



October 26, 2016

This is a summary of the Reserve Study that has been performed for Sierra Springs Property 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 January 1, 2017 - December 31, 2017 fiscal year.

Sierra Springs Property Owners Association is a Planned Development with a total of 638 Units.

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.

Sierra Springs Property Owners Association  
California Member Summary  
2016 Update- 2  
Prepared for the 2017 Fiscal Year

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2016 Fully Funded Balance	2017 Fully Funded Balance	2017 Line Item Contribution based on Cash Flow Method
<b>01000 - Paving</b>	<b>331,376</b>	<b>1-25</b>	<b>0-24</b>	<b>74,963</b>	<b>133,965</b>	<b>53,036</b>
<b>02000 - Concrete</b>	<b>8,230</b>	<b>5-5</b>	<b>1-9</b>	<b>4,946</b>	<b>6,479</b>	<b>1,202</b>
<b>03000 - Painting: Exterior</b>	<b>11,880</b>	<b>4-5</b>	<b>1-5</b>	<b>8,529</b>	<b>11,177</b>	<b>1,985</b>
<b>03500 - Painting: Interior</b>	<b>12,974</b>	<b>10-10</b>	<b>6-9</b>	<b>4,838</b>	<b>6,289</b>	<b>1,147</b>
<b>04000 - Structural Repairs</b>	<b>31,570</b>	<b>5-20</b>	<b>1-6</b>	<b>25,270</b>	<b>30,662</b>	<b>3,636</b>
<b>04500 - Decking/Balconies</b>	<b>38,046</b>	<b>2-20</b>	<b>1-16</b>	<b>16,130</b>	<b>22,005</b>	<b>4,653</b>
<b>05000 - Roofing</b>	<b>27,245</b>	<b>1-25</b>	<b>0-9</b>	<b>18,151</b>	<b>17,606</b>	<b>955</b>
<b>08000 - Rehab</b>	<b>97,701</b>	<b>2-20</b>	<b>1-20</b>	<b>23,775</b>	<b>44,360</b>	<b>16,775</b>
<b>12000 - Pool</b>	<b>134,609</b>	<b>5-24</b>	<b>0-23</b>	<b>50,593</b>	<b>56,788</b>	<b>10,680</b>
<b>14000 - Recreation</b>	<b>10,486</b>	<b>15-20</b>	<b>11-16</b>	<b>2,465</b>	<b>3,159</b>	<b>644</b>
<b>17000 - Tennis Court</b>	<b>20,520</b>	<b>7-7</b>	<b>5-5</b>	<b>5,863</b>	<b>9,014</b>	<b>2,510</b>
<b>18000 - Landscaping</b>	<b>69,436</b>	<b>1-5</b>	<b>0-3</b>	<b>38,345</b>	<b>50,672</b>	<b>14,818</b>
<b>19000 - Fencing</b>	<b>41,366</b>	<b>20-30</b>	<b>6-16</b>	<b>24,623</b>	<b>26,665</b>	<b>1,420</b>
<b>19500 - Retaining Wall</b>	<b>28,853</b>	<b>20-25</b>	<b>6-24</b>	<b>5,324</b>	<b>6,668</b>	<b>1,480</b>
<b>21000 - Signage</b>	<b>6,150</b>	<b>15-15</b>	<b>6-6</b>	<b>3,690</b>	<b>4,203</b>	<b>360</b>
<b>22000 - Office Equipment</b>	<b>3,500</b>	<b>5-5</b>	<b>0-0</b>	<b>3,500</b>	<b>718</b>	<b>530</b>
<b>23000 - Mechanical Equipment</b>	<b>8,168</b>	<b>10-15</b>	<b>1-8</b>	<b>4,629</b>	<b>5,355</b>	<b>523</b>
<b>24000 - Furnishings</b>	<b>15,122</b>	<b>15-20</b>	<b>11-16</b>	<b>3,621</b>	<b>4,639</b>	<b>939</b>
<b>24500 - Audio / Visual</b>	<b>3,311</b>	<b>10-10</b>	<b>6-6</b>	<b>1,325</b>	<b>1,697</b>	<b>291</b>
<b>25000 - Flooring</b>	<b>20,809</b>	<b>20-20</b>	<b>16-20</b>	<b>3,952</b>	<b>5,050</b>	<b>1,173</b>
<b>25500 - Wallcoverings</b>	<b>6,005</b>	<b>20-20</b>	<b>20-20</b>	<b>286</b>	<b>308</b>	<b>355</b>
<b>26000 - Outdoor Equipment</b>	<b>16,998</b>	<b>3-20</b>	<b>1-17</b>	<b>9,636</b>	<b>11,166</b>	<b>1,106</b>
<b>27000 - Appliances</b>	<b>10,100</b>	<b>7-12</b>	<b>3-8</b>	<b>4,234</b>	<b>5,425</b>	<b>920</b>
<b>30000 - Miscellaneous</b>	<b>76,095</b>	<b>1-20</b>	<b>0-4</b>	<b>53,457</b>	<b>60,047</b>	<b>5,457</b>
<b>31000 - Reserve Study</b>	<b>3,200</b>	<b>3-3</b>	<b>2-2</b>	<b>1,067</b>	<b>2,187</b>	<b>848</b>
<b>32000 - Undesignated</b>	<b>3,919</b>	<b>2-2</b>	<b>1-1</b>	<b>1,959</b>	<b>4,017</b>	<b>1,520</b>
Totals	<b>\$1,037,670</b>			<b>\$395,171</b>	<b>\$530,317</b>	<b>\$128,961</b>
Estimated Ending Balance				<b>\$411,985</b>	<b>\$409,217</b>	<b>\$50.53</b>
Percent Funded				<b>104.3%</b>	<b>77.2%</b>	/Unit/quarter @ 638



October 26, 2016

(1) The regular assessment per ownership interest per quarter varies by size or type of ownership interest for the fiscal year beginning January 1, 2017.

*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 \$395,171, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of October, 2016. The projected reserve fund cash balance at the end of the current fiscal year is \$411,985 resulting in reserves being 104% 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)
2017	\$530,317	\$409,217	77.2%
2018	\$553,683	\$467,326	84.4%
2019	\$638,704	\$543,164	85.0%
2020	\$741,122	\$274,145	37.0%
2021	\$493,767	\$349,170	70.7%

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, 2017 is \$190 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.*

$$\text{Deficiency} = \frac{\text{2017 Fully Funded Balance} - \text{2017 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§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**  
Sierra Springs Property Owners Association  
**30 Year Reserve Funding Plan Cash Flow Method**  
2016 Update- 2  
Prepared for the 2017 Fiscal Year

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Beginning Balance</b> <sup>1)</sup>	307,936	411,985	409,217	467,326	543,164	274,145	349,170	390,194	494,546	542,879
<b>Inflated Expenditures @ 2.5%</b>	29,079	141,867	86,575	75,586	423,338	82,380	123,503	67,875	131,908	458,475
<b>Reserve Contribution</b>	124,240	128,961	133,862	138,949	144,229	149,710	155,399	161,304	167,434	173,796
<i>Units/quarter @ 638</i>	48.68	50.53	52.45	54.45	56.52	58.66	60.89	63.21	65.61	68.10
<i>Percentage Increase</i>		3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	8,888	10,138	10,822	12,475	10,090	7,695	9,128	10,923	12,808	10,013
<b>Ending Balance</b>	411,985	409,217	467,326	543,164	274,145	349,170	390,194	494,546	542,879	268,213

1) 2015 beginning balance includes road fund and replacement fund per 12/31/14 balance sheet. 2016 reserve contribution per 2016 draft operating budget.

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Beginning Balance</b>	268,213	398,478	331,298	458,779	561,254	234,690	389,919	377,350	524,950	658,300
<b>Inflated Expenditures @ 2.5%</b>	58,367	263,444	76,644	111,875	545,315	69,864	247,685	97,756	124,375	625,888
<b>Reserve Contribution</b>	180,400	187,255	194,371	201,757	209,424	217,382	225,643	234,217	243,117	252,355
<i>Units/quarter @ 638</i>	70.69	73.38	76.16	79.06	82.06	85.18	88.42	91.78	95.27	98.89
<i>Percentage Increase</i>	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	8,231	9,010	9,754	12,593	9,826	7,711	9,472	11,140	14,608	11,788
<b>Ending Balance</b>	398,478	331,298	458,779	561,254	234,690	389,919	377,350	524,950	658,300	296,556

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<b>Beginning Balance</b>	296,556	451,009	579,417	800,414	894,339	440,958	658,390	657,825	938,959	1,127,036
<b>Inflated Expenditures @ 2.5%</b>	116,720	156,211	78,268	219,953	773,954	111,782	344,450	78,666	190,438	697,086
<b>Reserve Contribution</b>	261,944	271,898	282,230	292,955	304,087	315,642	327,636	340,086	353,009	366,423
<i>Units/quarter @ 638</i>	102.64	106.54	110.59	114.79	119.16	123.68	128.38	133.26	138.33	143.58
<i>Percentage Increase</i>	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	9,229	12,721	17,035	20,923	16,485	13,572	16,250	19,713	25,506	24,043
<b>Ending Balance</b>	451,009	579,417	800,414	894,339	440,958	658,390	657,825	938,959	1,127,036	820,415