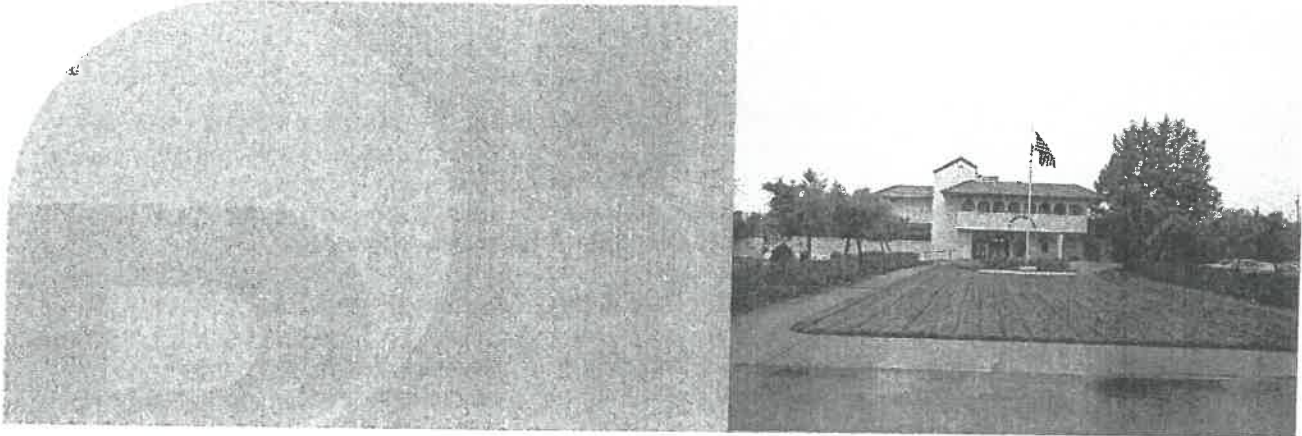




Clarity from Complexity



## RESERVE STUDY

Member Distribution Materials

### Lake Don Pedro Owners Association

*Update w/o Site Visit Review*

2018/19 Update

Published - February 27, 2019

Prepared for the 2019/2020 Fiscal Year

Section	Report	Page
California:	Member Summary	1
	Assessment and Reserve Funding Disclosure Summary	[Civil Code §5570] 3
Section III:	30 Year Reserve Funding Plan	Cash Flow Method {c} 5

**Browning Reserve Group**

[www.BrowningRG.com](http://www.BrowningRG.com)



February 27, 2019

This is a summary of the Reserve Study that has been performed for Lake Don Pedro Owners Association, (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 July 1, 2019 - June 30, 2020 fiscal year.

Lake Don Pedro Owners Association is a Planned Development with a total of 3,120 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.

Lake Don Pedro Owners Association  
California Member Summary  
2018/19 Update  
Prepared for the 2019/2020 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2018/2019 Fully Funded Balance</i>	<i>2019/2020 Fully Funded Balance</i>	<i>2019/2020 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>	99,969	3-25	2-20	23,376	30,747	4,846
<b>02000 - Concrete</b>	7,662	8-10	1-5	4,594	5,636	530
<b>02500 - Decking/Balconies</b>	5,946	10-25	8-23	750	1,153	289
<b>03000 - Painting: Exterior</b>	25,763	8-10	3-4	17,448	20,600	1,539
<b>03500 - Painting: Interior</b>	3,046	5-5	1-1	2,437	3,122	336
<b>04000 - Structural Repairs</b>	85,109	20-30	2-19	30,587	35,384	3,012
<b>05000 - Roofing</b>	117,350	10-30	2-15	73,921	80,501	3,146
<b>08000 - Rehab</b>	89,510	5-20	1-6	71,536	81,992	4,792
<b>12000 - Pool</b>	26,893	3-12	2-11	4,664	7,367	1,848
<b>14000 - Recreation</b>	1,341	5-5	1-1	1,073	1,374	148
<b>18000 - Landscaping</b>	3,055	5-20	2-3	2,031	2,470	218
<b>18500 - Lakes / Ponds</b>	6,093	5-5	2-2	3,656	4,996	688
<b>19000 - Fencing</b>	87,823	15-30	1-19	71,135	76,313	2,036
<b>20000 - Lighting</b>	25,525	15-30	6-10	16,582	18,091	707
<b>21000 - Signage</b>	4,370	5-10	1-3	2,843	3,685	425
<b>22000 - Office Equipment</b>	3,745	5-5	3-3	1,498	2,303	433
<b>23000 - Mechanical Equipment</b>	58,681	6-30	2-24	29,032	34,446	2,921
<b>24000 - Furnishings</b>	42,342	8-25	1-20	27,766	32,143	2,149
<b>24500 - Audio / Visual</b>	1,690	10-10	7-7	507	693	108
<b>24600 - Safety / Access</b>	24,556	6-10	4-5	9,260	13,271	2,195
<b>25000 - Flooring</b>	50,377	5-20	2-17	22,114	24,698	2,127
<b>26000 - Outdoor Equipment</b>	61,876	5-30	1-15	30,327	35,080	2,569
<b>27000 - Appliances</b>	22,775	10-25	2-22	9,686	11,213	887
<b>28000 - Water System</b>	1,351	20-20	10-10	675	762	46
<b>30000 - Miscellaneous</b>	51,914	15-20	2-15	20,763	24,168	2,007
Totals	<b>\$908,759</b>			<b>\$478,259</b>	<b>\$552,211</b>	<b>\$40,000</b>
Estimated Ending Balance				<b>\$573,230</b>	<b>\$510,831</b>	<b>\$12.82</b>
Percent Funded				<b>119.9%</b>	<b>92.5%</b>	<b>/Lot/year @ 3120</b>



February 27, 2019

- (1) The regular assessment per ownership interest is \$100.00 per year for the fiscal year beginning July 1, 2019.

*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
<b>Total:</b>	<b>\$0.00</b>	

*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

Approximate date assessment will be due:	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 \$478,259, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of February, 2019. The projected reserve fund cash balance at the end of the current fiscal year is \$573,230 resulting in reserves being 120% 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)
2019/20	\$552,211	\$510,831	92.5%
2020/21	\$511,847	\$486,033	95.0%
2021/22	\$491,231	\$470,400	95.8%
2022/23	\$479,875	\$500,083	104.2%
2023/24	\$514,367	\$503,564	97.9%

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 June 30, 2020 is \$13 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.*

$$\text{Deficiency} = \frac{\text{2019/2020 Fully Funded Balance} - \text{2019/2020 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§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.



Section III  
 Lake Don Pedro Owners Association  
**30 Year Reserve Funding Plan Cash Flow Method**  
 2018/19 Update  
 Prepared for the 2019/2020 Fiscal Year

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Beginning Balance</b>	514,798	573,230	510,831	486,033	470,400	500,083	503,564	539,668	596,735	618,450
<b>Inflated Expenditures @ 2.5%</b>	0	115,783	97,105	89,181	45,828	74,282	44,043	26,182	64,512	54,361
<b>Reserve Contribution</b>	45,000	40,000 <sup>1</sup>	60,000	61,740	63,530	65,372	67,268	69,219	71,226	73,292
<i>Lots/year @ 3120</i>	14.42	12.82	19.23	19.79	20.36	20.95	21.56	22.19	22.83	23.49
<i>Percentage Increase</i>		-11.1%	50.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	13,432	13,383	12,307	11,808	11,981	12,391	12,879	14,030	15,002	15,698
<b>Ending Balance</b>	573,230	510,831	486,033	470,400	500,083	503,564	539,668	596,735	618,450	653,079

1) 2019/2020 Reserve Contribution per client.

	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
<b>Beginning Balance</b>	653,079	650,741	657,593	555,397	566,724	629,003	648,121	696,130	658,662	660,883
<b>Inflated Expenditures @ 2.5%</b>	93,852	86,905	197,026	84,697	37,037	83,655	58,116	146,319	108,867	47,753
<b>Reserve Contribution</b>	75,417	77,604	79,855	82,171	84,554	87,006	89,529	92,125	94,797	97,546
<i>Lots/year @ 3120</i>	24.17	24.87	25.59	26.34	27.10	27.89	28.70	29.53	30.38	31.26
<i>Percentage Increase</i>	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	16,097	16,152	14,975	13,853	14,762	15,767	16,596	16,726	16,291	17,144
<b>Ending Balance</b>	650,741	657,593	555,397	566,724	629,003	648,121	696,130	658,662	660,883	727,820

	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
<b>Beginning Balance</b>	727,820	669,896	632,848	658,866	609,504	688,280	765,613	812,685	841,151	864,323
<b>Inflated Expenditures @ 2.5%</b>	175,555	156,418	96,210	174,384	49,781	56,415	91,571	114,565	124,052	64,852
<b>Reserve Contribution</b>	100,375	103,286	106,281	109,363	112,535	115,799	119,157	122,613	126,169	129,828
<i>Lots/year @ 3120</i>	32.17	33.10	34.06	35.05	36.07	37.12	38.19	39.30	40.44	41.61
<i>Percentage Increase</i>	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	17,256	16,083	15,947	15,659	16,022	17,949	19,485	20,418	21,055	22,420
<b>Ending Balance</b>	669,896	632,848	658,866	609,504	688,280	765,613	812,685	841,151	864,323	951,719