



<b>Title</b>	<b>Hampton Place Homeowners Association- Capital Construction / Rainy Day Fund Policy</b>	<b>History:</b> Enacted 4/16/26
<b>Version</b>	<b>1.0</b>	<b>Classification : Required</b>

## 1. Governing Authority

This Policy is adopted pursuant to the Board of Directors’ authority under the Hampton Place Declaration of Covenants, Bylaws, and Ohio Revised Code 5312.06 and 1702.30. In the event of any conflict between this Policy and the Declaration, Bylaws, or Ohio law, the governing documents and statute shall control.

All actions taken under this Policy shall comply with the Board’s fiduciary duties of care, loyalty, and good faith.

The Rainy Day Fund is supplemental to, and shall not undermine, the Association’s obligation under ORC 5312.06(A)(1) to include in its annual budget reserves adequate to repair and replace major capital items unless waived annually by a majority of owners.

Where the Declaration is silent, the Board may act under ORC 1702.30, provided such action is financially prudent and does not impair reserve adequacy.

## 2. Purpose

The Rainy Day Fund (“Fund”) provides financial stability for:

- a. Unexpected, non-recurring needs or temporary cash-flow stabilization.
- b. New capital items or enhancements that materially improve safety, aesthetics, functionality, or resident experience, and are:
  1. Not listed in the current Reserve Study, and
  2. Not undermining reserve obligations under ORC 5312.06.

## 3. Prohibited Uses

The Fund shall not be used to:

- a. Directly lower homeowner dues/assessments.
- b. Pay for standard Operating Fund budget items.
- c. Pay for items listed in the Reserve Study.

- d. Replace or supplement required annual reserve contributions.
- e. Fund ongoing or recurring operating expenses, except incidental expenses tied to a reserve project as permitted.

#### **4. Funding and Segregation**

- a. The Fund may be funded only from:
  - 1. Operating-budget surpluses expressly approved by the Board, or
  - 2. One-time transfers from the Operating Fund documented in Board minutes and certified as not impairing reserve adequacy.
- b. At fiscal year-end, any remaining operating surplus after all expenses and reserve contributions are met shall be allocated between the Reserve Fund and the Rainy Day Fund based on the Board's reasonable business judgment.
- c. The Treasurer shall annually certify that the allocation does not impair reserve adequacy.
- d. The Fund shall be maintained in a separate FDIC-insured account and not commingled with Operating or Reserve accounts.
- e. Investments must comply with Ohio prudent-investor standards.
- f. The Fund must be covered under the Association's fidelity/crime insurance.

#### **5. Temporary Loans**

A temporary loan from the Rainy Day Fund may be authorized only if:

- a. The Reserve Fund is projected to fall below the Reserve Study recommendation or below known 12-month reserve obligations.
- b. The Board documents why a temporary loan is preferable to a dues increase or special assessment.
- c. The loan does not reduce reserves below "adequate" levels under ORC 5312.06.

##### **5.1 Required Documentation**

- a. Written request from the Treasurer specifying the amount and purpose.
- b. Written repayment plan with method and timeline.
- c. Supporting financial documentation.

- d. Finance Committee written recommendation confirming no impairment of obligations.
- e. Documentation in Board minutes.

## **5.2 Repayment Requirements**

- a. A repayment plan must be adopted and included as a line item in subsequent budgets.
- b. Quarterly review is required; deviations must be documented.
- c. Extensions require:
  - 1. A written Board finding,
  - 2. Financial analysis or updated Reserve Study,
  - 3. Disclosure to the membership.

## **6. Relationship to Operating Fund Shortfalls**

- a. Temporary Operating Fund shortages may be addressed through an internal transfer from the Reserve Fund unless a Rainy Day Fund loan is approved. b. All such transfers require written justification and repayment expectations.

## **7. Restrictions on Special Assessments**

- a. Special Assessments may not be used to replenish the Rainy Day Fund.
- b. Special Assessments remain permitted for reserve-eligible items or other purposes allowed under the Declaration and ORC 5312.11.

## **8. Use for New Capital Projects and Enhancements**

The Fund may be used for:

- a. New capital projects or enhancements that improve resident experience, safety, aesthetics, functionality, or property value.
- b. Operating-expense components of reserve projects that are not capital items.
- c. Multi-year accumulation for major new amenities provided reserve adequacy is maintained.

### **8.1 Required Documentation**

- a. Written request with cost, purpose, and justification.

- b. Repayment plan or written justification for non-repayable treatment.
- c. Contractor/consultant proposal including:
  - 1. Scope of work
  - 2. Permit/Construction-level drawings (if applicable)
  - 3. Schedule with milestones
  - 4. Three comparable bids (unless waived with documented justification)
- d. Design Review Committee approval.
- e. Finance Committee confirmation that funding will not impair the HOA's ability to meet obligations.
- f. Documentation in Board minutes.

## **8.2 Replenishment**

Expenditures should be replenished within 36 months unless an extension is approved with written financial justification.

## **8.3 Conflict of Interest**

Any director or committee member with a financial interest must recuse themselves.

## **9. Future Reserve Implications**

- a. New capital items must be evaluated for future maintenance and replacement costs
- b. The Finance Committee shall recommend budget adjustments.
- c. Items must be incorporated into the next Reserve Study update.
- d. Treasurer shall certify that lifecycle costs are reflected.

## **10. Minimum Balance**

- a. The minimum balance shall be set annually during budget approval.
- b. The Board must document the rationale and confirm compliance with ORC 5312.06.

## **11. Reporting**

- a. Monthly financial reports must include:

1. Beginning and ending balances
  2. Transfers in/out
  3. Outstanding repayment obligations
  4. Replenishment timelines
- b. Quarterly oversight reports shall be provided to the Finance Committee.
- c. The Fund must be accounted for separately under GAAP.

## **12. Repayment Enforcement**

- a. Failure to replenish the Fund must be reported to the membership at the next annual meeting.
- b. A replenishment plan must be included in the next year's budget.
- c. No further disbursements may occur until the minimum balance is restored, except in documented emergencies involving imminent threats to property, safety, or legal compliance.

## **13. Policy Review**

- a. This Policy must be reviewed at least every three years.
- b. The approved version shall be posted on the Association website.
- c. The Finance Committee shall participate in each review and provide written recommendations.

## **14. Adoption and Amendment**

- a. This Policy is adopted by Board resolution and remains in effect until amended or repealed.
- b. Any amendment must include a written finding that the change:
1. Does not impair reserve adequacy, and
  2. Does not conflict with the Declaration or Ohio law.