

## **House Agreement**

### **Reserve Assets Investment**

**Responsible: Finance & Administration**

*Last reviewed 7/19/2020*

The governing documents obligate the HOA to maintain, operate, and repair and replace the common areas in the development. Common areas normally include the parts of the property owned jointly by everyone who has purchased a home there, and which they all have a right to use. (Bylaws 6.2 Reserve Fund)

The Board has the fiduciary responsibility to keep the funds separate and in good standing at all times. (ORS 94.595(5)(a); ORS 100.175(6)(a)).

The Board of Directors desires to manage the reserve assets as good stewards and, to that end, the following Reserve Assets Investment House Agreement is **adopted**.

**Objectives:** The reserve assets shall be invested to achieve these objectives:

1. *Safety:* No risk to the loss of principal.
2. *Liquidity:* Ensure that liquid assets will be available for coming year reserve needs.
3. *Yield:* Achieve highest long-term investment performance consistent with preservation of principal and minimal investment, redemption, commission, and other transaction costs.

**Fund Categories:**

**Liquid assets:**

Liquid assets constitute the amount required to meet reserve expenditures in the upcoming year. On an annual basis, the Board will review the reserve schedule for the upcoming year to determine anticipate Liquid Assets required for expected expenditures plus 20%. At no time will liquid assets be less than 2 months accrual of HOA fees.

**Non-liquid assets:**

Non-liquid assets are reserve funds over and above the liquid assets.

**Investment Strategy**

**Liquid Assets:**

Liquid Assets will be invested in Money Market or Savings Accounts which do not have early termination penalties.

## *PDX Commons Condominium Owners' Association*

### **Non-Liquid Assets:**

Non-Liquid Assets will be invested in federally insured accounts and/or securities that have maturities of three months or more. If assets permit, securities with varying maturity dates (laddering strategy) will be purchased rather than investing a lump sum in one security with one maturity date. (Laddering allows securities to mature at various times so some assets come available periodically without invoking early termination penalties.) If interest yields are relatively low, the Board will invest for shorter terms with the anticipation that rates will rise in coming months. If rates are relatively high, the Board will invest for longer terms to take advantage of the higher yield

### **Reserve Assets**

These assets grow from reserve contributions as well as from interest earnings and are initially classified as Liquid Assets. These assets become investable if they are in excess of the Liquid Assets requirements. These assets can be combined with proceeds from laddered securities as they mature or purchase new laddered securities.

### **Approved Investment Classes**

- Savings accounts
- Certificates of Deposit (CDs).
- Money market accounts
- Treasury bills, notes or bonds.

### **Review & Control**

- All investments will be purchased in the name *PDX Commons Condominium Owners' Association*.
- The signatures of two designated signers are required for withdrawals or transfers of reserve assets.
- The Financial Oversight Workgroup will monitor, execute, and report monthly on investment strategies and transactions.
- The Board will review regular financial statements and adjust as needed to ensure objectives are being met. On an annual basis, an investment report will be prepared and submitted by Treasurer or outside advisor listing the reserve fund investments and current market valuation of the investments.
- The Board may consult with trained investment/financial consultant to optimize reserve fund investment Deposits will be made in FDIC Insured financial institutions and will not exceed the limit of FDIC Insurance.

### **References**

Frumkin M and N, *March Reserve Funds: How and Why Community Associations Invest Assets*. 2013, 2<sup>nd</sup> edition CAI press  
Terra West Today, Sept 2012 accessed on Wed 2/27/17 *Four HOA Reserve Fund Investment Hurdles*, Arbor Trace Homeowners of Indian River County and Midland Park Condominium Association

*Adopted by PDX Commons 7/19/2020, 9/16/2018*