

Saratoga Springs Owners Association, Inc.

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June 28, 2006

SUGJECT: Reserve Study and Possible Dues Increase

Dear SSOA Members,

As you may know, a Reserve Study was done for the Saratoga Springs Owners Association (SSOA) last year by Complex Solutions LTD for the report period of 1 Jan 2006 to 31 Dec 2006. The purpose of a Reserve Study (you can find this on our website at www.utahlake.org) is to provide an educated estimate of the necessary reserve allocation (the amount of money held in reserve for capital expenditures) and was initiated by the SSOA to do this estimate and identify future capital expenses such as street repairs, harbor dredging, new playgrounds, etc.

The Reserve study looked at the Association's holdings, financial responsibilities, and projected these funding needs into the future and recommends an amount (projected ideal Reserve Balance) of \$787, 664 to be built up and held in reserve for these future financial burdens to help alleviate the need for future special assessments and give an advanced warning that major projects will need to be addressed in the future. This will allow the SSOA Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments. The study was also done to get a better understanding of the status of the SSOA Reserve Funds and to assist the SSOA Board in making the decisions on which dues are derived.

You may be wondering why we need such a large amount in our reserve account. In answer to this we invite you to look at the complete reserve study, we encourage you to look this over and make your own evaluation of the status of our association. Most expectedly, our biggest expense in the future is our roads. Given the status of our reserve at present, one big road repair would more than wipe out what we have saved. In order to be responsible and to protect ourselves against future problems, it will be necessary to tighten our belts a little now.

Today we have \$253,000 in the reserve with approximately \$130,000 worth of items scheduled to be replaced or repaired this year. While we are seemingly doing well, if you will look at the Funding Summary (in the Reserve Study) given us by Complex Solutions, in the long-term we do have room to improve. We are at 32% of our ideal balance. Meaning our ideal reserve balance at this time should be \$787,664 and we currently have only 32% of that which is just two percentage point above a "weak" financial position (p.4, Reserve Study, www.utahlake.org).

The recommendation given by Complex Solutions was to increase our monthly reserve allocation from \$5,417 to \$12,450. This additional input to our reserves means an increase is necessary to help get our reserve accounts to where they need to be. Some of the options the board has discussed to help us achieve this goal are as follows:

- We could do a special assessment of \$821.30 of each household to get us to where we need to be immediately.
- We could raise the HOA fees by \$68.00 for one year to reach our recommended reserve within a year.
- We could raise the assessment to somewhere between \$10 and \$20 a month now and reassess in two years with an updated reserve study.

Given these options and by the recommendation of Complex Solutions that although we need to increase, we still have the opportunity at this point to do so more slowly, we have decided that the least painful one is the last. ALL the assessment increase will go directly to building up the reserve account.

A MEETING TO DISCUSS THE ABOVE NEEDS AND A SOLUTION WILL BE HELD ON THURSDAY, 6 JULY 2006 AT 7:00PM IN THE CLUB HOUSE. Please come prepared to participate in the discussion having reviewed the Reserve Study.

Sincerely,

Saratoga Springs Owner's Association, Board
28 June 2006