

**WOODY CREEK TOWNHOMES ASSOCIATION NO. 1 REGARDING  
RESERVE STUDY & FUND POLICY**

**SUBJECT:** Adoption of a policy governing the preparation, review, and use of reserve studies and the funding of reserve accounts for the long-term maintenance and replacement of Association common elements.

**PURPOSE:** The purpose of this Reserve Study & Funding Policy (“Policy”) is to establish a clear, prudent, and flexible framework for evaluating the Association’s long-term capital repair and replacement needs and for guiding the Board of Directors in determining appropriate reserve funding levels, consistent with fiduciary duties and applicable Colorado law.

**AUTHORITY:** This Policy is adopted pursuant to the Declaration, Articles of Incorporation, and Bylaws of the Association, and in accordance with the Colorado Common Interest Ownership Act (“CCIOA”), **C.R.S. §38-33.3-101 et seq.**, including **§38-33.3-209.5(2)(b)(IV)**, which requires the adoption of a policy governing the investment and funding of reserve accounts.

This Policy is intended to operate in coordination with the Association’s:

- Collection of Unpaid Assessments Policy (2025)
- Covenant and Rules Enforcement Policy (2025)
- Conduct of Meetings Policy (2025)
- Conflict of Interest & Director Ethics Policy (2025)

**EFFECTIVE DATE: OCTOBER 1, 2025**

(Supersedes Reserve Study Policy adopted March 1, 2021)

**RESOLUTION:** The Board of Directors of the Association hereby adopts the following Policy based on the findings below

**WHEREAS**, the Woody Creek Townhomes Association No. 1 (the “Association”) is a Colorado nonprofit corporation responsible for maintaining, repairing, and replacing the common elements of the community for the benefit of its Members; and

**WHEREAS**, the Board of Directors owes fiduciary duties of care, loyalty, and good faith to the Members of the Association, including the duty to plan for and fund future capital repair and replacement obligations in a reasonable and informed manner; and

**WHEREAS**, the Colorado Common Interest Ownership Act requires associations to adopt a policy addressing the funding and investment of reserve accounts, while preserving Board discretion to determine appropriate funding levels based on the Association’s circumstances; and

**WHEREAS**, the Board of Directors desires to adopt a Reserve Study & Funding Policy that promotes long-term financial stability, transparency, and informed decision-making without mandating rigid or inflexible funding requirements;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby adopts the following Reserve Study & Funding Policy.

**1. RESERVE STUDY OVERVIEW**

- a. A reserve study is a planning tool intended to assist the Board of Directors in evaluating the Association's long-term capital repair and replacement needs for major common elements with a limited useful life and significant replacement cost.
- b. The reserve study may include:
  - i. A physical analysis identifying major components, their condition, remaining useful life, and estimated replacement costs; and
  - ii. A financial analysis projecting reserve funding needs over time.

**2. USE OF RESERVE STUDIES**

- a. The Board shall consider the most recent reserve study, together with other relevant financial and operational information, when preparing the Association's annual budget.
- b. A reserve study is an advisory planning tool and shall not be construed as a guarantee of future costs or as a binding funding mandate.
- c. The Board retains discretion to determine appropriate reserve funding levels based on the Association's needs, financial condition, and Member interests.

**3. PREPARATION AND UPDATES**

- a. The Association may obtain a reserve study prepared or updated by a qualified independent professional when the Board determines it is prudent to do so.
- b. The Board shall periodically review the reserve study and consider updates based on factors including, but not limited to:
  - i. Changes in component condition or useful life;
  - ii. Inflation or changes in construction costs;
  - iii. Completion of major capital projects;
  - iv. Deferred maintenance or unexpected repairs;
  - v. Changes in the Association's financial condition.
- c. No specific update interval is mandated by this Policy; the timing and scope of updates shall be determined by the Board in its reasonable discretion.

**4. RESERVE FUNDING**

- a. The Association shall maintain one or more reserve accounts for the purpose of funding major repair and replacement of common elements.
- b. The Board shall annually determine reserve contribution amounts as part of the budget adoption process.
- c. Reserve funding levels are not required to be fully funded or maintained at any specific percentage.
- d. The Board may consider funding goals or benchmarks identified in a reserve study, but shall retain discretion to adopt funding levels that balance long-term needs with affordability and other financial considerations.

**5. USE OF RESERVE FUNDS**

- a. Reserve funds shall be used solely for the repair, replacement, or restoration of common elements for which the reserves were established, unless otherwise permitted by the governing documents or applicable law.

**6. INVESTMENT OF RESERVE FUNDS**

- a. Reserve funds shall be invested in a manner consistent with the Board’s fiduciary duties, emphasizing safety of principal and liquidity.
- b. Investments shall be made in accounts or instruments permitted under Colorado law and the Association’s governing documents.
- c. The Board shall periodically review reserve investments as part of its financial oversight responsibilities.

**7. DISCLOSURE TO MEMBERS**

- a. Information regarding the Association’s reserve study and reserve funding decisions shall be disclosed to Members as required by CCIOA, including as part of the annual budget process.

**8. NO GUARANTEE OR WARRANTY**

- a. Nothing in this Policy or any reserve study shall be construed as a guarantee that reserve funds will be sufficient to meet all future repair or replacement needs, or that special assessments will not be required.

**9. AMENDMENT**

- a. This Policy may be amended by the Board of Directors at a duly noticed meeting.

**10. SEVERABILITY**

- a. If any provision of this Policy is held invalid or unenforceable, the remaining provisions shall remain in full force and effect.

**11. ADOPTION AND EFFECTIVE DATE**

- a. This Policy was adopted by resolution of the Board of Directors at a duly noticed meeting and is effective as of:

**Meeting Date:** 1/4/2026

**Effective Date:** 10/1/2025

**CERTIFICATION**

The undersigned certifies that this Policy was duly adopted by the Board of Directors of the Association in accordance with CCIOA and the Association’s governing documents.

**Woody Creek Townhomes Association No. 1**

A Colorado Non-Profit Corporation

**By:** 

**Title: President**

**Date:** 1/4/2026