

# Fiscal Series, Part 1: Reserve Studies

Rev. 03/07/2022

- Staff in the Ombudsman's Office is prohibited from providing legal advice. All Materials produced and provided to the public are for informational purposes only and do not serve as legal advice.
- Should confusion arise requiring the interpretation and application of the law to your association's specific circumstances, a legal opinion from a qualified attorney may be necessary.
- Please review the course calendar, training request form, and presentations published on the training webpage to gain an understanding of additional opportunities for education and training. See our training webpage at [http://red.nv.gov/Content/CIC/Program\\_Training/](http://red.nv.gov/Content/CIC/Program_Training/).

# Agenda

- Key Terms
- Mandates
- Creating the Fund
- Reserve Study Specialist (RSS)
- Study Contents
- Study Example
- Notification to NRED
- Managing the Fund
- Review & Audit
- Ombudsman

# Key Terms

- Reserve Study: A written instrument prepared by a reserve study specialist (RSS) which identifies the expected costs of maintaining the common elements over a 30-year projection.
- Funding Plan: Long term (30-year) financial forecast of the revenue stream required to provide adequate funding.
- Budget: Estimate of revenue and expenses over a specific timeframe (fiscal year).

# Key Terms continued

- Adequately funded: funds sufficient to maintain the common elements:
  - At the level described in the governing documents and reserve study; and
  - without using funds from the operating accounts; and
  - without special or reserve assessments,
    - except for unforeseen catastrophic events. NAC 116.425(2)
  
- The study is conducted to ensure the association has such funds when needed. NAC 116.070

# Key Terms continued

NRS 116.017

## ➤ Common Elements:

### ➤ In a condominium or cooperative:

- All portions of the CIC other than the units, including easements in favor of units or the common elements over other units.

### ➤ In a planned community:

- Any real estate within a planned community which is owned or leased by the association, other than a unit.

### ➤ In a CIC:

- Any other interests in real estate for the benefit of units' owners which are subject to the declaration.

# Mandates

NRS 116.3115

- The association's budget **MUST** include a budget for the reserves.
- All common expenses, including reserves, **MUST** be assessed against **ALL** the units in accordance with the allocations specified in the declaration.
- Any such assessments imposed **MUST** be based on the study of the reserves of the association [and the funding plan].



# Mandates continued

NRS 116.31152(1)

- The board SHALL at least:
  - have a study conducted every 5 years
    - Period begins on the date the on-site inspection of major components is performed. NAC 116.427
  - annually review the results of the study to ensure reserves are sufficient; and
  - annually make necessary adjustments to the funding plan to provide adequate funding for the required reserves.





# Creating the Fund: Purpose

NRS 116.3115(2)(b)

- The reserves may only be used for the repair, replacement and restorations of:
  - the major components of the common elements and
  - any other portion of the common-interest community (CIC) that the association is obligated to maintain, repair, replace or restore, including:
    - roofs,
    - roads and
    - sidewalks, etc.
- Reserves must NOT be used for daily (routine) maintenance or operating expenses.



# Creating the Fund: Declarant Control

NRS 116.31038(3)(a)

- Within 30 days after the units' owners, other than the declarant, may elect a majority of the members of the executive board the declarant SHALL deliver to the association
  - ALL property of the units' owners and
  - ALL property of the association held by or controlled by the declarant.  
Including:
    - a complete study of the reserves,
    - a reserve account that contains the declarant's share of the amounts then due, and
    - control of the account.



# Creating the Fund: Declarant Control continued

NRS 116.31039

- If a CIC is developed in separate phases and any declarant or successor declarant is constructing any common elements which will be added to the association, the declarant is responsible for:
  - paying ALL related expenses until they are conveyed to the association, and
  - delivering to the association that declarant's share of the amount specified in the study of the reserves completed.
- Before conveyance, the constructing declarant SHALL deliver a study of the reserves for the additional common elements.



# Creating the Fund: Association Control

NRS 116.3115(2)(b)

- The association creates and maintains a reserve fund by using a funding plan that is designed to allocate the long-term repair, replacement and restoration costs over a period of years.
- The association has complied with this provision if
  - the funding plan is designed in an actuarially sound manner which
  - ensures that sufficient money is available when
  - the repair, replacement and restoration of the major components of the common elements becomes necessary.



# Creating the Fund: Assessments

NRS 116.31152(2)(b)

- Notwithstanding any provision of the governing documents to the contrary, to establish adequate reserves the executive board MAY,
  - impose any necessary and reasonable assessments against the units in the CIC,
    - without seeking or obtaining the approval of the units' owners.
      - \* Budget meeting requirements still apply.
- Any such assessments imposed must be based on the study of the reserves of the association [and the funding plan].



# Creating the Fund: Budgeting

NAC 116.415

- To maintain the reserve, an executive board SHALL include in the annual budget:
  - an estimate of the amount of reserve funds necessary in the projected fiscal year, based on industry standards; and
  - if the projected balance of the reserve account at the end of the budgeted fiscal year is less than the amount as determined by the study of reserves
    - the reason for the difference; and
    - how this difference is proposed to be resolved by the board.



# Knowledge Check



1. What does “Adequate Funding” mean?
2. At a minimum, how often must an association conduct a Reserve Study?
3. True/False: The reserves funds may only be used for the repair, replacement and restoration of major components of the common elements.
4. May reserve funds be used for daily (routine) maintenance?
5. Any assessment to establish adequate reserves must be based on what?
6. Is the board required to obtain approval from unit owners to impose necessary assessments for the reserve?

# Reserve Study Specialist (RSS)

NRS 116.31152(2)

- A person who conducts a study of the reserves of an association.

NRS 116A.130

- The study of the reserves **MUST** be conducted by a person licensed by NRED.

- If the CIC contains 20 or fewer units **AND** is located in a county whose population is less than 55,000, the study may be conducted by any person the board deems qualified to conduct the study.





# RSS continued

NAC 116A.410

The Division shall maintain a list of all persons who have registered with the Division as a reserve study specialist and make the list available to the public.

<https://red.prod.secure.nv.gov/Lookup/LicenseLookup.aspx>




# RSS continued


<https://red.prod.secure.nv.gov/Lookup/LicenseLookup.aspx>

Select License number drop down.

Select RSS

[Login](#) [Register](#)

 **Nevada Real Estate Commission**  
A Division of the Department of Public Safety



[HOME](#) [MY ACCOUNT](#) [ONLINE SERVICES ▾](#)

Search for a License

Search Criteria

Note: Hover over any field to display help

License Number 

▼

Company Name/DBA:

First Name:

Maiden Name:

City:

Zip:

County: 

Select a State

A  
AMC  
ASM  
ASMP  
ASSN  
ATMP  
B  
BS  
BUSB  
CAM  
CAMP  
CE  
COOP  
EA  
EX  
IOS  
LSP  
OWN  
PL  
PM  
POST  
PREL  
PROV  
RE  
RSS  
S  
SE  
TS  
TSP  
TSRS

Last Name:

State: 

▼

Search



Clear Form

Office of the Ombudsman for CICCH

# RSS continued

<https://red.prod.secure.nv.gov/Lookup/LicenseLookup.aspx>

[Login](#) [Register](#)

 **Nevada Real Estate Division**  
A Division of the Department of Business & Industry 

[HOME](#) [MY ACCOUNT](#) [ONLINE SERVICES ▾](#)

Search for a License

Search Criteria

Note: Hover over any field to display help text.

License Number

RSS ▾  ▾

Company Name/DBA:

First Name:

Maiden Name:

City:

Zip:

County:

Select a State ▾

Last Name:

State:

▾



# RSS continued

<https://red.prod.secure.nv.gov/Lookup/LicenseLookup.aspx>

12345678

	Name	License Number	License Type	License Status	City	State	Zip Code
<a href="#">Detail</a>	AHMED T HANN	13	RESERVE STUDY SPECIALIST	CLOSED	HENDERSON	NV	89077
<a href="#">Detail</a>	AHMED T HANN	142	RESERVE STUDY SPECIALIST	CLOSED	HENDERSON	NV	89052
<a href="#">Detail</a>	ALAN DAVID BORCHARDT	14	RESERVE STUDY SPECIALIST	CLOSED	LAGUNA NIGUEL	CA	92677
<a href="#">Detail</a>	ALAN RUTH	1	RESERVE STUDY SPECIALIST	CLOSED	LAS VEGAS	NV	89129
<a href="#">Detail</a>	BRENDA GRIFFIN	191	RESERVE STUDY SPECIALIST	CLOSED	SACRAMENTO	CA	95821
<a href="#">Detail</a>	BRENDA GRIFFIN	231	RESERVE STUDY SPECIALIST	ACTIVE	SACRAMENTO	CA	95821
<a href="#">Detail</a>	BRIAN ALEXANDER OWENS SR	160	RESERVE STUDY SPECIALIST	ACTIVE	GRESHAM	OR	97030
<a href="#">Detail</a>	BRIAN B MCCAFFERY	9	RESERVE STUDY SPECIALIST	ACTIVE	ENCINITAS	CA	92024
<a href="#">Detail</a>	BRUCE C JENKINS	15	RESERVE STUDY SPECIALIST	CLOSED	ST GEORGE	UT	84770
<a href="#">Detail</a>	BRYON J BEDNAR	163	RESERVE STUDY SPECIALIST	CLOSED	ERIE	CO	80516
<a href="#">Detail</a>	BYRON S GOETTING	72	RESERVE STUDY SPECIALIST	EXPIRED	LAS VEGAS	NV	89108
<a href="#">Detail</a>	BYRON S GOETTING	235	RESERVE STUDY SPECIALIST	ACTIVE	LAS VEGAS	NV	89108

12345678

All licensed  
RSS will  
appear

**DISCLAIMER**  
The Division  
cannot and does  
not recommend  
or endorse any  
specific agents  
for service.

# RSS: Disclosures

NAC 116A.430

- **Before** entering a contract to perform a reserve study, an RSS SHALL, in writing, disclose:
  - any material and relevant information they know or should know relates to the performance of the contract;
  - any matters which may affect their ability to comply with NRS, NAC, or any regulations;
  - whether they expect to receive any direct or indirect compensation or profits from any person who will perform services for the client (CIC) and,
    - if so, the identity of the person;
  - their affiliation with or financial interest in any person who furnishes any goods or services to the CIC for which the RSS will prepare the study; and
  - their personal relationship with any member of the executive board or officer of the association for which the RSS will prepare the study.



# RSS: Disclosures continued

NAC 116.430

- A person conducting a reserve study and any consultant assisting in the studies preparation SHALL include the following disclosures **in the study**:
  - the background, training, qualifications and references that would qualify them as competent to conduct the study;
  - any relationship which could result in actual or perceived conflicts of interest; and
  - whether the person conducting or assisting in the preparation of the study is bonded or has professional liability insurance with a minimum coverage of \$1,000,000.



# RSS: Disclosures continued

NAC 116.430

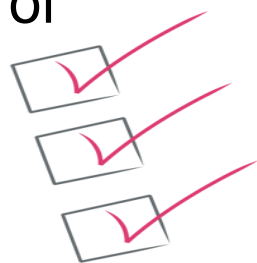
- A person conducting a reserve study and any consultant assisting in the studies preparation **SHALL** include the following disclosures **in the study**:
  - The method or methods for determining the common area components based on:
    - an actual on-site inspection of the common elements with representative sampling;
    - any inventory and material information provided by the client;
    - a previous reserve study and the date of that study; or
    - plats, governing documents or any other additional industry resources used by the person conducting or assisting in the preparation of the reserve study.



# RSS: Disclosures continued

NAC 116.430

- A person conducting a reserve study and any consultant assisting in the studies preparation **SHALL** include the following disclosures **in the study**:
  - Industry sources used for determining:
    - the life of a major component of the common elements; and
    - the cost of maintaining, repairing, replacing or restoring a major component of the common elements.
  - If known, any express or implied guarantees that are provided by any component manufacturer or service provider, with the predictions that would affect the cost or life expectancy of any of the major components.
  - The source of the initial reserve fund balance presented in the reserve study.
  - Whether a reserve assessment is anticipated during the current 30-year life of the reserve study.





# RSS: Disclosures continued

NAC 116.430

- A person conducting a reserve study and any consultant assisting in the studies preparation **SHALL** include the following disclosures **in the study**:
  - The source of the interest rate and inflation rate assumptions used in the 30-year projection contained in the reserve study.
  - A statement, prominently displayed, which reads substantially as follows:

“Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. An on-site inspection conducted in conjunction with a reserve study should not be deemed to be a project audit or a quality inspection.”



# RSS: Disclosures continued

NAC 116.430

➤ A person conducting a reserve study and any consultant assisting in the studies preparation SHALL include the following disclosures **in the study**:



➤ A listing of any significant components of the CIC that the association may be obligated to maintain, repair, replace or restore which are not included in the funding projection in the reserve study and the reason for excluding those components from that projection.

➤ For updated reserve studies, a statement, prominently displayed, which reads substantially as follows:

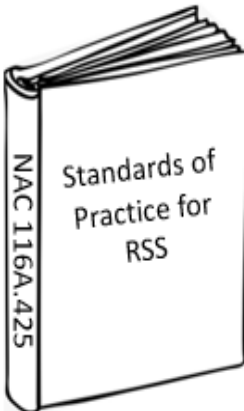


“Quantities of major components of the common elements as reported in previous reserve studies are deemed to be accurate and reliable. This reserve study relies upon the validity of previous reserve studies.”

# RSS: Standards of Practice

NAC 116A.425(1)

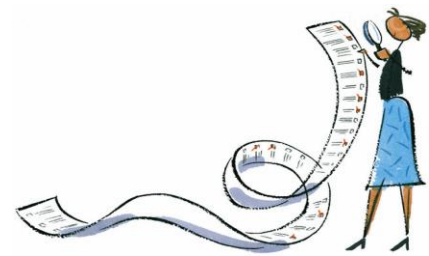
- An RSS who prepares a reserve study SHALL:
  - comply with applicable provisions of NRS & NAC 116, 116A, and any applicable regulations;
  - comply with the relevant lawful provision of the governing documents of each client;
  - agree to perform ONLY those reserve studies which the person can reasonably expect to perform with professional competence;
  - exercise due care and exhibit adequate planning and supervision of conduct relating to the performance of a reserve study;
  - make all disclosures as previously discussed;
  - maintain an inventory of reserve study records of each client for at least 6 years;



# RSS: Standards of Practice continued

NAC 116A.425(1)

- An RSS who prepares a reserve study SHALL:
  - keep informed of new developments in the field through continuing education;
  - ensure that the information used to prepare a reserve study is complete based upon information provided by the client, their experience and background and from data reasonably available from industry sources;
  - maintain insurance for professional liability or a surety bond with a minimum coverage of \$1,000,000; and
  - cooperate with the Division in conducting any investigations.



# RSS: Standards of Practice continued

NAC 116A.425(2)

- An RSS who prepares a reserve study SHALL NOT:
  - knowingly make inaccurate or misleading representations or statements to a prospective client; or
  - misrepresent facts for his or her own benefit.



# RSS: Ombudsman Discipline

NAC 116A.435

- An RSS is subject to disciplinary action if they
  - commit unprofessional conduct;
  - commit professional incompetence;
  - commit gross negligence; or
  - commit a felony or any offense involving moral turpitude; or
  - have ever had a permit, license or designation from a nationally recognized professional organization that authorized them to act as an RSS in another jurisdiction revoked or suspended.



# Knowledge Check



1. Who is authorized to conduct a reserve study?
2. Is an RSS required to be bonded or carry professional liability insurance?
3. True/False: An RSS may misrepresent facts for their own benefit.
4. What 5 actions may result in an RSS being disciplined by the Ombudsman?



# 10 MINUTE BREAK





# Study Contents

➤ A reserve study consists of two parts:



➤ Physical Analysis – Analysis of the current condition of major common area components through inventory, inspection and determination of remaining useful life.



➤ Financial Analysis – a recommended funding plan created by the executive board to offset anticipated future expenses.

# Study Contents continued

NRS 116.31152(3)

- The study of the reserves MUST include:
  - A summary of an inspection of the major components of the common elements and any other portion of the CIC that the association is obligated to maintain, repair, replace or restore.
  - An identification of the major components of the common elements and any other portion of the CIC that the association is obligated to maintain, repair, replace or restore which have a remaining useful life of less than 30 years;
    - An estimate of the remaining useful life of each major component of the common elements
    - An estimate of the cost of maintenance, repair, replacement or restoration of each major component of the common elements during and at the end of its useful life; and



# Study Contents continued

NRS 116.31152(3)

- The study of the reserves MUST include:
  - An estimate of the total annual assessment necessary to cover the cost of maintaining, repairing, replacement or restoration of the major components of the common elements and any other portion of the CIC identified, after
    - subtracting the reserves of the association as of the date of the study, and
    - an estimate of the funding plan that may be necessary to provide adequate funding for the required reserves.



# Study Contents continued

NAC 116.425(1)(a)&(b)

- The study of the reserves MUST include:
  - A 30-year schedule which shows:
    - the actual or projected beginning balance of the reserve fund;
    - the projected increase in reserve contributions to the reserve fund, adjusted for inflation, that will be required in any given year to provide adequately funded reserves;
    - the estimated interest income, net of projected federal income tax, earned in the reserve fund;
    - the projected expenditures from the reserve fund; and
    - the projected ending balance of the reserve fund;



# Study Contents continued

NAC 116.425(1)(c)-(i)

- The study of the reserves MUST include:
  - The names and credentials of any consultants and other persons with expertise used to assist in the preparation of the reserve study;
  - Any written reports prepared by consultants and other persons with expertise;
  - If there are any conflicting recommendations of the consultants or other persons with expertise while preparing the reserve study,
    - a written explanation as to which recommendations were selected and the reasons for their selection;
  - The number of units in the association;
  - A general statement describing the current status of the reserve fund;
  - A general statement describing the overall status of the reserves of the association;
  - The beginning and ending dates for which, the reserve study is prepared;



# Study Contents continued

NAC 116.425(1)(j)-(l)

- The study of the reserves MUST include:
  - A general statement describing the reconciliation, development or computation of the initial balance of the reserve fund;
  - A listing and detailed description of each major component of the common elements;
  - A table showing the remaining useful life of each major component of the common elements from the time of each component's initial or last installation, maintenance, repair, replacement or restoration;
  - Using the current replacement cost, a 30-year table that reflects the projected ending reserve fund balance for each year as compared to the fully funded balance for that year;



# Study Contents continued

NAC 116.425(1)(m)&(n)

- The study of the reserves MUST include:
  - A general statement describing the objectives of the funding plan that is designed to allocate the costs for the maintenance, repair, replacement and restoration of the major components of the common elements and the methods used in projecting the 30-year funding plan, using the following terms and discussing, where applicable:
    - Full funding;
    - Threshold funding; and
    - Baseline funding;
  - A statement identifying the sources relied upon to obtain an estimate for the cost of maintain, repair, replace or restore a major component of the common elements;



# Study Contents continued

NAC 116.425(1)(o)(1)(I)&(II)

- The study of the reserves MUST include:
  - A detailed description of the type of reserve study that was performed, and the level of service accorded to the reserve study, including whether the reserve study was:
    - A full reserve study in which the following tasks were performed:
      - An inventory and measurement of the major components of the common elements and any other portion of the CIC that the association is obligated to maintain, repair, replace or restore;
      - An assessment of the condition of the major components of the common elements and any other portion of the CIC that the association is obligated to maintain, repair, replace or restore, which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;





# Study Contents continued

NAC 116.425(1)(o)(1)(III)-(v)

- The study of the reserves MUST include:
  - A detailed description of the type of reserve study that was performed, and the level of service accorded to the reserve study, including whether the reserve study was:
    - A full reserve study in which the following tasks were performed:
      - Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the CIC that the association is obligated to maintain, repair, replace or restore;
      - Financial analysis of data and status of the reserve fund; and
      - Development of a funding plan.



# Study Contents continued

NAC 116.425(1)(o)(2)(I)

- The study of the reserves **MUST** include:
  - A detailed description of the type of reserve study that was performed, and the level of service accorded to the reserve study, including whether the reserve study was:
    - An update to a previous reserve study made in which the following tasks were performed:
      - A verification of previous inventory of the major components of the common elements and any other portion of the CIC.
      - A quantification of the major components is not required, unless
        - new major components of the common elements have been added, or
        - the existing inventory of major components of the common elements has changed;



# Study Contents continued

NAC 116.425(1)(o)(2)(II)-(V)

- The study of the reserves MUST include:
  - A detailed description of the type of reserve study that was performed, and the level of service accorded to the reserve study, including whether the reserve study was:
    - An update to a previous reserve study made in which the following tasks were performed:
      - An assessment of the condition of the major component of the common elements which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;
      - Estimates of the remaining useful life and valuation of the major components of the common elements;
      - Financial analysis of data and the status of the current reserve fund; and
      - Development of the funding plan.



# Study Contents: Funding Plan

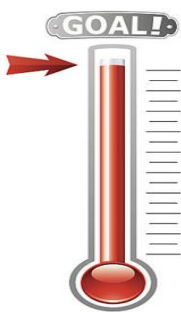
NAC 116.425(2)

- Reserve Study  $\longrightarrow$  Funding Plan  $\longrightarrow$  FY Budget
- Every association has different reserve requirements depending on the scope and timing of that association’s reserve projects.
- Current “strength” of the Reserve begins with the “Fully Funded” level identified in the Reserve Study divided by the fund balance at any given time.
  - Fully Funded amount is based on a complex formula used by RSS, not a simple cash flow or expense calculation.



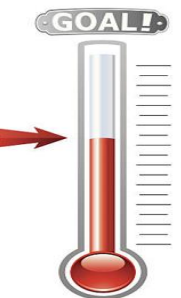
# Study Contents: Funding Plan continued

NAC 116.425



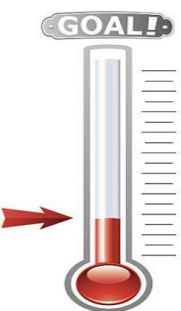
## Full Funding:

the projected balance is equal to the fully funded balance of 100%; all money required to carry out reserve projects for that year is in the reserve account, ready to be spent.



## Threshold Funding:

establishing a reserve funding goal of keeping the reserve balance above a specified percent funded amount [Ex. 75%]; less stringent than full funding and allows room to adjust the funding plan.



## Baseline Funding:

objective of keeping the reserve cash balance at least above zero; **most dangerous type of funding and typically leads to special assessments.**

# Study Example: Fund Summary

## Beginning Assumptions

# of units	788
Fiscal Year End	12/31
Budgeted Monthly Reserve Allocation	\$7,216
Projected Starting Reserve Balance	\$425,581
Ideal Starting Reserve Balance	\$1,288,650

## Economic Assumptions

Current Inflation Rate	3.00%
Reported After-Tax Interest Rate	1.50%

Equals \$9.16  
per unit owner  
per month.

# Study Example: Current Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 86,617	\$ 7,660	\$ 1,750	\$ 518,108	\$ 9.16
2021	\$ 1,545,113	\$ 518,108	34%	\$ 86,617	\$ 9,326	\$ 82,271	\$ 531,780	\$ 9.16
2022	\$ 1,732,921	\$ 531,780	31%	\$ 86,617	\$ 9,572	\$ 127,785	\$ 500,184	\$ 9.16
2023	\$ 1,886,270	\$ 500,184	27%	\$ 86,617	\$ 9,003	\$ 446,051	\$ 149,754	\$ 9.16
2024	\$ 1,723,395	\$ 149,754	9%	\$ 86,617	\$ 2,696	\$ 66,677	\$ 172,389	\$ 9.16
2025	\$ 1,953,587	\$ 172,389	9%	\$ 86,617	\$ 3,103	\$ 193,352	\$ 68,757	\$ 9.16
2026	\$ 2,067,625	\$ 68,757	3%	\$ 86,617	\$ 1,238	\$ 35,792	\$ 120,820	\$ 9.16
2027	\$ 2,355,010	\$ 120,820	5%	\$ 86,617	\$ 2,175	\$ 38,274	\$ 171,337	\$ 9.16
2028	\$ 2,656,326	\$ 171,337	6%	\$ 86,617	\$ 3,084	\$ 118,570	\$ 142,468	\$ 9.16

The association has sufficient funds through 2028.

# Study Example: Current Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 86,617	\$ 7,660	\$ 1,750	\$ 518,108	\$ 9.16
2021	\$ 1,545,113	\$ 518,108	34%	\$ 86,617	\$ 9,326	\$ 82,271	\$ 531,780	\$ 9.16
2022	\$ 1,732,921	\$ 531,780	31%	\$ 86,617	\$ 9,572	\$ 127,785	\$ 500,184	\$ 9.16
2023	\$ 1,886,270	\$ 500,184	27%	\$ 86,617	\$ 9,003	\$ 446,051	\$ 149,754	\$ 9.16
2024	\$ 1,723,395	\$ 149,754	9%	\$ 86,617	\$ 2,696	\$ 66,677	\$ 172,389	\$ 9.16
2025	\$ 1,953,587	\$ 172,389	9%	\$ 86,617	\$ 3,103	\$ 193,352	\$ 68,757	\$ 9.16
2026	\$ 2,067,625	\$ 68,757	3%	\$ 86,617	\$ 1,238	\$ 35,792	\$ 120,820	\$ 9.16
2027	\$ 2,355,010	\$ 120,820	5%	\$ 86,617	\$ 2,175	\$ 38,274	\$ 171,337	\$ 9.16
2028	\$ 2,656,326	\$ 171,337	6%	\$ 86,617	\$ 3,084	\$ 118,570	\$ 142,468	\$ 9.16
2029	\$ 2,892,079	\$ 142,468	5%	\$ 86,617	\$ 2,564	\$ 492,444	\$ (260,794)	\$ 9.16
2030	\$ 2,758,160	\$ (260,794)	-9%	\$ 86,617		\$ 38,974	\$ (213,151)	\$ 9.16
2031	\$ 3,095,896	\$ (213,151)	-7%	\$ 86,617		\$ 74,852	\$ (201,386)	\$ 9.16
2032	\$ 3,415,661	\$ (201,386)	-6%	\$ 86,617		\$ 7,842	\$ (122,611)	\$ 9.16
2033	\$ 3,823,160	\$ (122,611)	-3%	\$ 86,617		\$ 737,865	\$ (773,859)	\$ 9.16
2034	\$ 3,500,352	\$ (773,859)	-22%	\$ 86,617		\$ 111,315	\$ (798,557)	\$ 9.16
2035	\$ 3,822,881	\$ (798,557)	-21%	\$ 86,617		\$ 370,290	\$ (1,082,230)	\$ 9.16
2036	\$ 3,898,308	\$ (1,082,230)	-28%	\$ 86,617		\$ 139,970	\$ (1,135,583)	\$ 9.16
2037	\$ 4,223,493	\$ (1,135,583)	-27%	\$ 86,617		\$ 477,727	\$ (1,526,693)	\$ 9.16
2038	\$ 4,221,113	\$ (1,526,693)	-36%	\$ 86,617		\$ 742,337	\$ (2,182,414)	\$ 9.16
2039	\$ 3,957,004	\$ (2,182,414)	-55%	\$ 86,617		\$ 113,525	\$ (2,209,322)	\$ 9.16
2040	\$ 4,343,863	\$ (2,209,322)	-51%	\$ 86,617		\$ 68,542	\$ (2,191,247)	\$ 9.16
2041	\$ 4,800,215	\$ (2,191,247)	-46%	\$ 86,617		\$ 2,978,783	\$ (5,083,413)	\$ 9.16
2042	\$ 2,284,606	\$ (5,083,413)	-223%	\$ 86,617		\$ 92,931	\$ (5,089,727)	\$ 9.16
2043	\$ 2,678,214	\$ (5,089,727)	-190%	\$ 86,617		\$ 1,027,499	\$ (6,030,609)	\$ 9.16
2044	\$ 2,133,648	\$ (6,030,609)	-283%	\$ 86,617		\$ 586,343	\$ (6,530,335)	\$ 9.16
2045	\$ 2,040,137	\$ (6,530,335)	-320%	\$ 86,617		\$ 209,273	\$ (6,652,991)	\$ 9.16
2046	\$ 2,345,596	\$ (6,652,991)	-284%	\$ 86,617		\$ 133,331	\$ (6,699,705)	\$ 9.16
2047	\$ 2,752,234	\$ (6,699,705)	-243%	\$ 86,617		\$ 399,043	\$ (7,012,131)	\$ 9.16
2048	\$ 2,911,595	\$ (7,012,131)	-241%	\$ 86,617		\$ 14,872	\$ (6,940,386)	\$ 9.16
2049	\$ 3,486,068	\$ (6,940,386)	-199%	\$ 86,617		\$ 591,214	\$ (7,444,983)	\$ 9.16

The association has sufficient funds through 2028.

At year 2029, the association runs out of funds.



# Study Example: Current Budget with 4% Annual Increase

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 86,617	\$ 7,660	\$ 1,750	\$ 518,108	\$ 9.16
2021	\$ 1,545,113	\$ 518,108	34%	\$ 90,082	\$ 9,326	\$ 82,271	\$ 535,245	\$ 9.53
2022	\$ 1,732,921	\$ 535,245	31%	\$ 93,685	\$ 9,634	\$ 127,785	\$ 510,779	\$ 9.91
2023	\$ 1,886,270	\$ 510,779	27%	\$ 97,432	\$ 9,194	\$ 446,051	\$ 171,355	\$ 10.30
2024	\$ 1,723,395	\$ 171,355	10%	\$ 101,330	\$ 3,084	\$ 66,677	\$ 209,092	\$ 10.72
2025	\$ 1,953,587	\$ 209,092	11%	\$ 105,383	\$ 3,764	\$ 193,352	\$ 124,886	\$ 11.14
2026	\$ 2,067,625	\$ 124,886	6%	\$ 109,598	\$ 2,248	\$ 35,792	\$ 200,940	\$ 11.59
2027	\$ 2,355,010	\$ 200,940	9%	\$ 113,982	\$ 3,617	\$ 38,274	\$ 280,265	\$ 12.05
2028	\$ 2,656,326	\$ 280,265	11%	\$ 118,541	\$ 5,045	\$ 118,570	\$ 285,281	\$ 12.54

The association has sufficient funds through 2028.

# Study Example: Current Budget with 4% Annual Increase

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 86,617	\$ 7,660	\$ 1,750	\$ 518,108	\$ 9.16
2021	\$ 1,545,113	\$ 518,108	34%	\$ 90,082	\$ 9,326	\$ 82,271	\$ 535,245	\$ 9.53
2022	\$ 1,732,921	\$ 535,245	31%	\$ 93,685	\$ 9,634	\$ 127,785	\$ 510,779	\$ 9.91
2023	\$ 1,886,270	\$ 510,779	27%	\$ 97,432	\$ 9,194	\$ 446,051	\$ 171,355	\$ 10.30
2024	\$ 1,723,395	\$ 171,355	10%	\$ 101,330	\$ 3,084	\$ 66,677	\$ 209,092	\$ 10.72
2025	\$ 1,953,587	\$ 209,092	11%	\$ 105,383	\$ 3,764	\$ 193,352	\$ 124,886	\$ 11.14
2026	\$ 2,067,625	\$ 124,886	6%	\$ 109,598	\$ 2,248	\$ 35,792	\$ 200,940	\$ 11.59
2027	\$ 2,355,010	\$ 200,940	9%	\$ 113,982	\$ 3,617	\$ 38,274	\$ 280,265	\$ 12.05
2028	\$ 2,656,326	\$ 280,265	11%	\$ 118,541	\$ 5,045	\$ 118,570	\$ 285,281	\$ 12.54
2029	\$ 2,892,079	\$ 285,281	10%	\$ 123,283	\$ 5,135	\$ 492,444	\$ (78,745)	\$ 13.04
2030	\$ 2,758,160	\$ (78,745)	-3%	\$ 128,214		\$ 38,974	\$ 10,495	\$ 13.56
2031	\$ 3,095,896	\$ 10,495	0%	\$ 133,343	\$ 189	\$ 74,852	\$ 69,175	\$ 14.10
2032	\$ 3,415,661	\$ 69,175	2%	\$ 138,677	\$ 1,245	\$ 7,842	\$ 201,255	\$ 14.67
2033	\$ 3,823,160	\$ 201,255	5%	\$ 144,224	\$ 3,623	\$ 737,865	\$ (388,764)	\$ 15.25
2034	\$ 3,500,352	\$ (388,764)	-11%	\$ 149,993		\$ 111,315	\$ (350,086)	\$ 15.86
2035	\$ 3,822,881	\$ (350,086)	-9%	\$ 155,992		\$ 370,290	\$ (564,384)	\$ 16.50
2036	\$ 3,898,308	\$ (564,384)	-14%	\$ 162,232		\$ 139,970	\$ (542,122)	\$ 17.16
2037	\$ 4,223,493	\$ (542,122)	-13%	\$ 168,721		\$ 477,727	\$ (851,128)	\$ 17.84
2038	\$ 4,221,113	\$ (851,128)	-20%	\$ 175,470		\$ 742,337	\$ (1,417,995)	\$ 18.56
2039	\$ 3,957,004	\$ (1,417,995)	-36%	\$ 182,489		\$ 113,525	\$ (1,349,031)	\$ 19.30
2040	\$ 4,343,863	\$ (1,349,031)	-31%	\$ 189,788		\$ 68,542	\$ (1,227,785)	\$ 20.07
2041	\$ 4,800,215	\$ (1,227,785)	-26%	\$ 197,380		\$ 2,978,783	\$ (4,009,188)	\$ 20.87
2042	\$ 2,284,606	\$ (4,009,188)	-175%	\$ 205,275		\$ 92,931	\$ (3,896,844)	\$ 21.71
2043	\$ 2,678,214	\$ (3,896,844)	-146%	\$ 213,486		\$ 1,027,499	\$ (4,710,856)	\$ 22.58
2044	\$ 2,133,648	\$ (4,710,856)	-221%	\$ 222,026		\$ 586,343	\$ (5,075,174)	\$ 23.48
2045	\$ 2,040,137	\$ (5,075,174)	-249%	\$ 230,907		\$ 209,273	\$ (5,053,540)	\$ 24.42
2046	\$ 2,345,596	\$ (5,053,540)	-215%	\$ 240,143		\$ 133,331	\$ (4,946,728)	\$ 25.40
2047	\$ 2,752,234	\$ (4,946,728)	-180%	\$ 249,749		\$ 399,043	\$ (5,096,023)	\$ 26.41
2048	\$ 2,911,595	\$ (5,096,023)	-175%	\$ 259,739		\$ 14,872	\$ (4,851,156)	\$ 27.47
2049	\$ 3,486,068	\$ (4,851,156)	-139%	\$ 270,128		\$ 591,214	\$ (5,172,242)	\$ 28.57

The association has sufficient funds through 2028.

At year 2029, the association is short of funds and at year 2033 they are out of money.

# Study Example: Recommendations

## Recommendations

---

Recommended Special Assessment	\$0
Recommended Monthly Reserve Allocation	\$20,000
Per Unit	\$25.38
Future Annual Increases	4.00%
For number of years:	22
Increases thereafter:	0.50%
Minimum Recommended Monthly Reserve Allocation	\$17,500
Per Unit	\$22.21
Future Annual Increases	4.00%
For number of years:	22
Increases thereafter:	0.50%

# Study Example: Minimum Proposed New Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 210,018	\$ 7,660	\$ 1,750	\$ 641,509	\$ 22.21
2021	\$ 1,545,113	\$ 641,509	42%	\$ 218,418	\$ 11,547	\$ 82,271	\$ 789,204	\$ 23.10
2022	\$ 1,732,921	\$ 789,204	46%	\$ 227,155	\$ 14,206	\$ 127,785	\$ 902,780	\$ 24.02
2023	\$ 1,886,270	\$ 902,780	48%	\$ 236,241	\$ 16,250	\$ 446,051	\$ 709,220	\$ 24.98
2024	\$ 1,723,395	\$ 709,220	41%	\$ 245,691	\$ 12,766	\$ 66,677	\$ 901,000	\$ 25.98
2025	\$ 1,953,587	\$ 901,000	46%	\$ 255,519	\$ 16,218	\$ 193,352	\$ 979,385	\$ 27.02
2026	\$ 2,067,625	\$ 979,385	47%	\$ 265,739	\$ 17,629	\$ 35,792	\$ 1,226,961	\$ 28.10
2027	\$ 2,355,010	\$ 1,226,961	52%	\$ 276,369	\$ 22,085	\$ 38,274	\$ 1,487,142	\$ 29.23
2028	\$ 2,656,326	\$ 1,487,142	56%	\$ 287,424	\$ 26,769	\$ 118,570	\$ 1,682,764	\$ 30.40
2029	\$ 2,892,079	\$ 1,682,764	58%	\$ 298,921	\$ 30,290	\$ 492,444	\$ 1,519,531	\$ 31.61
2030	\$ 2,758,160	\$ 1,519,531	55%	\$ 310,878	\$ 27,352	\$ 38,974	\$ 1,818,786	\$ 32.88
2031	\$ 3,095,896	\$ 1,818,786	59%	\$ 323,313	\$ 32,738	\$ 74,852	\$ 2,099,985	\$ 34.19
2032	\$ 3,415,661	\$ 2,099,985	61%	\$ 336,245	\$ 37,800	\$ 7,842	\$ 2,466,187	\$ 35.56
2033	\$ 3,823,160	\$ 2,466,187	65%	\$ 349,695	\$ 44,391	\$ 737,865	\$ 2,122,409	\$ 36.98
2034	\$ 3,500,352	\$ 2,122,409	61%	\$ 363,683	\$ 38,203	\$ 111,315	\$ 2,412,980	\$ 38.46
2035	\$ 3,822,881	\$ 2,412,980	63%	\$ 378,230	\$ 43,434	\$ 370,290	\$ 2,464,354	\$ 40.00
2036	\$ 3,898,308	\$ 2,464,354	63%	\$ 393,359	\$ 44,358	\$ 139,970	\$ 2,762,101	\$ 41.60
2037	\$ 4,223,493	\$ 2,762,101	65%	\$ 409,094	\$ 49,718	\$ 477,727	\$ 2,743,186	\$ 43.26
2038	\$ 4,221,113	\$ 2,743,186	65%	\$ 425,457	\$ 49,377	\$ 742,337	\$ 2,475,684	\$ 44.99
2039	\$ 3,957,004	\$ 2,475,684	63%	\$ 442,476	\$ 44,562	\$ 113,525	\$ 2,849,197	\$ 46.79
2040	\$ 4,343,863	\$ 2,849,197	66%	\$ 460,175	\$ 51,286	\$ 68,542	\$ 3,292,115	\$ 48.66
2041	\$ 4,800,215	\$ 3,292,115	69%	\$ 478,582	\$ 59,258	\$ 2,978,783	\$ 851,172	\$ 50.61
2042	\$ 2,284,606	\$ 851,172	37%	\$ 497,725	\$ 15,321	\$ 92,931	\$ 1,271,287	\$ 52.64
2043	\$ 2,678,214	\$ 1,271,287	47%	\$ 517,634	\$ 22,883	\$ 1,027,499	\$ 784,305	\$ 54.74
2044	\$ 2,133,648	\$ 784,305	37%	\$ 520,222	\$ 14,117	\$ 586,343	\$ 732,302	\$ 55.02
2045	\$ 2,040,137	\$ 732,302	36%	\$ 522,823	\$ 13,181	\$ 209,273	\$ 1,059,034	\$ 55.29
2046	\$ 2,345,596	\$ 1,059,034	45%	\$ 525,437	\$ 19,063	\$ 133,331	\$ 1,470,203	\$ 55.57
2047	\$ 2,752,234	\$ 1,470,203	53%	\$ 528,065	\$ 26,464	\$ 399,043	\$ 1,625,688	\$ 55.84
2048	\$ 2,911,595	\$ 1,625,688	56%	\$ 530,705	\$ 29,262	\$ 14,872	\$ 2,170,783	\$ 56.12
2049	\$ 3,486,068	\$ 2,170,783	62%	\$ 533,358	\$ 39,074	\$ 591,214	\$ 2,152,002	\$ 56.40

The association has sufficient funds throughout the 30-year projection.

The association is never more than 69% funded.

This is an example of “Threshold” funding.

# Study Example: Recommendations

## Recommendations

---

Recommended Special Assessment	\$0
Recommended Monthly Reserve Allocation	\$20,000
Per Unit	\$25.38
Future Annual Increases	4.00%
For number of years:	22
Increases thereafter:	0.50%
Minimum Recommended Monthly Reserve Allocation	\$17,500
Per Unit	\$22.21
Future Annual Increases	4.00%
For number of years:	22
Increases thereafter:	0.50%

# Study Example: Recommended New Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650	\$ 425,581	33%	\$ 239,993	\$ 7,660	\$ 1,750	\$ 671,485	\$ 25.38
2021	\$ 1,545,113	\$ 671,485	43%	\$ 249,593	\$ 12,087	\$ 82,271	\$ 850,893	\$ 26.40
2022	\$ 1,732,921	\$ 850,893	49%	\$ 259,577	\$ 15,316	\$ 127,785	\$ 998,001	\$ 27.45
2023	\$ 1,886,270	\$ 998,001	53%	\$ 269,960	\$ 17,964	\$ 446,051	\$ 839,874	\$ 28.55
2024	\$ 1,723,395	\$ 839,874	49%	\$ 280,758	\$ 15,118	\$ 66,677	\$ 1,069,073	\$ 29.69
2025	\$ 1,953,587	\$ 1,069,073	55%	\$ 291,989	\$ 19,243	\$ 193,352	\$ 1,186,953	\$ 30.88
2026	\$ 2,067,625	\$ 1,186,953	57%	\$ 303,668	\$ 21,365	\$ 35,792	\$ 1,476,194	\$ 32.11
2027	\$ 2,355,010	\$ 1,476,194	63%	\$ 315,815	\$ 26,571	\$ 38,274	\$ 1,780,306	\$ 33.40
2028	\$ 2,656,326	\$ 1,780,306	67%	\$ 328,447	\$ 32,046	\$ 118,570	\$ 2,022,229	\$ 34.73
2029	\$ 2,892,079	\$ 2,022,229	70%	\$ 341,585	\$ 36,400	\$ 492,444	\$ 1,907,771	\$ 36.12
2030	\$ 2,758,160	\$ 1,907,771	69%	\$ 355,249	\$ 34,340	\$ 38,974	\$ 2,258,385	\$ 37.57
2031	\$ 3,095,896	\$ 2,258,385	73%	\$ 369,459	\$ 40,651	\$ 74,852	\$ 2,593,643	\$ 39.07
2032	\$ 3,415,661	\$ 2,593,643	76%	\$ 384,237	\$ 46,686	\$ 7,842	\$ 3,016,723	\$ 40.63
2033	\$ 3,823,160	\$ 3,016,723	79%	\$ 399,606	\$ 54,301	\$ 737,865	\$ 2,732,766	\$ 42.26
2034	\$ 3,500,352	\$ 2,732,766	78%	\$ 415,591	\$ 49,190	\$ 111,315	\$ 3,086,231	\$ 43.95
2035	\$ 3,822,881	\$ 3,086,231	81%	\$ 432,214	\$ 55,552	\$ 370,290	\$ 3,203,708	\$ 45.71
2036	\$ 3,898,308	\$ 3,203,708	82%	\$ 449,503	\$ 57,667	\$ 139,970	\$ 3,570,907	\$ 47.54
2037	\$ 4,223,493	\$ 3,570,907	85%	\$ 467,483	\$ 64,276	\$ 477,727	\$ 3,624,940	\$ 49.44
2038	\$ 4,221,113	\$ 3,624,940	86%	\$ 486,182	\$ 65,249	\$ 742,337	\$ 3,434,034	\$ 51.42
2039	\$ 3,957,004	\$ 3,434,034	87%	\$ 505,630	\$ 61,813	\$ 113,525	\$ 3,887,951	\$ 53.47
2040	\$ 4,343,863	\$ 3,887,951	90%	\$ 525,855	\$ 69,983	\$ 68,542	\$ 4,415,247	\$ 55.61
2041	\$ 4,800,215	\$ 4,415,247	92%	\$ 546,889	\$ 79,474	\$ 2,978,783	\$ 2,062,828	\$ 57.84
2042	\$ 2,284,606	\$ 2,062,828	90%	\$ 568,765	\$ 37,131	\$ 92,931	\$ 2,575,792	\$ 60.15
2043	\$ 2,678,214	\$ 2,575,792	96%	\$ 591,515	\$ 46,364	\$ 1,027,499	\$ 2,186,173	\$ 62.55
2044	\$ 2,133,648	\$ 2,186,173	102%	\$ 594,473	\$ 39,351	\$ 586,343	\$ 2,233,654	\$ 62.87
2045	\$ 2,040,137	\$ 2,233,654	109%	\$ 597,445	\$ 40,206	\$ 209,273	\$ 2,662,031	\$ 63.18
2046	\$ 2,345,596	\$ 2,662,031	113%	\$ 600,432	\$ 47,917	\$ 133,331	\$ 3,177,049	\$ 63.50
2047	\$ 2,752,234	\$ 3,177,049	115%	\$ 603,434	\$ 57,187	\$ 399,043	\$ 3,438,628	\$ 63.81
2048	\$ 2,911,595	\$ 3,438,628	118%	\$ 606,452	\$ 61,895	\$ 14,872	\$ 4,092,103	\$ 64.13
2049	\$ 3,486,068	\$ 4,092,103	117%	\$ 609,484	\$ 73,658	\$ 591,214	\$ 4,184,030	\$ 64.45

The association has sufficient funds throughout the 30 year projection.

The association reaches 100% funding by end of 30 year projection.

This is an example of “Fully Funded”.



# Study Example: Zero Balance Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650		0%	\$ 1,750	\$ -	\$ 1,750	\$ -	\$ 0.19
2021	\$ 1,545,113	\$ -	0%	\$ 82,271	\$ -	\$ 82,271	\$ 0	\$ 8.70
2022	\$ 1,732,921	\$ 0	0%	\$ 127,785	\$ 0	\$ 127,785	\$ 0	\$ 13.51
2023	\$ 1,886,270	\$ 0	0%	\$ 446,051	\$ 0	\$ 446,051	\$ -	\$ 47.17
2024	\$ 1,723,395	\$ -	0%	\$ 66,677	\$ -	\$ 66,677	\$ -	\$ 7.05
2025	\$ 1,953,587	\$ -	0%	\$ 193,352	\$ -	\$ 193,352	\$ -	\$ 20.45
2026	\$ 2,067,625	\$ -	0%	\$ 35,792	\$ -	\$ 35,792	\$ -	\$ 3.79
2027	\$ 2,355,010	\$ -	0%	\$ 38,274	\$ -	\$ 38,274	\$ -	\$ 4.05
2028	\$ 2,656,326	\$ -	0%	\$ 118,570	\$ -	\$ 118,570	\$ -	\$ 12.54
2029	\$ 2,892,079	\$ -	0%	\$ 492,444	\$ -	\$ 492,444	\$ -	\$ 52.08
2030	\$ 2,758,160	\$ -	0%	\$ 38,974	\$ -	\$ 38,974	\$ 0	\$ 4.12
2031	\$ 3,095,896	\$ 0	0%	\$ 74,852	\$ 0	\$ 74,852	\$ -	\$ 7.92
2032	\$ 3,415,661	\$ -	0%	\$ 7,842	\$ -	\$ 7,842	\$ -	\$ 0.83
2033	\$ 3,823,160	\$ -	0%	\$ 737,865	\$ -	\$ 737,865	\$ -	\$ 78.03
2034	\$ 3,500,352	\$ -	0%	\$ 111,315	\$ -	\$ 111,315	\$ -	\$ 11.77
2035	\$ 3,822,881	\$ -	0%	\$ 370,290	\$ -	\$ 370,290	\$ -	\$ 39.16
2036	\$ 3,898,308	\$ -	0%	\$ 139,970	\$ -	\$ 139,970	\$ -	\$ 14.80
2037	\$ 4,223,493	\$ -	0%	\$ 477,727	\$ -	\$ 477,727	\$ -	\$ 50.52
2038	\$ 4,221,113	\$ -	0%	\$ 742,337	\$ -	\$ 742,337	\$ -	\$ 78.50
2039	\$ 3,957,004	\$ -	0%	\$ 113,525	\$ -	\$ 113,525	\$ -	\$ 12.01
2040	\$ 4,343,863	\$ -	0%	\$ 68,542	\$ -	\$ 68,542	\$ -	\$ 7.25
2041	\$ 4,800,215	\$ -	0%	\$ 2,978,783	\$ -	\$ 2,978,783	\$ -	\$ 315.02
2042	\$ 2,284,606	\$ -	0%	\$ 92,931	\$ -	\$ 92,931	\$ -	\$ 9.83
2043	\$ 2,678,214	\$ -	0%	\$ 1,027,499	\$ -	\$ 1,027,499	\$ -	\$ 108.66
2044	\$ 2,133,648	\$ -	0%	\$ 586,343	\$ -	\$ 586,343	\$ -	\$ 62.01
2045	\$ 2,040,137	\$ -	0%	\$ 209,273	\$ -	\$ 209,273	\$ -	\$ 22.13
2046	\$ 2,345,596	\$ -	0%	\$ 133,331	\$ -	\$ 133,331	\$ -	\$ 14.10
2047	\$ 2,752,234	\$ -	0%	\$ 399,043	\$ -	\$ 399,043	\$ -	\$ 42.20
2048	\$ 2,911,595	\$ -	0%	\$ 14,872	\$ -	\$ 14,872	\$ -	\$ 1.57
2049	\$ 3,486,068	\$ -	0%	\$ 591,214	\$ -	\$ 591,214	\$ -	\$ 62.52

The association has sufficient funds each year.

The association must dramatically adjust assessments every year.

# Study Example: Zero Balance (Baseline) Budget

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Contribution per unit per month
2020	\$ 1,288,650		0%	\$ 1,750	\$ -	\$ 1,750	\$ -	\$ 0.19
2021	\$ 1,545,113	\$ -	0%	\$ 82,271	\$ -	\$ 82,271	\$ 0	\$ 8.70
2022	\$ 1,732,921	\$ 0	0%	\$ 127,785	\$ 0	\$ 127,785	\$ 0	\$ 13.51
2023	\$ 1,886,270	\$ 0	0%	\$ 446,051	\$ 0	\$ 446,051	\$ -	\$ 47.17
2024	\$ 1,723,395	\$ -	0%	\$ 66,677	\$ -	\$ 66,677	\$ -	\$ 7.05
2025	\$ 1,953,587	\$ -	0%	\$ 193,352	\$ -	\$ 193,352	\$ -	\$ 20.45
2026	\$ 2,067,625	\$ -	0%	\$ 35,792	\$ -	\$ 35,792	\$ -	\$ 3.79
2027	\$ 2,355,010	\$ -	0%	\$ 38,274	\$ -	\$ 38,274	\$ -	\$ 4.05
2028	\$ 2,656,326	\$ -	0%	\$ 118,570	\$ -	\$ 118,570	\$ -	\$ 12.54
2029	\$ 2,892,079	\$ -	0%	\$ 492,444	\$ -	\$ 492,444	\$ -	\$ 52.08
2030	\$ 2,758,160	\$ -	0%	\$ 38,974	\$ -	\$ 38,974	\$ 0	\$ 4.12
2031	\$ 3,095,896	\$ 0	0%	\$ 74,852	\$ 0	\$ 74,852	\$ -	\$ 7.92
2032	\$ 3,415,661	\$ -	0%	\$ 7,842	\$ -	\$ 7,842	\$ -	\$ 0.83
2033	\$ 3,823,160	\$ -	0%	\$ 737,865	\$ -	\$ 737,865	\$ -	\$ 78.03
2034	\$ 3,500,352	\$ -	0%	\$ 111,315	\$ -	\$ 111,315	\$ -	\$ 11.77
2035	\$ 3,822,881	\$ -	0%	\$ 370,290	\$ -	\$ 370,290	\$ -	\$ 39.16
2036	\$ 3,898,308	\$ -	0%	\$ 139,970	\$ -	\$ 139,970	\$ -	\$ 14.80
2037	\$ 4,223,493	\$ -	0%	\$ 477,727	\$ -	\$ 477,727	\$ -	\$ 50.52
2038	\$ 4,221,113	\$ -	0%	\$ 742,337	\$ -	\$ 742,337	\$ -	\$ 78.50
2039	\$ 3,957,004	\$ -	0%	\$ 113,525	\$ -	\$ 113,525	\$ -	\$ 12.01
2040	\$ 4,343,863	\$ -	0%	\$ 68,542	\$ -	\$ 68,542	\$ -	\$ 7.25
2041	\$ 4,800,215	\$ -	0%	\$ 2,978,783	\$ -	\$ 2,978,783	\$ -	\$ 315.02
2042	\$ 2,284,606	\$ -	0%	\$ 92,931	\$ -	\$ 92,931	\$ -	\$ 9.83
2043	\$ 2,678,214	\$ -	0%	\$ 1,027,499	\$ -	\$ 1,027,499	\$ -	\$ 108.66
2044	\$ 2,133,648	\$ -	0%	\$ 586,343	\$ -	\$ 586,343	\$ -	\$ 62.01
2045	\$ 2,040,137	\$ -	0%	\$ 209,273	\$ -	\$ 209,273	\$ -	\$ 22.13
2046	\$ 2,345,596	\$ -	0%	\$ 133,331	\$ -	\$ 133,331	\$ -	\$ 14.10
2047	\$ 2,752,234	\$ -	0%	\$ 399,043	\$ -	\$ 399,043	\$ -	\$ 42.20
2048	\$ 2,911,595	\$ -	0%	\$ 14,872	\$ -	\$ 14,872	\$ -	\$ 1.57
2049	\$ 3,486,068	\$ -	0%	\$ 591,214	\$ -	\$ 591,214	\$ -	\$ 62.52

Can your association increase assessment this much in a single year?



# Notification to NRED

- Not later than 210 days after the executive board receives a **draft** of the reserve study, the executive board SHALL submit a summary to the Division by filing a Form 609 as prescribed by the Division.
  - The Division may post the summary of the results of the reserve studies filed with the Division on its website. NAC 116.435
- A summary of the study of the reserves **MUST** be submitted to the Division not later than 45 **DAYS** after the date the executive board **adopts** the results of the study. NRS 116.31152(4)



# Knowledge Check



1. Is an estimate of the remaining useful life of each major component of the common element required in the reserve study?
2. Each reserve study covers a time frame of how many years?
3. True/False: The Reserve Study MAY NOT include the number of units in the association.
4. Where would a board find the entire list of requirements for a reserve study?

# Managing the Fund

NRS 116.3115(2)(b)

- The reserves may only be used for the repair, replacement and restoration of:
  - the major components of the common elements and
  - any other portion of the common-interest community (CIC) that the association is obligated to maintain, repair, replace or restore, including:
    - roofs,
    - roads and
    - sidewalks, etc.
- Reserves must NOT be used for daily (routine) maintenance or operating expenses.



# Managing the Fund: Withdrawals

NRS 116.31153

- Money in the Reserve Account may NOT be withdrawn without the signatures of at least:
  - 2 directors or
  - 1 director and 1 officer.



The Community Manager may NEVER be a signatory on the reserve account!  
NRS 116A.640(5)

# Review & Audit: Distribution

NRS 116.31151(1)(a)

- Unless the CC&R imposes more stringent standards, not less than 30 days or more than 60 days before the beginning of the association's fiscal year, the executive board SHALL prepare and distribute to each unit owner's designated mail OR email address, a copy of:
  - The budget for daily operations which includes any contributions to be made to the reserve account of the association;



# Review & Audit: Distribution continued

NRS 116.31151(1)(b)(3)&(4)

- Unless the CC&R imposes more stringent standards, not less than 30 days or more than 60 days before the beginning of the association's fiscal year, the executive board SHALL prepare and distribute to each unit owner's designated mail OR email address:
  - A statement as to whether the executive board has determined, or anticipates, that the levy of one or more special assessments will be necessary
    - to repair, replace or restore any major components or any portion of the CIC, or
    - to provide adequate funding for the reserves designated for that purpose; and
  - A general statement describing the procedures used for the estimation and accumulation of cash reserves, including
    - the qualifications of the person responsible for the preparation of the study of the reserves.



# Review & Audit: Distribution continued

NRS 116.31151(2)

- In lieu of distributing copies of the budgets, the board MAY distribute to each unit's owner a summary of the budgets, accompanied with written notice that
  - the budgets are available for review at the business office of the association, or
    - some other suitable location within the county where the CIC is situated, or
    - within one of the counties but not exceeding 60 miles from the physical location of the CIC; and
  - copies of the budgets will be provided upon request.



# Review & Audit: Unit Owner

NRS 116.31175(1)&(2)&(3)

- The executive board SHALL, upon written request of a unit's owner, make available the study of the reserves.
- The executive board SHALL provide a copy of the reserve study to a unit's owner or the Ombudsman within 21 DAYS after receiving a written request.
  - MUST be provided in electronic format at NO CHARGE, or
  - at a fee to cover the actual costs of preparing a copy.
    - Such fee MAY NOT exceed 25 cents per page for the first 10 pages, and 10 cents per additional page.
- If the executive board fails to provide a copy within 21 days, the board MAY be fined a penalty of \$25 for each day the record is not provided.





# Review & Audit: Quarterly Meeting

NRS 116.31083(7)(b)&(d)

- At least once every quarter, at an OPEN executive board meeting, the board SHALL review (not all inclusive):
  - A current year-to-date schedule of revenues and expenses for the reserve account, compared to the budget for the account; and
  - a current reconciliation of the reserve account.



# Ombudsman

NRS 116.625

- The Ombudsman SHALL compile and maintain a registration of each association organized which includes
  - whether the study of the reserves of the association has been conducted and
  - the date on which it was completed.



# Ombudsman continued

NRS 116.750

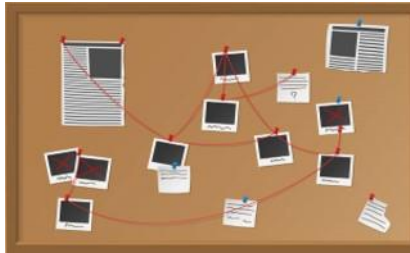
- The Division and the Ombudsman have jurisdiction to investigate and
  - the Commission and each hearing panel has jurisdiction to take appropriate action against any person who commits a violation, including:
    - Any association and any officer, employee or agent of an association;
    - any member of the executive board;
    - any community manager;
    - any person who conducts a study of reserves;



# Ombudsman continued

NRS 116.750

- The Division and the Ombudsman have jurisdiction to investigate and
  - the Commission and each hearing panel has jurisdiction to take appropriate action against any person who commits a violation, including:
    - any declarant or affiliate of a declarant;
    - any unit's owner; and
    - any tenant of a unit's owner if
      - the tenant has entered into an agreement with the unit's owner to abide by the governing documents of the association and
      - the provisions of this chapter and any regulations adopted pursuant thereto.



# Ombudsman continued

NAC 116.405

- In determining whether a member of the executive board has performed their fiduciary duties, the Commission may consider whether the board member has
  - caused the association to consult with appropriate professionals as necessary before making any major decision including,
  - consulting with a registered reserve study specialist.



# Knowledge Check



1. How many signatures are required to withdraw funds from the reserve account?
2. Who is authorized to be a signer on the reserve account?
3. May a community manager be a signor on a withdrawal from a reserve account?
4. Must the board provide unit owners with a copy of the reserve study?
5. How often must the association review the budget and the reserves?

# Conclusion!



- Key Terms
- Mandates
- Creating the Fund
- Reserve Study Specialist (RSS)
- Study Contents
- Study Example
- Notification to NRED
- Managing the Fund
- Review & Audit
- Ombudsman

# Questions?

- <http://red.nv.gov/> - Main Page
- [CICOmbudsman@red.nv.gov](mailto:CICOmbudsman@red.nv.gov) – Email Questions
- [http://red.nv.gov/Content/CIC/Program\\_Training/](http://red.nv.gov/Content/CIC/Program_Training/)