

RCW 64.90.535 Reserve accounts—Where held—Disbursements. (1)

An association required to obtain a reserve study pursuant to RCW 64.90.545 must establish one or more accounts for the deposit of funds, if any, for the replacement costs of reserve components. Reserve accounts must be maintained such that reserve funds are not commingled with other funds of the association.

(2) (a) Except as otherwise provided in this subsection, reserve funds must be held in an interest-bearing account at a financial institution domiciled in the United States that is regulated by FINRA or by the office of the comptroller of the currency. The reserve account must be maintained by the board and titled solely in the name of the association, with authorized signatories for the account added or removed only at the direction of the board. The board is responsible for administering the reserve account.

(b) (i) Notwithstanding any contrary requirements of this section and the governing documents, reserve funds may be held in cash or invested in money market funds, certificates of deposit, or United States treasury bills, notes, or bonds. Any decision by the board to hold funds in certificates of deposit or United States treasury bills, notes, or bonds must consider all factors enumerated by RCW 11.100.020(3).

(ii) Decisions related to reserve funds held pursuant to this subsection (2)(b) must be made by the board, except the board may delegate decisions for maintaining funds in timed deposit durations less than or equal to 100 days. Such decisions must adhere to a duly adopted policy or resolution approved by the board that:

(A) Incorporates the factors enumerated by RCW 11.100.020(3);

(B) Complies with this chapter; and

(C) Complies with any greater requirements imposed by the governing documents.

(c) Unless provided otherwise by the governing documents, reserve funds may be invested in securities, provided that:

(i) (A) Except as provided in (c) (i) (B) of this subsection, new investments in securities, including reinvestments: (I) May only be made when the total value of reserve funds is equal to or greater than \$250,000; and (II) may not be made if the total value of reserve funds held in accounts described in (b) of this subsection would be less than 50 percent upon making the new investment.

(B) The owners of units to which at least 75 percent of the votes in the association are allocated may vote to invest, including reinvestments, up to 100 percent of any available reserve funds subject to the additional requirements of this section;

(ii) The investments are approved as part of the budget ratification process under RCW 64.90.525;

(iii) The investments are administered according to the standards established by RCW 11.100.020; and

(iv) The investments are administered by a qualified third-party fiduciary or directly by the board in consultation with an independent, qualified investment adviser as defined in RCW 21.20.005.

(d) For purposes of this subsection:

(i) "FINRA" has the same meaning as defined in RCW 48.23.015;

(ii) "Independent" means a person who:

(A) Is not an employee, officer, or director of the association;

(B) Is not an immediate family member or affiliate, as these terms are defined in RCW 64.90.485, of an employee, officer, or director of the association; and

(C) Has no pecuniary interest in the association;

(iii) "Securities" has the same meaning as "security" as defined in RCW 21.20.005, but does not include accounts described in (a) or (b) (i) of this subsection.

(3) Except for investments and transfers between separate reserve accounts held by the same association, every disbursement of reserve funds requires:

(a) The signature of at least two persons who are officers or directors of the association; and

(b) Documentation of the expenses with supporting invoices including:

(i) Assigned components of the reserve study relating to the disbursement and their classification such as, but not limited to, common elements, residential common elements, or commercial common elements;

(ii) A statement that the disbursement is related to one or more reserve components not currently included in the reserve study and their classification such as, but not limited to, common elements, residential common elements, [or] commercial common elements; or

(iii) A statement indicating a disbursement to borrow from the reserve that includes the repayment plan required by RCW 64.90.540(1). [2025 c 119 s 24; 2018 c 277 s 328.]