

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338



MONTEVIDEO IMPROVEMENT ASSOCIATION #1

FULL RESERVE STUDY

November 20, 2020 for Fiscal Year 2021

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

TABLE OF CONTENTS

Assumptions	Page 1
Findings	Page 3
Visual Condition of Complex	Page 5
Reserve Components	Page 34
Liability Analysis	Page 37
Future Expenditure Analysis	Page 40
Cash Flow Analysis	Page 49
Future Liability Analysis	Page 52
Summary	Page 54
Funding Plan Summary	Page 55
Disclosures	Page 57

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Initial Reserves

Initial reserves for this Reserve Study is known to be \$320,152 as of September 30, 2020. As per information provided by the Association the reserve balance at study start date of January 01, 2021 is projected to be \$511,381.

Reserve Funding Goal

The baseline reserve funding goal is to plan the minimum reserve account balance consistent with cash demands of maintenance and replacement of reserve items annually. (Baseline Funding)

Depth of Study

Full Service Reserve Study with Field Inspection. A field inspection was made to verify the existing condition of the various reserve study components, their physical condition, and to verify component quantities. In place testing, laboratory testing, and non-destructive or destructive testing of the reserve study components were not performed. Field measurements of component quantities were made, where necessary, to determine quantities of various components.

Statement

Reserve Study Specialists is pleased to present to the Board of Directors the requested Reserve Funding Study. We believe that you will find the attached study thorough and complete. After you have had an opportunity to review the report you may have questions. Please do not hesitate to write or call, we would be pleased to answer any questions you may have.

Project Description

Montevideo Improvement Association #1 is a 400-unit single family homes complex built in 1966. The Association maintains the parking lot, main pool, wading pool, pool deck, pool area furniture, & lighting, pool house & restrooms, clubhouse & restrooms, kitchen & hall, recreation area, BBQ, sport courts, fences & gates, stairs & rails, common area landscaping and other common area components.

Summary of Financial Assumptions

<i>Fiscal Calendar Year Begins</i>	<i>January 01</i>
<i>Reserve Study by Fiscal Calendar Year Starting</i>	<i>January 01, 2021</i>
<i>Funding Study Length</i>	<i>30 Years</i>
<i>Number of Dues Paying Members</i>	<i>400</i>
<i>Reserve Balance as of January 01, 2021</i>	<i>\$511,381</i>
<i>Annual Inflation Rate</i>	<i>3%</i>
<i>Tax Rate on Reserve Interest</i>	<i>25%</i>
<i>Minimum Reserve Account Balance</i>	<i>\$0</i>
<i>Dues Change Period</i>	<i>1 Year</i>
<i>Monthly Dues</i>	<i>\$70 (\$840/year)</i>

Reserve Study Assumptions

- Cost estimates and financial information are accurate and current.
- No unforeseen circumstances will cause a significant reduction of reserves.
- Sufficient comprehensive property insurance exists to protect from insurance risks.
- The association plans to continue to maintain the existing common area and amenities.
- Reserve payments occur at the end of every calendar month.
- Expenses occur at the end of the expense year.

Impact of Component life

The projected life expectancy of the major components and the reserve funding needs of the association are closely tied. Performing the appropriate routine maintenance for each major component generally increases the component useful life, effectively moving the component expense into the future, which reduces the reserve funding payments of the association.

Failure to perform such maintenance can shorten the remaining useful life of the major components, bringing the replacement expense closer to the present, which increases the reserve funding payments of the association.

Study Method

Funding studies may be done in several ways, but we believe that the value of a meaningful funding study lies in the details. “Bulk” studies are quick, usually inexpensive, and almost always border on worthless.

In this study, we have used the “Component” method because it is the only method, which allows scrutiny of the funding details. The method is pragmatic, and allows human judgment and experience to enter into the equation.

Unless noted otherwise, the present cost of every reserve item in this report has been estimated using the “National Construction Estimator”, a nationally recognized standard, and modified by an area cost adjustment factor.

Where possible, known costs have been used. In addition, every reserve item has been given an estimated remaining useful life, an estimated useful life when new, and has been cast into the future to determine the inflated cost.

Equal annual payments are calculated for each reserve item based upon a payment starting year and a payment ending year using the end of period payment method. Interest earned on accumulated reserve funds and taxes on the reserve interest are also calculated. Initial reserve funds are consumed as expenses occur.

As you review this report, we are certain that you will appreciate the level of detail provided, allowing you to review each reserve item in detail.

Summary of Findings

Reserve Study Specialists has estimated future projected expenses for the association based upon preservation of existing improvements.

The attached funding study is limited in scope to those expense items listed in the reserve study.

Of primary concern is the preservation of a positive funding balance with funds sufficient to meet projected expenses throughout the study life. Based upon the attached funding study, it is our professional opinion that annual reserve contributions as shown in the attached study will realize this goal. The association warrants that the information provided to Reserve Study Specialists, including but not limited to that information contained in the attached reserve study, that the maintenance records are complete and accurate, and that Reserve Study Specialists may rely upon such information and documents without further verification or corroboration.

Where the age of a particular Reserve Item (as listed in the Reserve Study) is unknown, the association shall provide to Reserve Study Specialists best-estimated age of that item. If the association is unable to provide an estimate of a Reserve Item's age, Reserve Study Specialists shall make its own estimate of age of the Reserve Item. The Reserve Study is created for the association's use, and is a reflection of information provided to Reserve Study Specialists. This information is not for the purpose of performing an audit, historical records, quality or forensic analyses.

Special Assessments

Special assessments are not required in this reserve study, unless specified in the funding plan, provided the Board of Directors and association members adopt this reserve study as submitted. Any material change from the recommended reserve contributions may result in special assessments in future.

Percent Funded

Many reserve studies use the concept of "Percent Funded" to measure the reserve account balance against a theoretically perfect value. Percent Funded is often used as a measure of the "Financial Health" of an association. The assumption is, the higher the percentage, the greater the "Financial Health". The question of substance is simply: How much is enough? To answer the question, some understanding of Percent Funded is required. Percent Funded is defined as the current cash reserves divided by the Fully Funded value at any instant in time. Fully Funded value is defined as the total depreciated value or accrued liability of all reserve items.

Most reserve items with a remaining life greater than the study life are not included in the calculation unless they are specifically instructed by the HOA to be included. For example; building framing, foundations, water lines, and other long-lived items that fall outside the envelope of the reserve study are excluded from the calculation. Percent Funded is then, the current reserve balance divided by the Fully Funded value multiplied by 100 (to give a percentage). The concept of percent funded is useful when the reserve study is comprehensive, but misleading when the reserve study is superficial or constrained. As a result, we recommend that the statement "Percent Funded" be used with caution.

This study will attempt to achieve a fully-funded reserves (100% funded) during the length of the study.

Keeping Your Reserve Study Current

Reserve Study Specialists believes that funding studies are an essential part of property management. People and property are constantly changing and evolving. As a result, the useful life of a funding study is at best a few years and certainly not more than three years.

This reserve study should be updated to remain an accurate estimation of reserve funding:

- At changes in interest rates
- At changes in inflation rates
- At changes in the number of dues paying members
- Before starting new improvements
- Before making changes to the property
- After a flood or fire
- After the change of ownership or management
- After Annexation or Incorporation

Statement of Qualifications

Reserve Study Specialists is a professional in the business of preparing reserve studies for community associations. I have inspected the association improvements, and have made a complete review of all components required to complete a reserve study. I have completed a physical inspection of the components listed in this reserve study. My inspection included a review of current condition, economic life, remaining useful life, and replacement cost of all components included in this reserve study. No destructive testing was done.

Conflict of Interest

As the preparer of this reserve study, Reserve Study Specialists certifies that we do not have any vested interests, financial interests, or other interests that would cause a conflict of interest in the preparation of this reserve study.

Reserve Study Specialists would like to thank the association for the opportunity to be of service in the preparation of the attached Funding Study. Again, please feel free to write or call at our letterhead address if you have any questions.

Prepared by:

Fred Etemad, PhD
CEO

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338



Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338



Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338



Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338



RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection

RESERVE STUDY SPECIALISTS

P.O. BOX 9178, CALABASAS, CA 91372

TEL: 818-992-1312 FAX: 818-992-1338

Visual Condition of Complex at the time of Inspection