



# Whitney Oaks Community Association

December 2018 Newsletter



## What Happened to 2018?

Whitney Oaks is in it's 20<sup>th</sup> year and going strong. This association continues to be a well-managed, financially sound community with significant improvements over its past decade of existence.

These credited achievements are due in part of the association's volunteer Board of Directors, and most importantly, to those residents who found time and formed the dedication to volunteer for various committee's. (names are listed in alphabetical order by first name)

### BOARD OF DIRECTORS

Natalie Trost - President  
Bob Jones – Vice President  
Richard Campbell – CFO  
Rosalie Hayman - Secretary  
Rick Jordan - Director



The Management Trust

P.O. Box 1459  
Folsom, CA 95763  
Phone: 985-3633

AFTER HOURS EMERGENCY  
866-324-3704

### ASSOCIATION MANAGEMENT STAFF

#### MANAGER:

Melissa Bell: Extension #5125  
[melissa.bell@managementtrust.com](mailto:melissa.bell@managementtrust.com)

#### ASSISTANT MANAGER:

Mikki Cooper: Extension #5129  
[mikki.cooper@managementtrust.com](mailto:mikki.cooper@managementtrust.com)

### ARCHITECTURAL APPLICATIONS:

Mail plans to The Management Trust  
Questions? Please contact  
Gwendolyn Rogers #5112  
[gwendolyn.rogers@managementtrust.com](mailto:gwendolyn.rogers@managementtrust.com)

#### ACCOUNTING

Accounting Inquiries: (916) 985-3633  
Pay-By-Phone: Extension #8050  
[nc-accounting@managementtrust.com](mailto:nc-accounting@managementtrust.com)

#### PALADIN SECURITY

Patrol Hours: 8:00PM-5:00AM  
24 Hour Dispatch: 916-331-3175

### ASSOCIATION WEBSITE

[www.whitneyoaks.net](http://www.whitneyoaks.net)

**Architectural Review Committee:** The members of this committee are responsible for maintaining the aesthetic and structural integrity of the Association. They review all applications (except those plans for new construction) for modifications, additions, or architectural changes.

•Adam Rehelt   •Eric King   •Jim Phelps   •Rick Held   •Robert Ramirez

**Finance Committee:** The role of the finance committee is primarily to provide financial oversight for the Association. Typical tasks include budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies. CFO, Richard Campbell, is the liason for the Board. The committee was instrumental in conducting interviews for the new financial manager, Matt Bopp – Morgan Stanley. An investment policy was established based on the governing documents, current laws and professional feedback. The policy is attached to this newsletter.

•Ben Swain   •Don Biddle   •Jeff Schnoebelen   •Steve Van Unen

**Landscape Committee:** Landscape committee members will regularly meet to handle ongoing tasks specific to landscaping-related projects and large-scale rejuvenation and replanting projects. This includes the association's walking trails.

•Jeff Henderson   •Jim Cheap   •Reinhold Gedeit   •Richard Conrad



We are proud to announce, The Management Trust is voted as the Best Management Company of the year by CAI. CAI is an international membership organization dedicated to building better communities.

On behalf of your management team, we thank you for allowing us the opportunity of serving you.

### Open Forum Etiquette

Residents are encouraged to attend and observe association board meetings. If you'd like to bring an issue to the board's attention, you're welcome to speak during the homeowner forum—a time set aside just for you. So that everyone who attends has an opportunity for a meaningful exchange with the board, we ask that you observe the following guidelines:

- Although we're all neighbors, this is a corporate business meeting. Please behave accordingly.
- If you'd like to address the board, please sign in when you arrive and if you would like to speak on a topic, please use the resident open forum discussion request form.
- The homeowner forum is an exchange of ideas, not a gripe session. If you're bringing a problem to our attention, we'd like to hear your ideas for a solution too.
- To keep the meeting businesslike, please refrain from speaking if you're particularly upset about an issue. Consider speaking later, speaking privately with a board member, or putting your concerns in writing and e-mailing them to the board.
- Only one person may speak at a time. Please respect others' opinions by remaining silent and still when someone else has the floor.
- Each person will be allowed to speak no more than three (3) minutes. Please respect the volunteers' time by limiting your remarks.
- If you need more than three (3) minutes, please put your comments in writing. Include background information, causes, circumstances, desired solutions and other considerations you believe are important. The board will make your written summary an agenda item at the next meeting.

We may not be able to resolve your concerns on the spot, and we will not argue or debate an issue with you during the homeowner forum. We usually need to discuss and vote on the issue first. But we *will* answer you before—or at—the next board meeting.

### Thoughts for the New Year

As we begin another year, we offer some thoughts about how we all can make our community an even better place to live in the new year and beyond.

**Responsibility.** We all take responsibility for adhering to rules and meeting our financial obligations to the community, so we can avoid the costly and unpleasant task of pursuing legal actions.

**Sharing.** We share our ideas, perspectives and concerns so we can all work together to build an even better community.

**Fellowship.** We actively participate in the recreational, social and cultural activities of the community.

**Involvement.** We attend association meetings and take the time to review important information about our community.

**Inclusiveness.** We actively welcome new residents, making all owners and renters feel part of the community.

**Pride.** We are proud to live in this community and recommend it to others who are looking for a good place to call home.

As members of the elected board, we will certainly strive to do our part. It's our goal to serve as neighborhood facilitators and regard our authority as a temporary stewardship, even as we plan for a future well beyond our tenure on the board.



The Whitney Oaks Board of Directors and The Management Trust Wish you and your families a wonderful Holiday and a Happy New Year!!

# Whitney Oaks Community Association

## Investment Policy Statement

### I. Scope and Purpose

#### *The Investor and Investor's Assets*

The investor, Whitney Oaks Community Association (“the Association”), is a nonprofit mutual benefit corporation formed for the purpose of managing a common interest development, the Whitney Oaks master planned community. As such, the Association owns, repairs, maintains, and manages common areas of the community as well as enforces rules and regulations adopted by its Board of Directors (“the Board”).

This Investment Policy Statement (“IPS” or “the Policy”) governs the investment portfolio (“the Portfolio”) associated with Whitney Oaks Community Association and is intended to guide the Board in its oversight and management of these funds. The Portfolio is comprised of (1) financial assets held in reserve of operating funds for the purpose of funding future capital spending projects as forecasted in the most recent reserve study, and (2) short term operating funds to meet short term required expenses in excess of current cash flow.

The purpose of this Investment Policy Statement is to establish a clear understanding between the Board and the investment advisor (“Advisor”) as to the investment objectives of the Portfolio so they are congruent with the Association’s mission. The IPS intends to encourage effective communication between the Board and the Advisor. This statement is not a binding contract, rather it is a summary of the understanding that provides guidance to both the Board and the Advisor. This IPS has been created specifically for Whitney Oaks Community Association and should be reviewed periodically to ensure that its goals, objectives, and underlying mission have not changed in such a way as to require a change to its investment approach.

## II. Governance

### ***The Board and Finance Committee***

The Board of Directors is responsible for creation of, approval of, and updates to the Investment Policy Statement. The bylaws of the Association empower The Board to consult professional advisors to carry out its authority (*Bylaw 8.1.5 Professional Advisors*), as well as provide general guidance for a dual mandate to invest Association reserve funds in “prudent investments...in a prudent manner designed to achieve the primary objective of preserving principle while realizing a reasonable return, and to assure the availability of funds as they are needed based upon the most recent reserve fund study” (*Bylaws 8.1.6, 8.2.5 Investment of Reserve Funds*).

The Finance Committee shall advise the Board on issues related to the Policy, including identifying the need for updates and monitoring the portfolios for compliance with the Policy.

In the course of fulfilling their duties, the Board and Finance Committee may retain outside consultants and advisers (“the Advisor”) to assist in analysis of issues relevant to the Policy. The Finance Committee shall have oversight responsibility for investment of the Portfolio of the Association and may delegate through the Board investment authority to external advisers, who may be retained by the Board upon recommendation by the Finance Committee.

This Investment Policy Statement sets forth a structure and responsibilities for risk measurement, monitoring, and management to be fulfilled by the Finance Committee and may be assisted by the Advisor. Responsibilities of the Finance Committee for risk monitoring and reporting are set forth in this IPS and reflect best practices to be carried out by both internal staff and any external consultants.

### ***The Advisor***

Should the Finance Committee recommend and the Board hire an Advisor, the Advisor will be responsible for reviewing and potentially modifying the Portfolio’s asset allocation in collaboration with the Finance Committee.

The Advisor has the responsibility to manage the Association’s assets in the Portfolio. In order to carry out investment duties, the Advisor will appoint Investment Managers to manage designated components of the portfolio on a day-to-day basis, consistent with the terms of this IPS. The Advisor will be responsible for the selection and monitoring of such investment managers. The Advisor may also choose mutual funds, exchange-traded funds or other commingled investment vehicles for inclusion in the Portfolio. The Advisor represents that with respect to the performance of duties under this IPS, the Advisor is a “fiduciary” and will perform the duties set forth hereunder consistently with fiduciary obligations. The Advisor will adhere to the policy set forth in this IPS, and it will ensure that each Investment Manager it selects for the Portfolio is appropriate within the policy. With respect to the inclusion of mutual funds, exchange-traded funds (ETFs) or commingled vehicles, the Finance Committee understands that the Advisor does not have any control over the management or portfolio composition of such funds. While the Advisor will use best efforts to utilize funds with investment objectives and policies that are generally consistent with IPS, the Finance Committee understands that individual fund portfolio holdings may not at all times be consistent with IPS policy.

Upon the opening of a new account (“start-up period”) or immediately following a material change in the IPS (“transition period”), it may not be prudent for the Advisor to fully populate the Portfolio with securities that are consistent with the IPS.

### ***The Investment Manager***

The Investment Manager(s) have discretion to make all investment decisions for the assets placed under their jurisdiction by the Advisor. The Advisor will select Managers on behalf of the Finance Committee and the approval of the Board and shall invest the assets of the Association in accordance with this Investment Policy Statement. The Advisor may accord each Investment Manager – within general and specific limits and restrictions — full investment discretion to diversify assets and to buy and sell securities within its allocation and reserves the right to replace any Investment Manager at any time.

### ***IPS Update and Review Process***

This Investment Policy Statement shall be reviewed quarterly by the Finance Committee in the context of any changing circumstance or needs of the Association. In light of prevailing conditions that may cause need for adjustment to this IPS and the management of the Association’s Portfolio, opportunity shall be given to propose changes or consider changes proposed by members of the Finance Committee, and ratified by the Board.

### ***Asset Allocation Framework***

An asset allocation framework provides strategic context and reference points for tactical investment decisions. The asset allocation plan for the Association is attached as *Appendix 1*. It reflects the Finance Committee’s consideration of expected returns for equity, fixed income, and cash in both domestic and foreign markets. Consideration has also been given to expected correlation of asset returns and expected volatility of returns to determine an asset allocation with appropriate diversification and sufficient expected return to satisfy the objectives of the Association.

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*Bylaws Referenced in this section.*

*8.1.5 Professional Advisors. Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents and the law, and to pay for such professional services.*

*8.1.6 Investment of Reserve Funds. Invest Association reserve funds in prudent investments subject to the provisions of Section 8.2.5 of these Bylaws.*

*8.2.5 Investment of Reserve Funds. Manage and invest Association reserve funds in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the most recent reserve fund study obtained by the Board as provided in these Bylaws and by law.*

### III. Investment, Return, and Risk Objectives

#### **Overall Investment Objective**

The assets of the Association are intended to meet both short-term funding needs as well as long-term capital spending needs for future projects and improvements.

#### **Association's Philosophical Approach to Investing and Risk**

The fundamental strategy of the Association is to pursue returns commensurate with risks assumed. The Association understands that no single investment asset class is completely without risk, and takes the approach of allocating its capital across various asset classes with differing risk and return characteristics to meet its long term objectives. These asset classes should have a measurable historical record, be widely traded with enough frequency and volume to allow appropriate liquidity and minimal transaction costs, and generally vary in the degree of correlation (co-movement) to one another as to provide opportunities for rebalancing and price arbitrage. The Finance Committee uses a flexible management process that allows for careful monitoring and management of potential risks and returns. For this purpose, the Board and Finance Committee use a combination of asset classes that it finds most likely to satisfy the Association's investment objectives.

#### **Return and Risk Requirements**

*Portfolio Performance Objective.* To meet the needs of the Association over the long term, the Association's Portfolio should achieve at least a 3.5% annualized rate of return net of fees on a rolling 12 quarter basis (1.5% annualized rate of return net of fees and estimated inflation of 2.0% per year ). This is to satisfy the objectives of preserving capital for short-term funding needs, allowing any needed flexibility in spending policy, and protecting the real purchasing power of the Association's assets for future capital expenditures.

*Asset Class Performance Objectives.* The Finance Committee selects benchmarks for assessment of performance of each asset class invested in by the Association. The Finance Committee uses the criteria that the index must be (1) investible, (2) definable in advance, (3) representative of the asset class and desired exposure within that asset class, and (4) readily measured, with widely available historical data. Performance comparisons that shall be reported to the Finance Committee should reflect performance of the asset class's benchmark and performance of the portion of the portfolio allocated to the asset class, both gross and net of management fees and costs. To the extent that multiple managers are used for a single asset class, their performance shall be reported both individually and in aggregate. Benchmarks for each asset class may be changed or modified by the Finance Committee.

<i>Asset Class</i>	<i>Benchmark Index</i>	<i>Description</i>
Equity	<i>MSCI All Country World Index</i>	This is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets.
Fixed Income	<i>Bloomberg Barclays US Aggregate Index</i>	The U.S. Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS pass through securities, asset-backed securities, and commercial mortgage-based securities. These major sectors are subdivided into more specific sub-indices that are calculated and published on an ongoing basis. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.
Cash	<i>90-Day Treasury Bill Index</i>	Short-term obligations issued by the United States government.

*Policy Target Asset Allocation and Benchmarking.* A target policy portfolio designates target allocations to each asset class with allowable ranges around the targets. This allows for a framework to measure risk and return of the portfolio. Overall portfolio returns, weighted according to strategic target allocations, may be constructed and compared with overall actual investment allocations and performance. Such comparisons over time provide insight into risk exposure by examining the deviations from target allocations and aid in preventing violations of acceptable ranges of volatility.

*Target Policy Portfolio.* A Target Policy Portfolio (see Appendix 1) for the Association has been established that reflects the most current Reserve Study conducted in November 2017 for the Association. The asset allocation and resultant policy portfolio may be changed in the future, subject to approval by the Board. The Finance Committee are responsible for assuring that the assets of the Association are deployed in such a manner consistent with the Target Policy Portfolio. The Finance Committee shall also certify that the Portfolio does not exceed allowable ranges around the target established for each asset class. On a quarterly basis, the Advisor shall calculate and report the marginal performance contributed by variance from the target asset allocation.

<i>Asset Class</i>	<i>Minimum Allocation</i>	<i>Target Allocation</i>	<i>Maximum Allocation</i>
Equity	10%	20%	30%
Fixed Income	45%	65%	85%
Cash	0%	15%	25%

*Risk Monitoring and Budgeting.* The Portfolio will be subject to risk and have the potential for returns associated with risk to be both positive and negative over time. The Board considers risk to be a resource to be deployed prudently to achieve the investment and financial objectives of the Association. The Finance Committee has established a risk-budgeting process to explicitly manage the Association's assumption of risk. The risk-budgeting process shall be consistent with the Association's short-term funding needs as well as long-term capital requirements. It takes into account the risks borne by the Association that generally may affect its ability to fund expenses from both operating cash flow and reserves, now and in the future.

### **Relevant Constraints**

*Evaluation Horizon.* The Association has a long-term perspective based on multi-year projections of reserve contributions from members, capital expenditures, and asset growth. Accordingly, short-term investment performance shortfalls are not necessarily of critical interest unless they suggest failures in strategy execution by investment management firms retained by the Board.

*Liquidity and Cash Flow Requirements.* Consistent with the most recent Reserve Study, as well as short-term budgeting for operating expenses, the Board anticipates that it will require 0% of the value of the Portfolio annually to be available for operating funds.

*Legal Entity and Tax Considerations.* In some instances, the tax consequences of an investment decision may significantly change the appeal of a proposed transaction. The Finance Committee, with consent of the Board, shall be responsible for developing and implementing a tax management strategy relevant to the Portfolio that is consistent with the Association's overall tax planning and liability management.

*Stop-Loss Notification.* While in the long-term capital assets have historically increased in value, in the short-term various asset classes have experienced very rapid and volatile changes in value for numerous reasons. Any rapid, short-term losses of value may be transient and short-lived in nature or more indicative of fundamental risks increasing in a particular part of the capital markets. The Advisor shall assist the Finance Committee in its duty to monitor risk by notifying the Committee immediately of any significant and rapid loss of value in the Equity, Fixed Income, or Cash allocations of the Portfolio. Any decline in value of 6% or more due to performance from the highest daily closing value for the Equity, Fixed Income, or Cash allocations shall meet the threshold for notification.

**Appendix 1**

Global Investment Committee Asset Allocation Models. "Model 1 Wealth Conservation" Morgan Stanley; (Sep 30, 2018)

NOT VALID FOR TITLE TRANSFER