Miller-Dodson to update the Report each year by no later than October 1, and to review the results with the Board of Directors in a timely manner.

Effective Date: Effective Immediately.

IN WITNESS WHEREOF, I have executed this Resolution this date of October 26, 2013.

LAKE OF THE WOODS ASSOCIATION, INC.

By: James R. Walsh, President

ATTEST:
I, as Secretary for Lake of the Woods Association, Inc., hereby attest that the foregoing Administrative Resolution No. 2013-9 was adopted by the Board of Directors at a duly-held and noticed Board of Directors meeting held on the 16 day of October, 2013.

Louisa Rucker, Secretary