

Resolution No. 2019-11-08

**RESOLUTION
OF THE BOARD OF DIRECTORS OF
INSPIRATION METROPOLITAN DISTRICT**

ESTABLISHING A CAPITAL RESERVE POLICY

WHEREAS, Inspiration Metropolitan District (the “**District**”) is a quasi-municipal corporation and political subdivision of the State of Colorado, duly organized pursuant to §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, the District was organized for the purpose of providing certain improvements, facilities and services to and for the use and benefit of the District, its residents, users, property owners and the public; and

WHEREAS, pursuant to § 32-1-1001(1)(h), C.R.S., the District has the power to manage, control, and supervise all of the business and affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(m), C.R.S., the District has the power to adopt, amend, and enforce bylaws and rules and regulations not in conflict with the constitution and laws of this state for carrying on the business, objects, and affairs of the board and the District; and

WHEREAS, preserving the value of the physical assets of the District is a primary responsibility of the District and is matched in priority by the District’s debt servicing obligations; and

WHEREAS, the District has determined that accumulating and maintaining capital reserves is an important part of the planning for the orderly maintenance, repair, replacement and improvement of the District’s facilities and property and will help ensure that the District can preserve the value of its physical assets; and

WHEREAS, as part of the District’s financial stewardship establishing a capital reserve policy is a sound practice to address both foreseen and unforeseen capital expenditures.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

1. Baseline Reserve Study. The District hereby considers the Reserve Analysis Report dated November 3, 2016 by Advanced Reserve Solutions, Inc. as the baseline reserve study.
2. Update of the Reserve Study. The District may cause the reserve study to be evaluated

by the Board of Directors of the District (the “**Board**”), or, depending on available financial resources, a third-party, every three to five years to determine increases in replacement costs and decreases in remaining useful lives of the components of the reserve study to adequately address changes to be made to the reserve study. In determining whether an update to the reserve study, is needed more often than every three years, the Board may consider the following:

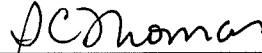
- a. Whether there have been significant additions or replacements to the District’s property since the last reserve study;
 - b. Whether local inflation for materials and labor has substantially increased;
 - c. Whether there have been changes to the useful life or remaining useful life of assets;
 - d. Whether reserve funding had been received as planned;
 - e. Whether reserve expenditures were incurred as planned;
 - f. Whether there have been any reclassification of assets from operating to reserve or from reserve to operating;
 - g. Whether assets sustained extreme wear and tear from harsh weather or lack of maintenance; and/or
 - h. Whether there have been any new technological changes or improved product development that might result in a component change.
3. Physical and Financial Analysis. A reserve study may include both a physical and a financial analysis as follows:
- a. The physical analysis may include:
 - i. A component inventory identifying those portions of the community the District is obligated to maintain, including the useful life of each component.
 - ii. A condition assessment of each component on the component inventory by onsite inspection.
 - iii. Estimates of the remaining useful life and replacement costs of each component.
 - b. The financial analysis may include:
 - i. An analysis of the funds currently held in the District’s reserve fund in relation to the expended needs of the District per the reserve study.
 - ii. A future funding plan to meet the requirements of the reserve study.
4. Reserve Fund Goal. It is the desire of the Board to reach, over a period of time, a balance in the reserve fund account that is equal to at least sixty-five percent (65%) of the amount prescribed by the most current reserve study completed and accepted by the Board.
5. Use of Reserve Funds. Nothing in this Resolution shall limit the ability of the District to utilize funds from its annual operations fund for maintenance, repair or replacement costs that would otherwise have been covered by Reserve Funds.

6. Review of Capital Reserve Balances. The Board may request that the District's accountant analyze the Reserve Fund balances in order to provide recommendations to the Board regarding various investment options available. Any and all recommendations shall adhere to state statutes regarding investments permitted by governmental entities and the District's Pooled Cash and Investment Policy described in the annual audit.
7. Subject to Annual Appropriation and Budget. The District does not intend hereby to create a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever. The District's obligations under this Resolution exist subject to annual budgeting and appropriations.
8. Deviations. The Board and District may deviate from the procedures set forth in this Resolution in its absolute discretion.
9. Amendment. This Resolution may be amended from time to time by the Board.

(Signature Page Follows)

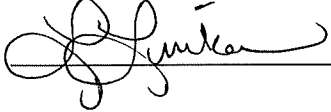
APPROVED AND ADOPTED THIS 19th DAY OF NOVEMBER, 2019.

INSPIRATION METROPOLITAN DISTRICT, a
quasi-municipal corporation and political
subdivision of the State of Colorado



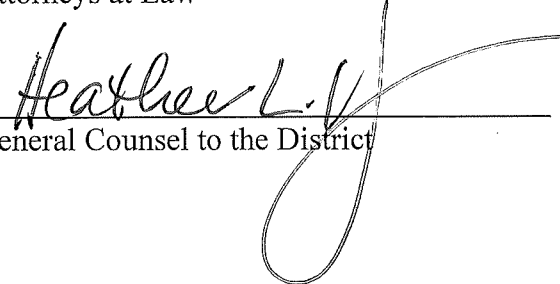
Officer of the District

ATTEST:



APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law



General Counsel to the District

Signature page to Resolution Establishing A Capital Reserve Policy