



**RESERVE STUDY**

Member Distribution Materials

**Hidden Valley Lake**

*Update w/o Site Visit Review*

2017 Update- Final

Published - October 27, 2017

Prepared for the 2018 Fiscal Year

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October 27, 2017

This is a summary of the Reserve Study that has been performed for Hidden Valley Lake, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/o Site Visit Review for the January 1, 2018 - December 31, 2018 fiscal year.

Hidden Valley Lake is a Planned Development with a total of 3,271 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

### **Funding Assessment**

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Hidden Valley Lake  
California Member Summary  
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<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2017 Fully Funded Balance</i>	<i>2018 Fully Funded Balance</i>	<i>2018 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>	<b>10,789,088</b>	<b>1-50</b>	<b>0-23</b>	<b>5,491,578</b>	<b>6,056,833</b>	<b>523,390</b>
<b>02000 - Concrete</b>	<b>90,370</b>	<b>1-25</b>	<b>0-13</b>	<b>39,086</b>	<b>51,499</b>	<b>19,008</b>
<b>03000 - Painting: Exterior</b>	<b>50,020</b>	<b>7-15</b>	<b>0-13</b>	<b>19,059</b>	<b>25,272</b>	<b>6,248</b>
<b>03500 - Painting: Interior</b>	<b>52,177</b>	<b>3-12</b>	<b>2-5</b>	<b>28,400</b>	<b>35,654</b>	<b>5,739</b>
<b>04000 - Structural Repairs</b>	<b>1,813,963</b>	<b>1-50</b>	<b>0-49</b>	<b>536,408</b>	<b>563,272</b>	<b>57,259</b>
<b>04500 - Decking/Balconies</b>	<b>303,616</b>	<b>20-40</b>	<b>8-39</b>	<b>17,178</b>	<b>27,648</b>	<b>10,779</b>
<b>05000 - Roofing</b>	<b>372,573</b>	<b>15-40</b>	<b>1-33</b>	<b>94,486</b>	<b>106,731</b>	<b>17,691</b>
<b>08000 - Rehab</b>	<b>7,362,242</b>	<b>1-50</b>	<b>0-48</b>	<b>6,694,617</b>	<b>6,913,992</b>	<b>186,671</b>
<b>11000 - Gate Equipment</b>	<b>178,756</b>	<b>5-40</b>	<b>1-39</b>	<b>70,518</b>	<b>92,307</b>	<b>18,075</b>
<b>12000 - Pool</b>	<b>266,506</b>	<b>1-25</b>	<b>0-12</b>	<b>137,958</b>	<b>145,703</b>	<b>24,180</b>
<b>17000 - Tennis Court</b>	<b>68,032</b>	<b>5-24</b>	<b>0-12</b>	<b>36,078</b>	<b>41,812</b>	<b>5,455</b>
<b>17500 - Basketball / Sport Court</b>	<b>72,703</b>	<b>6-30</b>	<b>4-18</b>	<b>29,978</b>	<b>33,473</b>	<b>3,275</b>
<b>18000 - Landscaping</b>	<b>3,228,357</b>	<b>1-20</b>	<b>0-19</b>	<b>1,914,242</b>	<b>1,921,599</b>	<b>297,467</b>
<b>18500 - Lakes / Ponds</b>	<b>1,397,285</b>	<b>1-30</b>	<b>0-19</b>	<b>995,979</b>	<b>956,028</b>	<b>58,316</b>
<b>19000 - Fencing</b>	<b>209,497</b>	<b>1-30</b>	<b>0-29</b>	<b>57,514</b>	<b>66,727</b>	<b>11,161</b>
<b>19500 - Retaining Wall</b>	<b>10,842</b>	<b>10-20</b>	<b>2-14</b>	<b>5,900</b>	<b>6,784</b>	<b>704</b>
<b>20000 - Lighting</b>	<b>91,481</b>	<b>10-40</b>	<b>1-13</b>	<b>57,058</b>	<b>61,766</b>	<b>3,430</b>
<b>21000 - Signage</b>	<b>93,530</b>	<b>1-30</b>	<b>0-19</b>	<b>54,303</b>	<b>56,713</b>	<b>10,677</b>
<b>22000 - Office Equipment</b>	<b>244,572</b>	<b>1-40</b>	<b>0-9</b>	<b>148,262</b>	<b>119,448</b>	<b>31,966</b>
<b>23000 - Mechanical Equipment</b>	<b>207,402</b>	<b>1-25</b>	<b>0-27</b>	<b>115,087</b>	<b>107,417</b>	<b>19,818</b>
<b>24000 - Furnishings</b>	<b>108,121</b>	<b>1-20</b>	<b>0-13</b>	<b>46,734</b>	<b>54,616</b>	<b>9,013</b>
<b>24500 - Audio / Visual</b>	<b>5,342</b>	<b>10-10</b>	<b>0-2</b>	<b>4,753</b>	<b>2,960</b>	<b>450</b>
<b>24600 - Safety / Access</b>	<b>131,453</b>	<b>4-12</b>	<b>0-11</b>	<b>66,008</b>	<b>72,345</b>	<b>14,451</b>
<b>25000 - Flooring</b>	<b>148,893</b>	<b>1-40</b>	<b>0-39</b>	<b>48,465</b>	<b>37,341</b>	<b>9,748</b>
<b>26000 - Outdoor Equipment</b>	<b>323,589</b>	<b>1-30</b>	<b>0-23</b>	<b>162,153</b>	<b>174,184</b>	<b>20,605</b>
<b>27000 - Appliances</b>	<b>234,806</b>	<b>5-25</b>	<b>0-18</b>	<b>187,892</b>	<b>159,928</b>	<b>15,099</b>
<b>28500 - Waste Water Treatment</b>	<b>18,911</b>	<b>30-30</b>	<b>28-28</b>	<b>1,261</b>	<b>1,938</b>	<b>1,031</b>
<b>30000 - Miscellaneous</b>	<b>2,382,806</b>	<b>1-40</b>	<b>0-29</b>	<b>1,167,795</b>	<b>1,371,380</b>	<b>215,468</b>
Totals	<b>\$30,256,935</b>			<b>\$18,228,751</b>	<b>\$19,265,370</b>	<b>\$1,597,174</b>
Estimated Ending Balance				<b>\$6,530,941</b>	<b>\$5,295,440</b>	<b>\$40.69</b>
Percent Funded				<b>35.8%</b>	<b>27.5%</b>	/Lot/month @ 3271

October 27, 2017

(1) The regular assessment per ownership interest is \$185 Homes / \$141 Lots per month for the fiscal year beginning January 1, 2018.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_ of the attached summary.*

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	\$0.00	N/A
Total:	\$0.00	

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_ of the attached report.*

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes  No

*This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.*

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

A approximate date assessment will be due:	A amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$18,228,751, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of October, 2017. The projected reserve fund cash balance at the end of the current fiscal year is \$6,530,941 resulting in reserves being 35.8% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

*An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2018	\$19,265,370	\$5,295,440	27.5%
2019	\$18,585,223	\$3,197,793	17.2%
2020	\$16,676,761	\$618,904	3.7%
2021	\$14,097,847	\$1,229,217	8.7%
2022	\$14,462,122	\$2,247,444	15.5%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, 2.50% per year was the assumed long-term inflation rate, and 2.50% per year was the assumed long-term interest rate.

**Additional Disclosures**

**§5565(d)** The current deficiency in reserve funding as of December 31, 2018 is \$4,271 per ownership interest (average).

*This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.*

$$\text{Deficiency} = \frac{\text{2018 Fully Funded Balance} - \text{2018 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§5300(b)(4)** The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

**§5300(b)(5)** The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

*Option #7*

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Beginning Balance</b>	5,318,279	6,530,941	5,295,440	3,197,793	618,904	1,229,217	2,247,444	3,351,529	5,013,465	4,106,965
<b>Inflated Expenditures @ 2.5%</b>	669,775	2,978,680	4,044,044	4,749,307	1,860,667	1,497,340	1,462,408	963,681	3,566,666	1,285,812
<b>Reserve Contribution</b>	1,385,233	1,597,174	1,841,542	2,123,298	2,448,163	2,472,645	2,497,371	2,522,345	2,547,568	2,573,044
<i>Lots/month @ 3271</i>	35.29	40.69	46.92	54.09	62.37	62.99	63.62	64.26	64.90	65.55
<i>Percentage Increase</i>		15.3%	15.3%	15.3%	15.3%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other</b>	350,917 <sup>1</sup>	0	0	0	0	0	0	0	0	0
<b>Interest After Tax @ 2.50%</b>	146,287	146,005	104,855	47,120	22,816	42,922	69,123	103,272	112,598	118,765
<b>Ending Balance</b>	6,530,941	5,295,440	3,197,793	618,904	1,229,217	2,247,444	3,351,529	5,013,465	4,106,965	5,512,961

1) \$350,917 was added to the reserve fund on January 31, 2017 from the collapse of the Capital Improvement Fund.

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Beginning Balance</b>	5,512,961	4,580,673	5,694,577	6,924,505	5,475,576	6,542,160	7,903,108	9,628,463	11,280,940	9,820,917
<b>Inflated Expenditures @ 2.5%</b>	3,655,675	1,637,713	1,576,873	4,279,536	1,786,078	1,548,727	1,249,735	1,391,902	4,534,640	2,457,598
<b>Reserve Contribution</b>	2,598,774	2,624,762	2,651,010	2,677,520	2,704,295	2,731,338	2,758,651	2,786,238	2,814,100	2,842,241
<i>Lots/month @ 3271</i>	66.21	66.87	67.54	68.21	68.90	69.58	70.28	70.98	71.69	72.41
<i>Percentage Increase</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest After Tax @ 2.50%</b>	124,613	126,855	155,791	153,087	148,367	178,337	216,439	258,141	260,517	250,331
<b>Ending Balance</b>	4,580,673	5,694,577	6,924,505	5,475,576	6,542,160	7,903,108	9,628,463	11,280,940	9,820,917	10,455,891

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
<b>Beginning Balance</b>	10,455,891	12,193,061	13,773,635	15,261,288	12,099,035	13,351,080	14,988,626	16,467,427	17,982,707	20,023,951
<b>Inflated Expenditures @ 2.5%</b>	1,413,110	1,639,372	1,799,167	6,457,682	2,049,378	1,729,422	1,956,813	1,987,770	1,536,491	2,990,921
<b>Reserve Contribution</b>	2,870,663	2,899,370	2,928,364	2,957,648	2,987,224	3,017,096	3,047,267	3,077,740	3,108,517	3,139,602
<i>Lots/month @ 3271</i>	73.13	73.87	74.60	75.35	76.10	76.86	77.63	78.41	79.19	79.99
<i>Percentage Increase</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest After Tax @ 2.50%</b>	279,617	320,576	358,456	337,782	314,199	349,873	388,346	425,310	469,218	502,457
<b>Ending Balance</b>	12,193,061	13,773,635	15,261,288	12,099,035	13,351,080	14,988,626	16,467,427	17,982,707	20,023,951	20,675,089