

# Reserve Study / Reserve Management Plan for Timeshare

---

## Objectives and Mechanics

Bill Chaffee, RRP  
Advanced World Concepts, Inc.

# Management and Board Objectives

- Overall planning for continued quality of the property
- Tracking and accountability of reserve items
- Documentation of ADA compliance and insurance documentation
- Determine alternative plans for refurbishment and replacement
- Budget support for owner reserve contributions (prepared and finalized for distribution to owners prior to the beginning of calendar or fiscal year)
- Assuring that reserve funds will be available when needed in the future
- To receive easy to understand analyses/reports
- Keeping or increasing the “value” of your resort for all of your owners as well as exchangers while also generating an increased rental volume

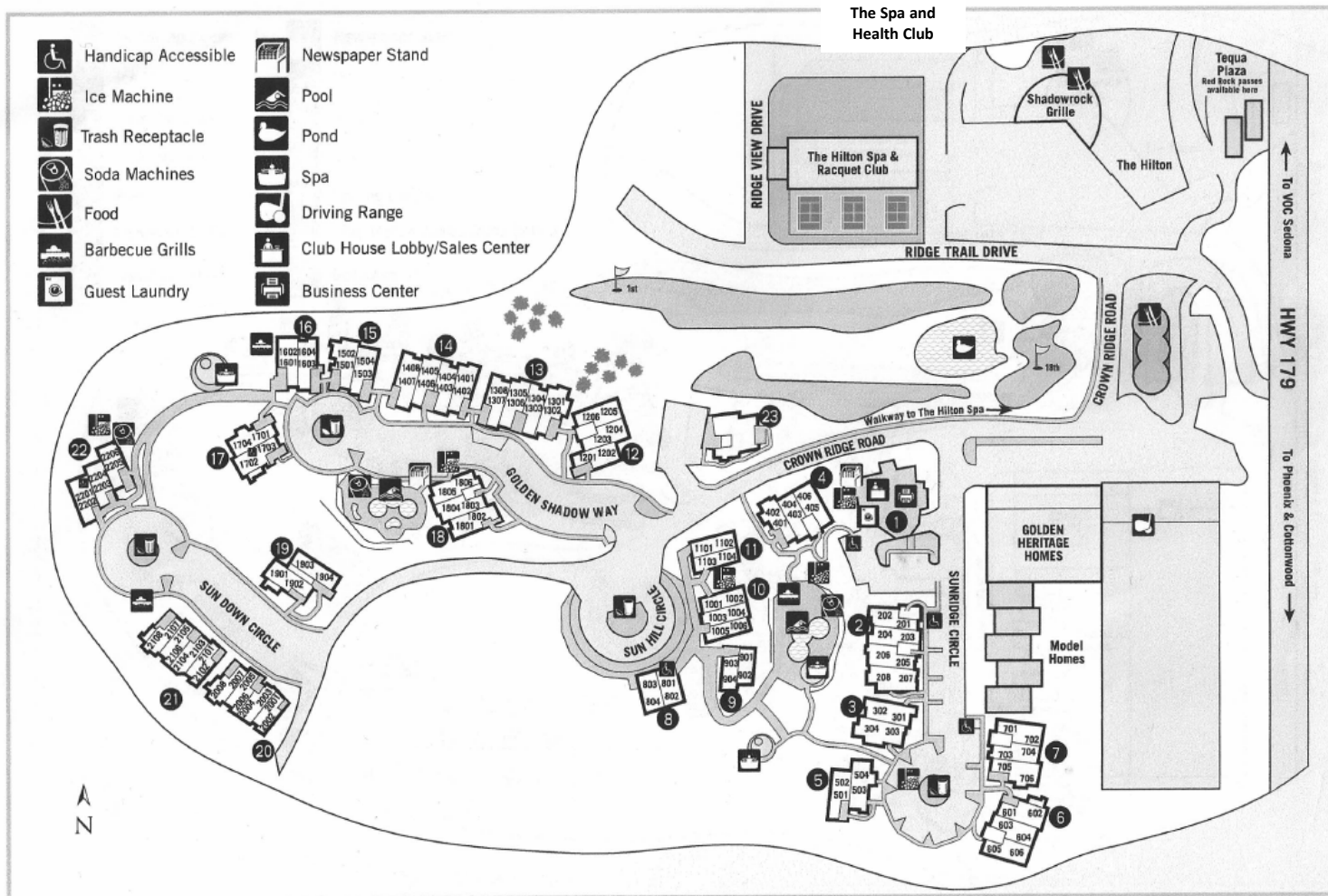
# Mechanics of Reserves

- Collecting the reserve data
- “Scoping” the reserve data
- Determine how the reserve data will be tracked  
(common area, interiors, phasing, model types)
- Timing / scheduling when reserve items are to be refurbished or replaced
- Produce a financial cash flow forecast
- The cash flow should consider inflation, interest earned and annual increases to the contribution
- Determine alternative plans for refurbishment and replacement

# Collecting the Reserve Data

- **Plat Map** (with detail of common areas, buildings, floors, unit numbers and related model types)
- **Model Floor Plans** (master, lock-offs, ADA, one bed, two bed, etc. units)
- **Inventory by room/area** (for each model floor plan)

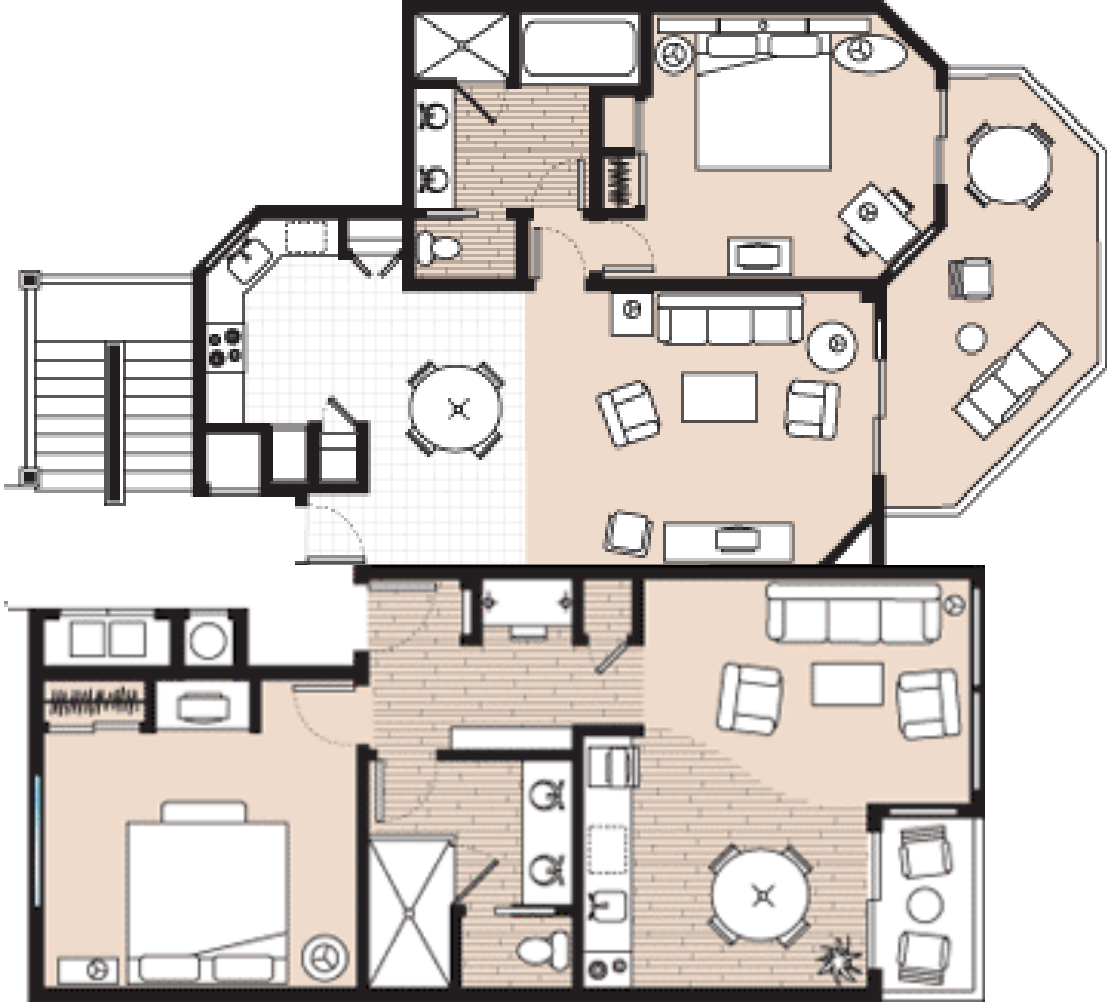
# Plat Map



# Floor Plan



# Floor Plan



# Inventory Data by Room/Area

- Reserve Item Description / Category
- Measurement Basis (sq. ft., linear feet, each, total, etc.)
- Basis Cost
- Quantity (by model specification)
- Estimated Useful Life (adjusted life)
- Schedule Timing to Replace or Maintain:
  - Date scheduled to be replaced or maintained
  - In how long (years:months) until replaced or maintained as of the analysis date (first day of calendar or fiscal year)



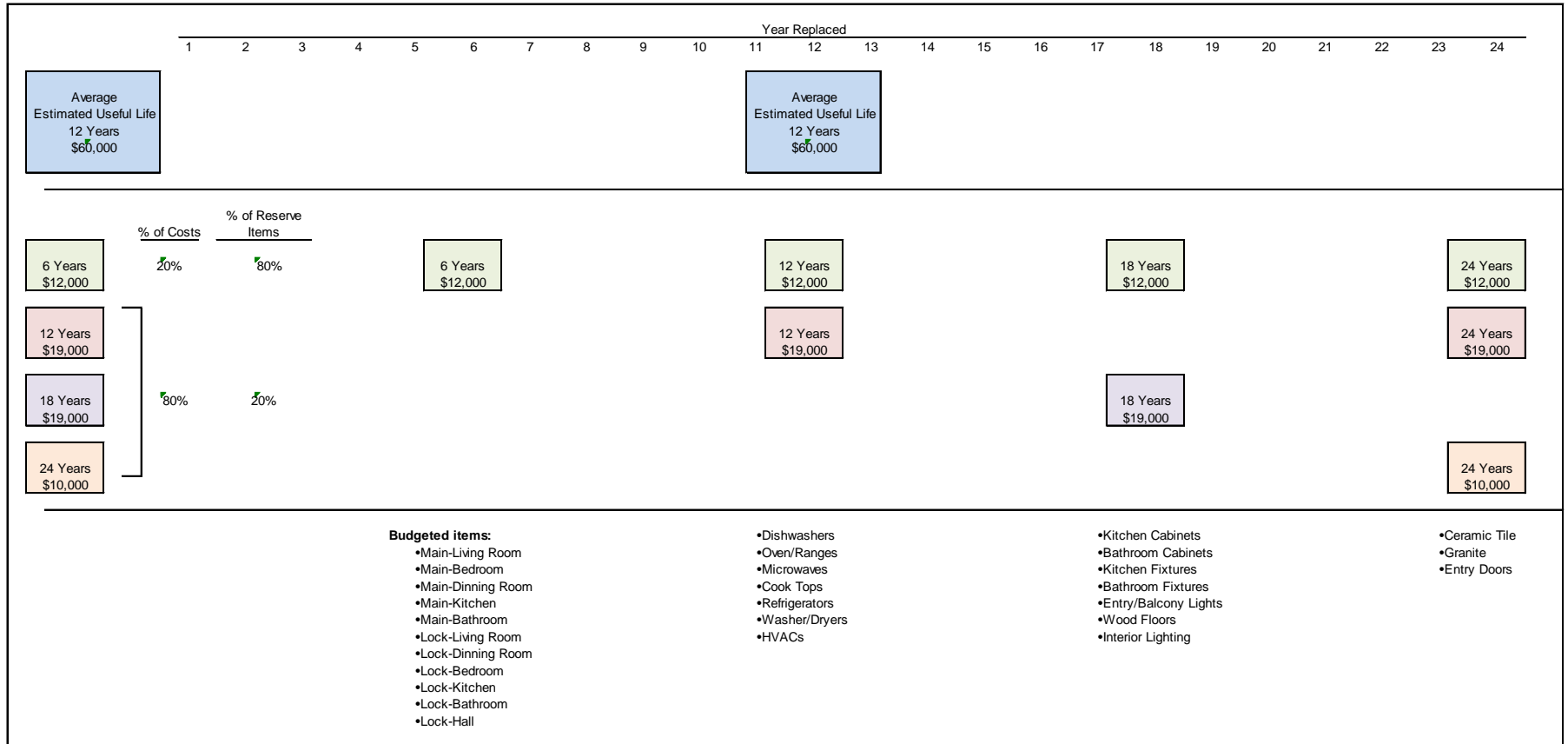
# “Scoping” the Interior Reserve Item Data

- Track 200 to 300 interior reserve items or 40 to 50 reserve items
- Exclude tracking individual reserve items with minimal costs or group reserve items to be tracked together (tracking too much detail becomes an exercise of diminishing returns)
- Apply the 80-20 rule, on average 80% of the cost of the reserve items is represented by 20% of the items, track these items individually
- Group reserve items by the estimated useful life

# Sample Reserve Data Collected

Kitchen Reserve Items								
Analysis Date	1/1/2014							
	Measurement Basis	Basis Cost	Quantity	Total Cost	Estimated Useful Life Years:Months	Replace Date	Replace Years:Months	
<b>Track as a Group:</b>								
Small Appliances:								
Toaster	each	\$ 40.00	1	\$ 40.00	6:00	7/1/2017	3:06	
Blender	each	45.00	1	45.00	6:00	7/1/2017	3:06	
Coffee Maker	each	35.00	1	35.00	6:00	7/1/2017	3:06	
				<u>\$ 120.00</u>				
Kitchen Package:								
Pots and Pans	total	\$ 350.00	1	\$ 350.00	6:00	7/1/2017	3:06	
Dishes and Glass Ware	total	300.00	1	300.00	6:00	7/1/2017	3:06	
Cooking and Eating Utensils	total	100.00	1	100.00	6:00	7/1/2017	3:06	
Trash Can	each	35.00	1	35.00	6:00	7/1/2017	3:06	
Fire Extinguisher	each	50.00	1	50.00	6:00	7/1/2017	3:06	
				<u>835.00</u>				
Paint	square feet	5.00	120	600.00	6:00	7/1/2017	3:06	
Window Blinds	each	60.00	2	120.00	6:00	7/1/2017	3:06	
				<u>\$ 720.00</u>				
				<u>\$ 1,675.00</u>				
				20.33%	percentage of total			
<b>Track Separately:</b>								
Sink and Faucet	total	\$ 750.00	1	\$ 750.00	12:00	7/1/2023	9:06	
Dishwasher	each	600.00	1	600.00	12:00	7/1/2023	9:06	
Microwave	each	275.00	1	275.00	12:00	7/1/2023	9:06	
Refrigerator	each	1,800.00	1	1,800.00	12:00	7/1/2023	9:06	
Stove/Oven	each	850.00	1	850.00	12:00	7/1/2023	9:06	
Cabinets	linear feet	25.00	14	350.00	18:00	7/1/2029	15:06	
Lighting	total	450.00	1	450.00	18:00	7/1/2029	15:06	
Countertops-Granite	square feet	35.00	14	490.00	24:00	7/1/2035	21:06	
Tile Floor	square feet	20.00	50	1,000.00	24:00	7/1/2035	21:06	
				<u>\$ 6,565.00</u>				
				79.67%	percentage of total			
				<u>\$ 8,240.00</u>	total kitchen reserve items			

# Timing/Scheduling the Data



# Financial Plan

Once the data is collected the last step is preparing a financial plan via a cash flow forecast. The following parameters should be considered:

- Inflation
- Interest Earned on Reserve Funds
- Annual Increase to the Contribution

Vehicles for producing the cash flow projection:

- Spreadsheet
- Reserve Timeshare Specific Software
- Reserve Timeshare Specialist Company

## Cash Flow - Annual

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/13 - 12/13	\$ 502,497.97	\$ 156,000.00	\$ 19,207.90	\$ 153,460.11	\$ 524,245.76
01/14 - 12/14	524,245.76	160,680.00	17,607.65	40,328.84	662,204.57
01/15 - 12/15	662,204.57	165,500.40	15,040.48	101,508.24	741,237.21
01/16 - 12/16	741,237.21	170,465.40	21,896.66	29,578.86	904,020.41
01/17 - 12/17	904,020.41	175,579.32	19,478.16	57,140.45	1,041,937.44
01/18 - 12/18	1,041,937.44	180,846.72	2,300.71	78,977.25	1,146,107.62
01/19 - 12/19	1,146,107.62	186,272.16	2,304.76	310,905.89	1,023,778.65
01/20 - 12/20	1,023,778.65	191,860.32	2,312.66	35,036.75	1,182,914.88
01/21 - 12/21	1,182,914.88	197,616.12	2,646.22	47,712.00	1,335,465.22
01/22 - 12/22	1,335,465.22	203,544.60	2,938.81	84,212.01	1,457,736.62
	<u>\$ 502,497.97</u>	<u>\$ 1,788,365.04</u>	<u>\$ 105,734.01</u>	<u>\$ 938,860.40</u>	<u>\$ 1,457,736.62</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/23 - 12/23	1,457,736.62	209,650.92	3,222.72	63,239.42	1,607,370.84
01/24 - 12/24	1,607,370.84	215,940.48	3,560.85	46,471.95	1,780,400.22
01/25 - 12/25	1,780,400.22	222,418.68	3,598.94	388,610.04	1,617,807.80
01/26 - 12/26	1,617,807.80	229,091.28	3,609.16	30,660.35	1,819,847.89
01/27 - 12/27	1,819,847.89	235,964.04	3,699.84	384,415.82	1,675,095.95
01/28 - 12/28	1,675,095.95	243,042.96	3,699.27	79,324.48	1,842,513.70
01/29 - 12/29	1,842,513.70	250,334.28	4,071.56	65,929.52	2,030,990.02
01/30 - 12/30	2,030,990.02	257,844.36	4,491.89	46,820.54	2,246,505.73
01/31 - 12/31	2,246,505.73	265,579.68	4,549.72	454,897.64	2,061,737.49
01/32 - 12/32	2,061,737.49	273,547.08	4,547.71	74,789.42	2,265,042.86
	<u>\$ 1,457,736.62</u>	<u>\$ 2,403,413.76</u>	<u>\$ 39,051.66</u>	<u>\$ 1,635,159.18</u>	<u>\$ 2,265,042.86</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/33 - 12/33	2,265,042.86	281,753.52	2,288.27	2,340,632.86	208,451.79
01/34 - 12/34	208,451.79	290,206.08	690.73	56,793.28	442,555.32
01/35 - 12/35	442,555.32	298,912.32	113.68	601,890.50	139,690.82
01/36 - 12/36	139,690.82	307,879.68	565.62	49,737.58	398,398.54
01/37 - 12/37	398,398.54	317,116.08	595.21	595,837.22	120,272.61
01/38 - 12/38	120,272.61	326,629.56	511.39	86,756.24	360,657.32
01/39 - 12/39	360,657.32	336,428.40	1,069.05	42,808.45	655,346.32
01/40 - 12/40	655,346.32	346,521.24	1,682.57	57,000.71	946,549.42
01/41 - 12/41	946,549.42	356,916.84	2,291.97	71,801.23	1,233,957.00
01/42 - 12/42	1,233,957.00	367,624.32	2,857.61	115,337.89	1,489,101.04
	<u>\$ 2,265,042.86</u>	<u>\$ 3,229,988.04</u>	<u>\$ 12,666.10</u>	<u>\$ 4,018,595.96</u>	<u>\$ 1,489,101.04</u>