

ASSET REPLACEMENT RESERVE POLICY
Ludlow Maintenance Commission
Adopted March 6, 2008
(Replaces August 18, 2001 Policy)

It is the responsibility of the LMC Board of Trustees to create and maintain adequate funded reserves to provide for orderly replacement and maintenance of LMC assets. Assets with an estimated useful life greater than 40 years will not be considered for reserve funding.

The LMC Board delegates to the Treasurer/Finance Committee the responsibility for maintaining a complete list of reserve requirements and reserve dollar requirements updated on an annual basis. The accrued reserve dollars for replacement and maintenance requirements must be maintained at 100%. If the reserve accrual falls below 100% for two consecutive years, the Treasurer/Finance Committee must make recommendations to the Board of Trustees for bringing the reserve account back to the 100% level.

The Replacement Reserve Component List will represent current dollars for the budgeted year. These current dollars will be updated using the same Consumer Price Index factor as the "annual assessment adjustment". If more accurate data becomes available such as quotes for an item or similar item, this will replace the previous amount together with appropriate notation. Any revisions to the Reserve Component List must be with the approval of the Treasurer/Finance Committee.

The approved purchase of new assets will not be treated as reserve expenditures. However, the future replacement of such items will be included on the Reserve Component List based on estimated useful life. Those assets with a value of over \$2,000 or maintenance of those assets exceeding \$2,000 will be considered reserve items. (This amount may be adjusted from time to time due to inflationary considerations.)

If any existing assets have inadvertently been left off the Reserve Component List, such assets may be added to the list with a reserve dollar requirement representing the years of useful life already expended.

Each year, as part of the budgeting process, the Finance Committee will provide all reserve data to the Board of Trustees together with any recommendations for action.

Annually, the manager together with a delegate of the Operations Committee will conduct a thorough physical review of all reserve items to determine whether any revisions of reserve detail are required. The Board of Trustees may request an independent outside professional study of any or all reserve items at any time they deem necessary.

(See Appendix I for an example of the appropriate Reserve Component List.)

Adopted at a Regular Meeting of the Board of Trustees on March 6, 2008

Vaughn Bradshaw, President

Jerry Nelson, Secretary