

Four Lakes Village (FLV)

Reserve Fund Analysis - Summary

July 2025

The purpose of the Reserve Fund is to accumulate dollars separate from the Operating Budget to fund (or partially fund) major capital projects for the Village. At Four Lakes Village, projects may include the repair, restoration, or replacement of building exteriors, amenities, and other common areas. Examples are building roofs, siding, trim, stucco, rockery, and exterior lights; driveways and walkways; and amenities including the swimming pool, equipment, pool house, and racquet courts.

Utah law requires that a reserve analysis be conducted at least every 6 years and be reviewed at least every 3 years to see if it should be updated. A reserve analysis should include a list of components, an estimate of the remaining useful life of each component, an estimated cost to repair/replace/restore each component, an estimate of the annual contribution for each component, and a reserve funding plan recommending how the HOA may fund the annual contribution.

The attached Reserve Fund Analysis shows that the Village will have to make significant capital investments over the next 10 years as a result of normal aging of the buildings. It is important to note that all of the cost and date information in the analysis are estimates and in all likelihood will change as new information is gathered. In particular, the assumption about replacing all siding is not necessary in the timeframe listed, but anticipates a recommendation from the architectural study. The architectural study is underway and will provide recommendations to give the Village buildings a “facelift”, which is anticipated to improve the market value of our units. When

the study results are finalized over the next several months, we will update the Reserve Fund Analysis.

Over the past several years, the Village has completed two major capital projects: driveway replacement (2016-18) and landscaping/irrigation system replacement (2020-22). In addition, the pool house has been renovated, pool equipment replaced, a new pool cover and furniture purchased, and the pool completely resurfaced (2024-25).

After the intense 2022-23 winter, there was a focus on repairing/replacing about 18 roofs and inspecting all the roofs. Our roofing company has stated that our roofs (shingles) are in very good shape and should last another 8-10 years, but could last longer. Therefore, it is likely that the next major capital projects will be an outcome of the architectural study, combined with needed siding replacement on several buildings, followed a few years later by the roof replacement effort.

We have created a new “annual capital maintenance” category in the analysis to include regular, annual capital maintenance such as building painting, garage door painting, concrete repair and replacement, significant roof repairs, and the like. These are not capital projects exactly, but they are necessary on-going capital expenditures and will last years. These costs are directly paid for out of the reserve fund portion of dues and are not part of the Reserve Fund created for future capital requirements.

Historically, major capital projects at the Village have been funded by a combination of accumulated reserve funds, annual dues, debt, and special assessments. The funding plan for future capital projects will likely follow a similar approach. As we pay down current debt (1st loan was paid off this

winter and the Analysis assumes the 2nd loan is paid off in the 1st quarter of 2026), the Reserve Fund balance will grow steadily over the next few years even at the current level of member dues with a nominal increase. Specifically, the Analysis assumes a total dues increase of 5% annually with the reserve portion increasing at 6.5-7% annually (see detailed assumptions schedule). The Analysis shows that the Reserve Fund will grow to over \$450,000 by the end of 2027 after paying for annual capital maintenance in 2026 and 2027.

The updated Reserve Fund Analysis is attached and includes: assumptions, major capital line items with estimated replacement costs and dates, and a more detailed year-by-year look at a capital plan for the next 10 years (through 2035). The assumptions are “best estimates”, which we believe are reasonable for planning purposes. Also, large capital items (e.g. roofs, siding) will likely be phased-in over 3 years, which is how the Analysis shows them.

The Analysis shows there is a 10-year deficit of \$7.0 million, which is \$94,000/unit. This is the sum over 10 years of \$10.1 million of capital improvements (\$136,000/unit), less funding from projected Reserve Fund dues of \$5.0 million (\$67,000/unit), plus capital maintenance costs of \$1.8 million (\$25,000 unit). \$136,000/unit (or 5% on average) is not an unreasonable number for capital improvements to 30 year old buildings that are currently valued between \$2-3 million. And the value will likely increase over the next 10 years, especially after improvements arising from the architectural study.

The \$7.0 million deficit will have to be funded by a combination of: deferring dates to replace components such as siding, special assessments at the time of replacing certain components (e.g. siding, roofing), possibly loans if interest rates are reasonable, a higher annual dues increase (more than

5%/year), or establishing an “annual reserve fund supplemental contribution”. The supplemental contribution would be in addition to the annual Reserve Fund portion of dues.

The Study team recommends that additional Reserve Fund funding begin in 2026 (either through a higher dues increase or a supplemental contribution). Also, the team recommends that a Reserve Fund policy be developed that provides guidelines as to how the Fund may and may not be spent and includes a Fund tracking spreadsheet. As this recommendation is considered, it is important to note that a well-funded Reserve Fund will facilitate the saleability of FLV properties.

The Study team was composed of Russ Hurley (former President and current member of Landscaping Committee), Jeff Klein (current Chair of ARC and leader of architectural study project), John Nelson (former President), Bud Stacy (current President and Treasurer) and Jim Wilson (former Treasurer).

Four Lakes Village

Reserve Fund Analysis – Statement of Major Assumptions

July 2025

Dues - Total dues increase at 5% annually. Operating dues increase at 4% annually. Reserve dues increase at 6.5-7% annually.

Cost Inflation - All capital costs increase at 4% annually.

Roofs - 319,000 square feet of roofs at \$12/sf (2025 cost of labor & materials). FLV roofs were replaced in 2007-2009. Normal shingle life is expected to be 30 years and FLV shingles are in very good shape. However, other components of a full roof “system” (ice & water shield, flashing, etc.) lead us to project that roofs will need to be replaced in 25 years (2033-2035).

Chimney Caps – 74 units with 1 chimney each at \$3000/unit (and then rounded up).

Siding/Trim/Fascia - Gross estimate of 3000 linear feet /unit for 74 units at \$10/lf (2025 cost of labor & materials) with a 30% factor to include trim, fascia, soffets, etc. (rounded up). Only a portion of siding must be replaced, but the analysis anticipates a recommendation from the architectural study to install all new siding.

Stucco - Placeholder of \$500,000. Stucco is projected to last 20 years and was last replaced in 2012. The analysis has it being replaced in 2028-2030 along with siding, trim, and fascia. Not clear yet if we will redo the stucco or paint it.

Exterior Lights - 423 lights at \$200/light installed (and then rounded up).

Swimming Pool, etc. - \$100,000. Based on 2024-25 costs to redo pool, equipment, poolhouse floor (rounded up).

Racquet Courts & Fences - Placeholder of \$50,000.

Irrigation System - \$1.0 million to install in 2022; inflated to 2025 dollars is \$1.1 million.

Four Lakes Drive Extension - Currently concrete, but likely will be replaced with asphalt. \$50,000 is based on a recent bid (rounded up).

Annual Capital Maintenance - Based on projected 2025 cost of \$150,000 to repaint 9 buildings, 15 garage doors, repair 2 roofs, replace ridge vents on several roofs, plus some concrete repair work and property management oversight.

August 7, 2025										
				Four Lakes Village						
				Reserve Fund Analysis						
				July 2025						
	Esimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated			
	Total	Replacement	Remaining Years	Replacement	Replacement (2)	Annual Amount				
Reserve Fund Categories	Useful Life	Date	to Fund	Cost (2025 Dollars)	Cost (Future Dollars)	so fund 100% (1)				
Roofs	25	2034	9	3,800,000	5,408,585	532,388				
Chimney Caps (incl. support structure)	25	2034	9	250,000	355,828	35,026				
Siding/Trim/Fascia	25	2029	4	3,000,000	3,509,576	838,884				
Stucco	15	2029	4	500,000	584,929	139,814				
Exterior Lights	15	2029	4	100,000	116,986	27,963				
Swimming Pool/Pool House/Equipment/Fence	15	2039	14	100,000	173,168	10,135				
Racquet Courts and Fences	20	2030	5	50,000	60,833	11,458				
Irrigation System (6)	25	2047	22	1,000,000	2,369,919	77,609				
FL Dr Cul-de-sac Concrete/Asphalt	30	2029	4	50,000	58,493	13,981				
Annual Capital Maintenance (3)	NA	NA	NA	NA	NA	NA				
Total (4)				8,850,000	12,638,316					
Total cost per unit (4)				119,595	170,788					
Dues- Reserve Fund portion - 2025 & 10-year total (5)				339,495	4,972,803					
(1) The numbers in this column are estimated replacement costs in FUTURE dollars divided by the estimated remaining years to fund.										
Future dollars are reduced by an assumed 3% earnings rate on Reserve Fund dollars.										
(2) Estimated replacement cost in future dollars uses a 4% inflation rate compounded annually for the number of years remaining to fund.										
(3) Annual capital maintenance includes items such as building painting, garage door painting, concrete repair and replacement, major roof repairs, etc.										
We expect to spend roughly \$150,000/year on these types of items. No dollars are included above because this is directly subtracted from										
reserve fund portion of dues. It is not considered a part of the Reserve Fund for future capital replacements.										
(4) The average current and future dollar replacement costs in total dollars and per unit (74 units). Note: removing the 2 items outside of the										
10-year horizon (see Note (6) below) reduces these numbers from \$12,638,316 (170,788/unit) to \$10,095,229 (\$136,422/unit).										
(5) \$339,495 is the reserve fund portion of dues in 2025. It has been used primarily to payoff loan principal and interest as well as pay for annual capital										
maintenance items. \$4,972,803 is the total reserve fund portion of dues over 10 years (2026 - 2035), which includes an increase of 6.5-7%/year.										
(6) Swimming pool replacement and irrigation system replacement are anticipated to occur beyond the 10-year time horizon of the Reserve Fund study.										
Current Year		2025								
Inflation Rate		4.00%								
Earnings rate on Reserve Fund (theoretical)		3.00%								

Years Ending December 31

[illegible]