

**SOUTH RIDING PROPRIETARY  
ADMINISTRATIVE RESOLUTION A2006-03  
BUDGET & ASSESSMENT DEVELOPMENT**

Revised 5-16-06

Adopted October 5, 2006

**WHEREAS**, Article 4, Section 4.1 of the By-Laws for South Riding Proprietary ("By-Laws") and ("Association,") respectively grants the Board of Directors ("Board") "all of the powers and duties necessary for the administration of the affairs of the Association" and permits the Board to "do all such acts and things as are not required to be exercised or done by the Owners or by the Virginia Nonstock Corporation Act, Title 13.1, Code of Virginia 1950 ("Act"), the Association Declaration ("Declaration") or the Association Articles of Incorporation ("Articles"); and

**WHEREAS**, Article 4, Section 4.1 of the By-Laws furthermore requires the Board to prepare and adopt an annual budget and make Assessments to defray the Common Expenses of the Association, establish the means and methods of collecting such Assessments and establish the period of the installment payment, if any, of the Annual Assessment for Common Expenses in accordance with Article 6 of the Declaration; and

**WHEREAS**, Article 6, Section 6.1 of the Declaration outlines the requirements for the Board to annually adopt a budget for the Association that contains an estimate of the total amount considered necessary for the ensuing fiscal year to pay the costs of management and administration, that reflects the separate Assessment of Limited Common Expenses, including without limitation certain expenses (and reserves) relating to or benefiting one or more but less than all of the Lots, and that reflects the separate Assessment of certain Recreational Facilities Expenses; and

**WHEREAS**, Article 6, Section 6.2 (a) (1) of the Declaration requires the Board to establish an Annual Assessment rate for each Lot for Common Expenses, excluding Limited Common Expenses and Recreational Facilities Expenses, outlines the purpose for such Assessments, and outlines how such Assessment will be assigned to various Lot types; and

**WHEREAS**, Article 6, Section 6.2 (a) (2) of the Declaration allows the Board as it deems necessary to establish a Limited Common Expense Assessment against certain Lots in proportion to their relative Common Expense liability; and

**WHEREAS**, the Budget & Finance Committee established a Budget Working Group to review Association documents and to confer with Association Staff and legal counsel in order to make a recommendation to the Committee and Board concerning budget formulation and assessment calculations; and

**WHEREAS**, the Working Group found that since adopting the first annual budget for the Association the Board established and has adhered to a methodology of assessing Owners in a reasonable manner based on the dwelling types and the benefits derived from the services provided by the Association, and;

**WHEREAS**, the Working Group found that the assessment calculation methodology that has been followed by the Board recognizes that certain expenses are appropriately assessed against all of the Owners while Limited Common Expenses are categorized by location and type, such

that they are assessed against Owners of Lots that are similarly situated (i.e. detached homes and townhomes).

**NOW, THEREFORE, THE BOARD RESOLVES** that based on the recommendation of the Budget & Finance Committee resulting from the work of its Budget Working Group the following methods will be used to calculate the annual assessments

**A. The Common Expense Assessment will be calculated as follows:**

- 1) Based on information available, determine the number of Lots, by dwelling type, that are expected to be occupied in the given fiscal year in order to determine the total number of Lot months. Calculate a fraction<sup>1</sup> by dividing the number of Assessment Units (the number of Lot months multiplied by the Assessment Rate) assigned to each Lot by the total number of Assessment Units assigned to all Lots. The requirement to use this formula and calculation is found in Article 6, Section 6.2 (a) (1) of the Declaration.
- 2) Identifying all expenses in the annual budget related to general administration and maintenance operations (Common Expenses). Such expenses typically benefit all Owners regardless of dwelling type, and include but are not limited to personnel, accounting services, insurance, office operations, committee activities, special events, grounds maintenance on main roads, street lighting, contributions to replacement reserves, if any, and maintenance equipment costs. Additionally, portions of certain Common Expenses are allocated to the costs of managing the Recreational Facilities (and used to calculate the Recreational Facilities Assessment), and to the costs of providing services to certain Lot types (and used to calculate the Limited Common Expenses) before calculating the Common Expense Assessment. Common Expenses do not include Recreational Facilities Expenses or Limited Common Expenses.
- 3) Determining the anticipated amount of interest earned on investments and allocating a portion of that interest as a reduction of the total Common Expenses. The portion of interest allocated is calculated by determining the percentage of the replacement reserve contribution made to the Common Expenses relative to the total replacement reserve contribution in the budget in the given fiscal year, and then multiplying that percentage by the total anticipated amount of interest to be earned during the fiscal year.
- 4) Identifying all of the anticipated income from sources other than the assessments paid by the Owners (Other Income), including but not limited to late charges, special events fees, and advertising. Some of these Other Income items are then allocated between the Owners of Single Family Residential Lots and the Owners of Multi-Family Residential Lots (as such Lots are identified in Article 6, Section 6.2 [a] [1] of the Declaration) based on the Assessment Rate Multiplier found in Section A, part 1 hereof and subtracting these amounts from the total expenses outlined in Section A, part 2 hereof, in order to determine the Net Annual Expenses.
- 5) The Assessments are then determined as follows:

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<sup>1</sup> For convenience named the "Assessment Rate Multiplier"

- a. For all Lot types except multi-family Lots, divide the Net Annual Expenses (as calculated in 1-4 above) by the total Lot-months for all Lot types minus the total multi-family Lot-months.
- b. For multi-family Lots, divide the Net Annual Expenses (as calculated in 1-4 above) by the total multi-family Lot months.

**B. The Recreational Facilities Expense Assessment will be calculated as follows:**

- 1) Based on information available, determine the number of Lots, by dwelling type, that are expected to be occupied in the given fiscal year and that are eligible, in accordance with the Declaration, to use the Recreational Facilities.
- 2) Identify all expenses in the annual budget related to administration and maintenance of the Recreation Facilities (as the Recreational Facilities are defined in Article 1, Section 1.1 [33] of the Declaration). Such expenses include but are not limited to swimming pool management and maintenance, tennis court maintenance, community building maintenance, utilities, and contributions to replacement reserves, if any. Also included are those portions of certain Common Expenses that were allocated to the costs of managing the Recreational Facilities.
- 3) Determine the anticipated amount of interest earned on investments and allocate a portion of that interest as a reduction of the total Recreational Facilities Expenses. The portion of interest allocated is calculated by determining the percentage of the replacement reserve contribution made to the Recreational Facilities, if any, relative to the total replacement reserve contribution in the budget in the given fiscal year, and then multiplying that percentage by the total anticipated amount of interest to be earned during the fiscal year.
- 4) Divide the total expenses determined in Section B, parts 2 and 3 hereof by all of the eligible Lots as determined in Section B, part 1 hereof.

**C. The Limited Common Expense Assessment for detached homes will be calculated as follows:**

- 1) Based on information available, determine the number of Lots containing detached homes that are expected to be occupied in the given fiscal year.
- 2) Combine all of the expenses directly attributable to providing services to detached homes . Such services include but are not limited to grounds maintenance, repairs and trash removal, and contributions to replacement reserves, if any, giving consideration to location of landscaped Common Areas within or surrounding such homes, types of streets serving such homes and the rate imposed for trash removal services for such homes. Also included are those portions of certain Common Expenses that were allocated to providing service to the Lots containing such homes, such as personnel related costs.
- 3) Determine the anticipated amount of interest earned on investments and allocate a portion of that interest as a reduction of the total Limited Common Expense for Detached Homes. The portion of interest allocated is calculated by determining the percentage of the replacement reserve contribution made to the Detached Homes, if any, relative to the total replacement reserve contribution in the budget in the given fiscal year, and then

multiplying that percentage by the total anticipated amount of interest to be earned during the fiscal year.

- 4) Divide the total expenses determined in Section C, parts 2 and 3 hereof by all of the eligible Lots as determined in Section C, part 1 hereof.

**D. The Limited Common Expense Assessment for townhomes will be calculated as follows:**

- 1) Based on information available, determine the number of Lots containing townhomes that are expected to be occupied in the given fiscal year.
- 2) Combine all of the expenses directly attributable to providing services to townhomes. Such services include but are not limited to grounds maintenance, snow removal, repairs and trash removal, and contributions to replacement reserves, if any, giving consideration to location of landscaped Common Areas within or surrounding such homes, types of streets serving such homes and the rate imposed for trash removal services for such homes. Also included are those portions of certain Common Expenses that were allocated to providing service to the Lots containing such homes, such as personnel related costs.
- 3) Determine the anticipated amount of interest earned on investments and allocate a portion of that interest as a reduction of the total Limited Common Expense for Townhomes. The portion of interest allocated is calculated by determining the percentage of the replacement reserve contribution made to the Townhomes, if any, relative to the total replacement reserve contribution in the budget in the given fiscal year, and then multiplying that percentage by the total anticipated amount of interest to be earned during the fiscal year.
- 4) Divide the total expenses determined in Section D, parts 2 and 3 hereof by all of the eligible Lots as determined in Section D, part 1 hereof.

**E. The Limited Common Expense Assessment for Affected Lots served by Common Driveways will be calculated as follows:**

- 1) Common Driveways as defined in Article 18 of the Declaration are those "areas within Ingress and Egress Easements" or "public access easements" as shown on the plats that exist over individual Lots but not Common Areas of the Association. Common Driveways are intended to be used for vehicular purposes to and from Affected Lots.
- 2) Affected Lots as defined in Article 18 of the Declaration are Lots that use the Common Driveways for access to the dwellings constructed on such Lots
- 3) Based on information available, determine the number of Affected Lots on Common Driveways containing dwellings that are expected to be occupied in the given fiscal year.
- 4) Combine all of the expenses directly attributable to providing services to such Affected Lots. Such services include but are not limited to repairs, snow removal and contributions to replacement reserves, if any. Also included are those portions of certain Common Expenses that were allocated to providing service to such Lots, if any.
- 5) Determine the anticipated amount of interest earned on investments and allocate a portion of that interest as a reduction of the total Limited Common Expense for Affected Lots. The portion of interest allocated is calculated by determining the percentage of the

replacement reserve contribution made to the Affected Lots, if any, relative to the total replacement reserve contribution in the budget in the given fiscal year, and then multiplying that percentage by the total anticipated amount of interest to be earned during the fiscal year.

- 6) To determine the assessment amount, divide the total expenses determined in Section E, parts 4 and 5 hereof by all of the eligible Lots as determined in Section E, part 3 hereof.
- 7) The total amount of the replacement reserve contribution in a given fiscal year will be divided equally by all of the Affected Lots as determined in Section E, part 3 hereof. As it becomes due from each Owner of an Affected Lot this amount will be credited to a Common Driveway fund for separate accounting.
- 8) At the time that a given Common Driveway requires major repair or replacement the funds shall be drawn from the Common Driveway fund. If the funds in such account are not sufficient to meet the costs of such major repair or replacement the Owners of all Affected Lots identified in Section E, part 3 shall be equally assessed the remaining amount needed to pay for such major repair or replacement, in accordance with Article 6, Section 6.2 of the Declaration. Should excess funds be available following such repair or replacement such excess funds shall remain in the Common Driveway fund to be used for future major repair or replacement.

The Board shall have the authority to levy assessments for other purposes as outlined in Article 6 of the Declaration, and to "pass through" direct costs of providing certain types of services, all as the Board so determines the need therefore.

## South Riding Proprietary Resolutions Action Record

Resolution Type: Administrative                      No. A200~~6~~-03      (Revised)

Pertaining to: Budget and Assessment Development

Duly adopted at a meeting of the Board of Directors held October 5, 2006

Motion by:    Mr. Garant    Seconded by:    Mr. Salmon

	YES	NO	VOTE: ABSTAIN	ABSENT
<u>Ms. Smith</u>	X			
<u>Mrs. Horne</u>	X			
<u>Mrs. Freeman</u>	X			
<u>Mr. Anderson</u>	X			
<u>Mr. Skinner</u>	X			
<u>Mr. Morse</u>	X			
<u>Mr. Narasimhan</u>	X			
<u>Mr. Salmon</u>	X			
<u>Mr. Garant</u>	X			

ATTEST:

  
\_\_\_\_\_  
President

10/25/06  
\_\_\_\_\_  
Date

FILE:

Book of Minutes - 2006

Book of Resolutions:	Book No.	Page No.
Administrative	_____	_____
Policy	_____	_____
Regulatory	_____	_____
Special	_____	_____
General	_____	_____

Resolution effective: