

**MIDDLESEX BEACH ASSOCIATION
USAGE OF RESERVE FUNDS
OCTOBER 21, 2023**

ISSUE:

Beach Reserves Fund, Capital Improvements Fund and Legal Fund

RESOLUTIONS:

BE IT RESOLVED, that the Board of Directors of Middlesex Beach Association (MBA) approves a policy governing appropriate expenditures from its reserve accounts, consistent with any provisions of the MBA Certificate of Incorporation, Restrictive Covenants and By-Laws.

SUMMARY:

To ensure proper utilization of reserves held for non-operational and non-recurring expenditures, the following sets forth guidelines for determining what type of expenditure is being made (Beach, Capital or Legal related) and which budget should fund the expenditure. Expenditures to be funded from reserve accounts must have a useful life of greater than one year, be at least \$5,000 per instance and meet the purposes and uses described below. All other expenditures that occur in a recurring manner and are short-term or routine in managing MBA will be funded from the annual operating budget approved by the Board each year. Annual contributions into each of the reserves account will be determined based upon long range financial projections which may be supported with periodic reserve studies to assist in estimating future expenditures.

When funds are expended from a reserve account, analysis is required to determine how best to replenish reserves in a timely manner to ensure the fund balance will be sufficient for future year needs.

In all instances, the use of any reserve funds requires the approval of the Board.

Beach Reserves Fund (BRF) Purposes and Uses

Generally, this fund is used to accumulate financial resources for beach replenishment efforts. Examples include:

- 1) to participate in any type of beach nourishment projects, including the costs of dune grass, fencing and crossings (including stairways) associated with such a project,
- 2) to purchase, deliver and place sand on the beach or dunes in the event that conditions are such that could allow immediate damage to property or lives,
- 3) to repair beach/dune/walkway damage or cleanup beach debris, as well as the purchase of assets to improve walkways (e.g. mobi-mats) to improve walkways, or
- 4) to pay any engineering and legal costs associated with the use of this fund.

Capital Improvement Fund (CIF) Purposes and Uses

Generally, this fund is used to accumulate financial resources designated for the purchase of new assets and/or future major capital repairs and replacements. Examples include:

- 1) to surface, resurface or apply sealing to any roads of the Community,
- 2) to purchase vehicles to be used by the Board, Association staff and its committees to support Community activities,
- 3) to construct buildings, walkways, or other structures on any of the lands of the Community,
- 4) to install signage, fencing or other screening on any of the lands of the Community,
- 5) to install landscaping on any of the non-member property of the Community or on DelDOT property between the MBA pine side and beach side,
- 6) to improve community drainage, including but not limited to replacing driveway culverts or alterations to preexisting mainline drainage ditches regardless if such is located on lands of the Community
- 7) other expenditures that qualify for capitalization in accordance with Generally Accepted Accounting Principles.
- 8) to conduct a periodic reserve study performed by a professional, independent firm.

Legal Fund Purposes and Uses

Generally, this fund is used to accumulate resources to fund extraordinary legal expenses. Examples include:

- 1) to pay for non-routine legal services such as those incurred to bring legal action against a third-party and/or provide defense against a third-party legal action.