# CAPITAL EXPENDITURE COMMITTEE

## COMMITTEE CHARTER

Homeowners Association

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| **Document Version** | 1.0 |
| **Effective Date** | 4/20/2026 |
| **Approved By** | HOA Board of Directors |

## 1. Purpose

The Capital Expenditure (CAPEX) Committee is an advisory committee of the Homeowners Association (HOA) established by the Board of Directors. The Committee's primary purpose is to provide informed, independent recommendations to the Board regarding the management and expenditure of the Association's Reserve Fund, ensuring the long-term financial health and physical integrity of community assets.

## 2. Mission Statement

The CAPEX Committee advises the Board of Directors regarding Reserve Fund expenditures, providing guidance to ensure community assets are properly maintained, capital investments are prudently planned, and reserve funds remain adequately funded in alignment with the Association's reserve study.

## 3. Roles and Responsibilities

The Committee shall carry out the following core responsibilities:

### 3.1 Annual Capital Needs Assessment

- Review the condition of HOA-maintained assets on a regular basis.
- Prepare and present an annual recommendation to the Board identifying assets requiring attention within the next one to two years.
- Prioritize projects based on urgency, community impact, and available reserve funds.

### 3.2 Capital Budget Collaboration

- Partner with the Board during the annual budgeting cycle to develop a capital budget aligned with the HOA operating budget.
- Provide analysis and recommendations on proposed capital expenditures throughout the year as needs arise.
- Review and comment on any unplanned or emergency capital expenditure requests brought before the Board.

## 3.3 Reserve Fund Financial Modeling

The Committee maintains a long-range financial model of the Reserve Fund. The model inventories existing community assets, captures their estimated remaining useful life and in-kind replacement costs, and projects expenditures approximately 40 years into the future. It is updated to reflect the impact of all Board-approved capital projects and serves as the primary analytical tool informing the Committee's recommendations to the Board.

### What the Model Does

- Focuses on the maintenance and in-kind replacement of existing assets (e.g., tennis court resurfacing, pool replacement, bridge to sand spit replacement).
- Provides a roughly 40-year timeline of anticipated asset replacements and maintenance expenditures.
- Identifies periods where reserve fund balances are projected to be insufficient to cover planned maintenance and replacements.
- Allows CAPEX to incorporate newly acquired assets as they are added to the community's inventory.
- Allows CAPEX to apply dollar constraints as directed by the Board, modeling the downstream impact of spending limits on future reserve fund health.
- Supports "what if" scenario analysis, enabling the Committee to evaluate the impact of alternative timing, cost, or funding assumptions.
- Informs CAPEX recommendations to the Board regarding anticipated expenses for maintenance and asset replacements.

### What the Model Does Not Do

- Model significant modifications or upgrades to existing assets (e.g., reconstructing a tennis court with a different surface type, or redesigning the pool to a different configuration). These represent enhancements beyond in-kind replacement and fall outside the model's scope.
- Account for discretionary or early replacements driven by aesthetic considerations rather than end-of-life need (e.g., replacing all pool furniture simultaneously for visual consistency).

## 3.4 Reserve Study Alignment

- Recommend to the Board when an updated reserve study should be commissioned, consistent with best practices and community needs.
- Reconcile actual asset conditions and expenditures against reserve study findings and recommendations on an annual basis.

- Recommend capital planning activities aligned with the findings and review of the Association's most recent reserve study.

### 3.5 Collaborate with Other Committees

- CAPEX will collaborate with the Finance Committee upon making the recommended contribution to the HOA reserve fund, which is part of the annual dues assessment.
- Coordinate investment of reserve of funds with the Finance Committee.
- Coordinate reserve study procurement and findings with the Marina Committee.
- Collaborate with Marina and Finance Committees for expenses shared by the HOA and marina.
- To ensure continuity and communication, a member of the CAPEX Committee serves as a member of the Finance Committee.

## 4. Committee Composition

The Committee shall consist of the following roles:

| Role | Description |
|---|---|
| **Chair** | Presides over Committee meetings, sets agendas, and serves as the primary liaison to the Board. Approved by the Board and confirmed annually. |
| **Member(s)** | Voting members who participate in deliberations and contribute subject matter expertise. Approved by the Board and confirmed annually. |
| **Board Liaison** | A non-voting member appointed by the Board of Directors to serve as the primary point of coordination between the Committee and the Board. |

The Committee Chair is responsible for facilitating meetings, setting agendas, and communicating the Committee's findings and recommendations to the Board. In the Chair's absence, a Committee member shall be designated to preside over meetings. The Board Liaison serves as the primary point of coordination between the Committee and the Board of Directors and is a non-voting member of the Committee. Members ideally have relevant experience – engineering, finance, construction, other.

The Committee Chair and all members are subject to approval by the Board of Directors and shall be confirmed on an annual basis at the first Committee meeting following the HOA Annual Meeting. Vacancies shall be filled by committee appointment. The Board reserves the right to modify the composition of the Committee as needed.

## 5. Meetings

- The Committee shall meet virtually on a monthly basis.
- All meetings shall be open to community members, who are welcome to attend as observers.
- A meeting agenda shall be distributed to Committee members in advance of each meeting.
- Meeting minutes shall be recorded and posted to the community website and the management company portal following each meeting.
- Special meetings may be called by the Chair or at the request of the Board Liaison as circumstances warrant.
- A quorum shall consist of a majority of voting Committee members.

## 6. Reporting and Accountability

- The Committee shall report its findings and recommendations to the Board of Directors on a regular basis, and no less than annually.
- The Committee's annual capital needs recommendation shall be submitted to the Board prior to the commencement of the annual budget planning process.
- The Committee Chair or designated member shall be available to present to the Board as requested.
- The Committee has no independent authority to approve or commit Reserve Fund expenditures; all financial decisions remain the sole authority of the Board of Directors.

## 7. Charter Review and Amendments

This Charter shall be reviewed annually by the Committee and the Board of Directors. Amendments to this Charter require approval by the Board of Directors. Proposed amendments shall be submitted in writing to the Board Liaison for Board consideration.

## 8. Approval

This Charter has been reviewed and approved by the HOA Board of Directors.

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| **Board President Signature** | |
| **Date** | |
| **CAPEX Committee Chair Signature** | |
| **Date** | |