



Better Reserve Consultants

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Mr. Charles Niggemeyer, Commissioner
State of Nevada Department of Business and Industry, Real Estate Division
3300 W. Sahara Avenue, Suite 350
Las Vegas, Nevada 89102

January 3, 2020

Mr. Niggemeyer,

I am a Reserve Study Specialist in Nevada. As a part of my job, I help Community Managers and Self Managed Associations fill out the form 609 required by the State of Nevada. This form deals directly with Reserve Studies, it is important that I can assist them.

Many Community Managers are very confused and intimidated by this form. I receive calls every day asking for assistance in filling out the form 609. I believe that there are errors in the form and ways that the form could be simplified so that everyone understands what is requested.

I am including some ideas and suggestions that will help make the form easier to read and understand and more accurate. A sample form 609, marked with corresponding numbers has also been included.

This is a State required form, and a legal document. It is important that the information requested is easily understood so that the information provided is accurate.

Below is a list of the items that are confusing to the Board Members or Community Managers or errors that should be corrected. I have also attached a form 609, labeled with corresponding numbers:

1. Confusing to Board Members and Community Mangers:
 Number of current annexed units
 Max.(total) # of units declarant reserves right to annex as indicated in the CC&Rs:
 Implies that all associations are under developer control

2. Pursuant to NAC 116.425(1)(o), was the reserve study that was most recently adopted by the executive board (check one):
 - (1) A full reserve study
 - (2) An update to a previous reserve study made pursuant to a site visit
 - (3) An update to a previous reserve study made without a site visit

The Form 609 is only filled out when a Reserve Study with a Site Inspection is completed not when an update *without* a site inspection is completed. Please see the paragraph from the top of the form 609.

"The executive board shall: at least once every 5 years cause to be conducted a study of the reserves [with an on-site inspection] required to repair, replace and restore the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore; at least annually, review the results of that study to determine whether those reserves are sufficient; and at least annually, make any adjustments to the association's funding plan which the executive board deems necessary to provide adequate funding for the required reserves. A summary of the study of the reserves must be submitted to the Division no later than 45 days after the date that the executive board adopts the results of the study, using this form."

3 This section is titled: **FINANCIAL/FUNDING INFORMATION FROM CURRENT RESERVE STUDY.**

However, it appears that only the first four questions relate to the Reserve Study?

4. This section of the form *does* allow the answers to be copied from the Reserve Study, and pasted into the blanks. However, if it is not copied and pasted, the commas are not automatically included.

5. This section appears to be requesting the Association's actual budgeted contribution, investment income and special reserve assessment. The questions are still under the sub title listed above : **FINANCIAL/FUNDING INFORMATION FROM CURRENT RESERVE STUDY**

According to Nevada Law, the Association must follow the Reserve Study. Why would we be asking them fill in information regarding what they will actually be contributing? This information should be taken directly from the Reserve Study.

The first question after the financial information on the form 609, page 2 is where any difference should be listed- See #11 on the example form 609.

6. The first question (#1) requests the Actual reserve account balance at the beginning of the fiscal year: Most Reserve Studies are "working forward," we do not have the "Actual Reserve Account Balance" only the estimated balance. The section should read "Estimated Fiscal Year Beginning Balance per the Reserve Study first year completed."

7. The form 609 requests the "Current Fiscal Year" information (Questions #2,3,4). Again, most Reserve Studies are completed for the upcoming year – working ahead for the next year's budget. The information requested should be for the first year reported on the Reserve Study, not the current year.

There are some instances where the Association is using the current year balance (they may be late in completing their reserve study). In this instance, they would still use the first year reported Fiscal year budgeted reserve contribution, Fiscal year projected investment income, Fiscal year special reserve assessment and income tax. This way, it is truly a recap of the current Reserve Study- not their previous Reserve Study.

8. This information should be taken directly off of the Reserve Study and should be the same as the Reserve Study. The form should allow copy and paste. There are some questions in "4" above that are repeated in this section.

9. The projected Federal Income Tax is required to be included the Reserve Study calculation, but is not requested on the form 609. This makes the calculation of the projected Reserve Bank Account Balance at the end of the year and the Percent Funding different from the Reserve Study. These numbers should match the Reserve Study.

NAC 116.425 Reserve study: Contents. (NRS 116.31152, 116.615)

1. A reserve study must, in addition to the requirements set forth in NRS 116.31152, include:

(a) A 30-year schedule which shows:

(1) The actual or projected beginning balance of the reserve fund;

(2) 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;

(3) The estimated interest income, net of projected federal income tax, earned in the reserve fund;

(4) The projected expenditures from the reserve fund; and

(5) The projected ending balance of the reserve fund;

10. Because the net of projected federal income tax has not been included in the calculation, the Projected Reserve Account balance and the Percent Funding are different than the Reserve Study.

11. Mentioned above as the example
12. This form is requiring the Board Member of Community Manager to sign the form 609, stating that the information is accurate. Yet, the form may be interpreted in many different ways and is requesting conflicting information.

"I declare under penalty of perjury under the law of the State of Nevada that the foregoing, to the best of my knowledge and belief, is true and correct."

13. Sample of a Reserve Study Funding Sheet that all Reserve Study Specialist use (in some form). The person filling out the form should be able to copy and paste the information so that there is no room for error.

I would be very happy to go over this information with you in person or on the phone. I know that it is a bit confusing.

My goal is to help the Community Managers and Board Members fill out the Form 609 with accurate information based on their Reserve Study. And to make sure that this form is indeed a "Summary of the Reserve Study."

**Thank you for your assistance,
Mari Jo Betterley, RSS
Better Reserve Consultants, LLC**

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RESERVE STUDY SUMMARY FORM (NRS 116.31152)

The executive board shall: at least once every 5 years cause to be conducted a study of the reserves [with an on-site inspection] required to repair, replace and restore the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore; at least annually, review the results of that study to determine whether those reserves are sufficient; and at least annually, make any adjustments to the association's funding plan which the executive board deems necessary to provide adequate funding for the required reserves. A summary of the study of the reserves must be submitted to the Division no later than 45 days after the date that the executive board adopts the results of the study, using this form.

Association's legal name: _____
(As it appears in the Articles of Incorporation/Secretary of State's website)

Subdivision name(s) for the Association: _____
(As it appears on the County Assessor's website)

Nevada Secretary of State (SOS) entity number: _____ **SOS original filing date:** ___/___/___
(For SOS Filing Information, visit <http://nrsos.gov/nrsosentityresearch/>)

Is the Association identified as a Master or sub-association, per the CC&Rs: Master Sub-Association Neither
If identified as a sub-association, please indicate the name of the Master Association: _____

CURRENT BILLING INFORMATION

Mailing/billing address: _____

City: _____ State: _____ Zip: _____ County the association is located in: _____

Management company name (if applicable): _____

Address of Management Company: same as above _____

City: _____ State: _____ Zip: _____ Name of Community Manager: _____

Email address for Community Manager: _____ Custodian of Records: _____

DESCRIPTION OF ASSOCIATION PROPERTY

Is the association a...?

- Condominium Cooperative
 Condominium Hotel Planned Community

If a planned community, indicate type(s) of units:

- Single Family Dwelling Condominium
 Duplex Townhouse Manufactured Housing

Approximate age of development: _____

Number of current annexed units: 1

Max.(total) # of units declarant reserves right to annex as indicated in the CC&Rs: _____

RESERVE STUDY INFORMATION

Pursuant to NAC 116.425(1)(o), was the reserve study that was most recently adopted by the executive board (check one):

- (1) A full reserve study
 (2) An update to a previous reserve study made pursuant to a site visit
 (3) An update to a previous reserve study made without a site visit

Date on which the on-site inspection of the most recent reserve study was commenced: (M/D/YR.): ___/___/___

Adoption date of most recent reserve study (M/D/YR.): ___/___/___ Commencement date of previous study (M/D/YR.): ___/___/___

Pursuant to NAC 116.405(8)(e), name of specialist who conducted the study: _____ RSS # _____

If in a community containing 20 or fewer units, in a county whose population is less than 55,000, name of individual deemed qualified to conduct the reserve study: _____ or N/A

For Office Use Only

Date received: _____ Date Processed: _____ Processed by: _____

In the most recent reserve study, were any components identified that were not identified in a previous study? Yes No

If yes, provide an explanation and attach any supporting documents: _____

Association's Accounting Fiscal Year End Date (Mo./day): ___/___/___

3 FINANCIAL/FUNDING INFORMATION FROM CURRENT RESERVE STUDY

Estimated replacement costs of the complete major component inventory:

Recommended annual reserve contribution in current fiscal year:

Recommended special reserve assessment (if any):

Timeframe for special reserve assessment (if any):

(4)	\$	
	\$	
	\$	
	\$	
	\$	
	+	\$
	+	\$
	+	\$
(9)	=	\$
	-	\$
	=	\$
	\$	
	\$	
(10)	=	%

(5) 1 Actual reserve account balance at the beginning of the fiscal year:

(6) 2 Current fiscal year budgeted reserve contribution:

(7) 3 Current fiscal year projected investment income (i.e. interest, dividends):

(7) 4 Current fiscal year budgeted special reserve assessment (if any):

(7) 5 Total projected reserve account balance (add lines 1-4)

6 Current fiscal year budgeted reserve expenditures:

7 **Projected** reserve account balance at end of current fiscal year (subtract line 6 from 5)

8 **Projected** fully-funded (100% funded) balance from Reserve Study:

9 **Projected** percent funded (line 7 divided by line 8):

Is there a difference between the budgeted and recommended annual contributions? Yes No

(11) If yes, explanation for the difference: _____

If yes, how does the executive board propose to adequately fund the reserves? _____

Provide an explanation for the need of a special reserve assessment (i.e. how the association arrived to this financial state):

Are the reserve funds held in separate accounts? Yes No

If no, why not? _____

Funding plan selected by executive board: Full funding Threshold funding Baseline funding

"I declare under penalty of perjury under the law of the State of Nevada that the foregoing, to the best of my knowledge and belief, is true and correct."

Person authorized to sign form: Board Member (Title: _____) Community Manager (License # _____) Declarant

(12) Signature: _____ Print name: _____ Date signed: ___/___/___

This form can only be submitted by hand delivery, mail, or fax and will NOT be accepted by email.

Recommended Reserve Contribution

Year	Beginning of Year Balance	Spc Rav Assessmt	Annual Transfer	Member Mo Pmt	Annual Expenditures	Interest Earned	Income Tax	End of Year Balance	% Funded	Fully Funded (100%)
2020	\$1,834,892.56	\$0.00	\$170,000.00	\$1.09	\$339,294.43	\$3,670.00	\$1,101.00	\$1,668,167.13	108.33	\$1,539,947.21
2021	\$1,668,167.13	\$0.00	\$200,000.00	\$1.28	\$88,062.23	\$3,336.00	\$1,000.80	\$1,782,440.10	108.45	\$1,643,526.68
2022	\$1,782,440.10	\$0.00	\$250,000.00	\$1.60	\$122,294.49	\$3,565.00	\$1,069.50	\$1,912,641.11	104.40	\$1,831,982.23
2023	\$1,912,641.11	\$0.00	\$340,000.00	\$2.18	\$176,044.02	\$3,825.00	\$1,147.50	\$2,079,274.59	104.13	\$1,996,859.07
2024	\$2,079,274.59	\$0.00	\$340,000.00	\$2.18	\$221,866.40	\$4,159.00	\$1,247.70	\$2,200,319.49	104.57	\$2,104,235.37
2025	\$2,200,319.49	\$0.00	\$340,000.00	\$2.18	\$293,078.55	\$4,401.00	\$1,320.30	\$2,250,321.64	105.42	\$2,134,563.72
2026	\$2,250,321.64	\$0.00	\$360,000.00	\$2.31	\$96,953.79	\$4,501.00	\$1,350.30	\$2,516,518.55	104.55	\$2,407,062.87
2027	\$2,516,518.55	\$0.00	\$370,000.00	\$2.37	\$328,141.97	\$5,033.00	\$1,509.90	\$2,561,899.68	105.28	\$2,433,404.02
2028	\$2,561,899.68	\$0.00	\$370,000.00	\$2.37	\$399,691.34	\$5,124.00	\$1,537.20	\$2,535,795.14	102.87	\$2,465,116.43
2029	\$2,535,795.14	\$0.00	\$370,000.00	\$2.37	\$411,780.53	\$5,072.00	\$1,521.60	\$2,497,565.01	101.83	\$2,452,771.06
2030	\$2,497,565.01	\$0.00	\$390,000.00	\$2.50	\$233,167.39	\$4,995.00	\$1,498.50	\$2,657,894.12	106.79	\$2,488,942.76
2031	\$2,657,894.12	\$0.00	\$390,000.00	\$2.50	\$182,334.13	\$5,316.00	\$1,594.80	\$2,869,281.19	107.29	\$2,674,307.34
2032	\$2,869,281.19	\$0.00	\$390,000.00	\$2.50	\$63,887.77	\$5,739.00	\$1,721.70	\$3,199,410.72	106.54	\$3,002,931.20
2033	\$3,199,410.72	\$0.00	\$430,000.00	\$2.76	\$294,106.86	\$6,399.00	\$1,919.70	\$3,339,783.16	107.55	\$3,105,200.93
2034	\$3,339,783.16	\$0.00	\$430,000.00	\$2.76	\$681,607.17	\$6,680.00	\$2,004.00	\$3,092,851.99	108.87	\$2,840,903.56
2035	\$3,092,851.99	\$0.00	\$430,000.00	\$2.76	\$297,789.13	\$6,186.00	\$1,855.80	\$3,229,393.06	108.92	\$2,964,956.78
2036	\$3,229,393.06	\$0.00	\$430,000.00	\$2.76	\$86,791.63	\$6,459.00	\$1,937.70	\$3,577,122.73	107.35	\$3,332,168.74
2037	\$3,577,122.73	\$0.00	\$450,000.00	\$2.88	\$220,617.56	\$7,154.00	\$2,146.20	\$3,811,512.97	107.61	\$3,542,115.22
2038	\$3,811,512.97	\$0.00	\$450,000.00	\$2.88	\$2,669,383.87	\$7,623.00	\$2,286.90	\$1,597,465.20	42.93	\$3,721,287.46
2039	\$1,597,465.20	\$0.00	\$450,000.00	\$2.88	\$540,302.82	\$3,195.00	\$958.50	\$1,509,398.88	41.23	\$3,660,803.02
2040	\$1,509,398.88	\$0.00	\$470,000.00	\$3.01	\$352,119.99	\$3,019.00	\$905.70	\$1,629,392.19	118.69	\$1,372,827.09
2041	\$1,629,392.19	\$0.00	\$470,000.00	\$3.01	\$469,704.57	\$3,259.00	\$977.70	\$1,631,968.92	117.39	\$1,390,161.58
2042	\$1,631,968.92	\$0.00	\$470,000.00	\$3.01	\$97,012.25	\$3,264.00	\$979.20	\$2,007,241.47	111.42	\$1,801,542.38
2043	\$2,007,241.47	\$0.00	\$500,000.00	\$3.21	\$326,212.54	\$4,014.00	\$1,204.20	\$2,183,838.73	108.89	\$2,005,548.57
2044	\$2,183,838.73	\$0.00	\$500,000.00	\$3.21	\$369,437.93	\$4,368.00	\$1,310.40	\$2,317,458.40	105.81	\$2,190,299.19
2045	\$2,317,458.40	\$0.00	\$560,000.00	\$3.59	\$329,284.78	\$4,635.00	\$1,390.50	\$2,551,418.12	105.51	\$2,418,253.17
2046	\$2,551,418.12	\$0.00	\$580,000.00	\$3.72	\$264,835.50	\$5,103.00	\$1,530.90	\$2,870,154.72	104.02	\$2,759,207.26
2047	\$2,870,154.72	\$0.00	\$580,000.00	\$3.72	\$167,707.72	\$5,740.00	\$1,722.00	\$3,286,465.00	103.74	\$3,167,988.50
2048	\$3,286,465.00	\$0.00	\$580,000.00	\$3.72	\$109,777.29	\$6,573.00	\$1,971.90	\$3,761,288.81	127.38	\$2,952,870.20
2049	\$3,761,288.81	\$0.00	\$580,000.00	\$3.72	\$206,175.50	\$7,523.00	\$2,256.90	\$4,140,379.41	147.54	\$2,806,233.22
Total:		\$0.00	\$12,640,000.00		\$10,439,464.15	\$149,930.00	\$44,979.00			