

Contingency Fund Guidelines

The Finance Committee is recommending the following guidelines for usage and monitoring of the Contingency Funds that are part of the l'On Assembly's reserve funds.

BACKGROUND

In developing the Assembly budget for 2016, an addition was made to the expenses in the form of a category for Capital Projects. It is not in the regular operating expense budget, but is in the reserve section. A line item will be included in each annual budget going forward to help build the reserve for capital projects. However, the fund will be set up initially, at the beginning of 2016, with a transfer from the Contingency Funds in an amount that is available after leaving 10% of the budgeted revenue from the 2016 assessment, or \$80,000, in the fund. In addition, the Capital Projects Fund will be funded through excess transfer fees and unexpended budgeted funds from the 2015 operating budget.

PROCESS AND OBJECTIVES

The use of the Capital Project Fund will be subject to approval by the Assembly Board for projects that have been requested by neighbors and will enhance the neighborhood for its residents.

The Goal for the Contingency Fund is to keep the balance at \$80,000, or 10% (whichever is lower) of annual assessment revenue.

The balance remaining in the Contingency Funds may be allocated by the Assembly Board for essential expenses that are not expected and unbudgeted and that do not fit in the category of Capital Projects. Examples would be: legal fees, consultant fees, unanticipated infrastructure or landscaping needs, etc.

As Contingency Funds are used and as appropriate, the Finance Committee will include a budgeted line item to replace the funds when the annual budget preparation work is done each fall. The fund should be replenished over a period not to exceed five years.

The Contingency Funds will have priority over the Capital Projects Fund for budget surpluses until the Contingency Fund reaches the desired target level.

This procedure should be re-evaluated at least every three years.

All requests for usage of the Contingency Funds will be reviewed by the Finance Committee for guidance on how such usage will affect the balance in the Fund.

This is to certify that the Board of Trustees adopted the Contingency Fund Guidelines by unanimous consent, effective February 15, 2021, until such date as it may be modified, rescinded or revoked.