

Introduction

The purpose of the Reserve Study is to estimate how much it costs to maintain the infrastructure of Alpine Lakes Ranch Property Owners Association. This is not a wish list. These are actual expenses we will see whether we prepare ourselves for them or not.

The 2006 Reserve study presents a hypothetical maintenance schedule based on the life and costs of the various components. An annualized figure for the Reserve Study expenses can be generated by dividing the cost by the life in years of each component. The author of the 2006 Reserve Study appears to have applied generic information to categories that matched our infrastructure components. I originally set out to update the 2006 Reserve Study and eventually concluded that I could not support any of the information it presented.

To create the 2009 Reserve Study, I compiled information from road maintenance invoices from the past two years and sought input from John Thompson who has been the POA Road Director for the past three years and Andy Weber of A&M Construction. Members of the POA BOD worked with members of the WATCO BOD to define which water system expenses were the Water Company's and which were the POA's. I have also included refurbishment of the four dams based on input from the Ditch Company.

The Annual Reserve Fund Assessment should be equal to the Total Annualized Reserve Study Expenses. This is the amount of money each year we should be either spending on Reserve Study components or saving in a Reserve Fund Savings Account to spend on components when necessary.

I have not set a target balance for the Reserve Fund Savings Account. In an ideal world, the Reserve Study will be fully funded, a balance for each component will build up over the period of years assigned to each component, and the funds will be ready to spend when the time comes.

Even before I was elected to the Board, I had planned to up check the information in the 2006 Reserve Study and update it prior to coming up with a plan to fund it. I was hoping to find that a few 12% increases in the annual assessment would give us enough income to adequately maintain the infrastructure here. What I found instead is that that the current Alpine Lakes Ranch POA assessment falls far short of what is required.

Reserve Study Components:

Roads

Re-gravel

Re-graveling is renewing the road surface by applying 4" of a gravel-clay mixture. It is then wetted and compacted with a roller. Andy Weber gave a price of \$52,000 per mile on Bull Elk. Roads easier to work on and closer to town would be 5% to 10% less. As of this writing, we expect the ½ mile of Bull Elk we are doing this Spring to cost about \$24,000 to \$25,000 so I have used \$24,000 for the 2009 Reserve Study.

With the help of John Thompson and Andy Weber, I have divided the Alpine Lakes Ranch roads or road segments into three groups depending on use and maintenance requirements - heavy, medium, and light. The 7.1 miles of heavily used / high maintenance roads should be re-graveled on a 15 year cycle. The 11.7 miles of moderately used / moderate maintenance roads should be re-graveled on 20 year cycle. The 14.2 miles of lightly used / light maintenance roads should be re-graveled on a 25 year cycle.

Roads will need spot treatment in the periods between a full 4" gravel application. There are also many roads or road segments in Alpine Lakes Ranch that need gravel now, I have included \$20,000 for spot treatment of problem areas

To summarize, we need to be spending \$80,000 to \$100,000 per year to maintain the surface of our gravel roads.

Cattle Guards and Steel gates

Cattle Guards last a long time but it is reasonable assumption to expect to replace them eventually. \$35,000 is based on financial records.

Culverts

There are at least 6 locations that need culverts installed to reduce the volume of water in the roadside ditch. Installing a new culvert costs \$2,500 to \$5,000. Also the Coyote Creek culvert under Stallion will have to be replaced sooner rather than later at a cost of \$23,000. These estimates are from our road contractor A&M Construction and financial records.

Drainage/Ditches

Need for repair work and cleaning ditches and culverts often depends on the volume of snowmelt. The figure \$7,000 is from financial records.

Log Entrances

The original log entrances lasted about 10 years. The base of the new log entrances are wrapped with a waterproof membrane and set in gravel which should prolong their life. However they will need to be replaced periodically. I prepared this estimate.

Guard Rails

There are places - mostly on Bull Elk - that need guard rails capable of stopping a car from going off of the road. Gonzales Construction of Dolores Colorado provided the pricing information. The price is for new guard rail. If we can arrange to do the job with used guard rail, the price would be about 60% of the price for new. The time frame is selected because the work could be done over a five year period or it could be paid for over a five year period.

Water System and Dam Refurbishment

Water System

Alpine Lakes Ranch POA owns the wells and water system.

The POA has financial responsibility for new equipment. In the past, the POA has not paid for new water system equipment so there is no historical record to base an annual figure on. The number \$2,000 is an educated guess.

The POA has financial responsibility for new additions to the infrastructure. We are currently planning on drilling new wells. We have selected locations and are in the processes of determining if developing wells at these locations is practicable. The time frame in which new wells will be developed is also to be determined. We plan to do at least one well as soon as possible. The financial information is from a detailed cost estimate done by the Water Company.

Dams

All Property Owners benefit from the existence of and work done by the Ditch Company. The irrigation water recharges the aquifer the Meadows and Headquarters wells are in. Irrigation water also improves the grazing available for the rancher thus contributing to the success of the grazing program and the tax benefits to those who chose to participate.

A major periodic expense for the Ditch Company will be dam refurbishment. The Ditch Company has asked the POA to include the dams in the Reserve Study and accept financial responsibility for maintaining the dams. The financial information is from the Ditch Company. The range of numbers put forth was \$100,000 to \$200,000 per dam with the emphasis on the higher number. The range of time between each refurbishment was 30 – 40 years.

The dams were inspected in the fall of 2008. Buckles Lake which has the oldest outlet which was installed in the '40's will be the next one to be done. It will be inspected in fall of 2013. So sometime soon after that there will be a good chance we need to spend \$150,000 to \$200,000 on it.

Water System and Dam Refurbishment

I selected a time period of eight years for the three new wells to dovetail with the anticipated refurbishment of Buckles Lake's dam. One or two wells can be done in the near future. That may provide adequate water for now. The Buckles Lake dam refurbishment may be done in four or five years. Then the remaining well(s) can be done after that.

The average cost per year over the next eight years for three new wells and the Buckles Lake dam refurbishment would be \$50,000 to \$60,000 per year.

Operating Fund Assessment Budget Increase for 2010.

I have included a section on the 2010 budget because I see some obvious adjustments that need to be made to it relative to the 2009 budget based on what happened in 2008. This is relevant to understanding our present financial position with respect to a fully funded Reserve Study.

For 2009, the Operating Fund Assessment is \$87,150.

A yearly Operating Fund Assessment increase of 5% compensates for periodic price increases and an increase in the number people living here. In 2008, we saw a 17 % increase in equipment rates for maintaining roads and hourly snow removal costs for snow depths over 12". Also in 2008 we saw a 12% increase in per mile snow plow rate for 6" to 12" snow depth. An across the board 5% increase adds \$4,500 to the Operating Fund Assessment.

In general, to determine Operating Fund budgets for individual items, I used the prior three year average increased by 5% twice to compensate for two years of price increases. Because of the unprecedented snow removal costs in 2008, using this formula, the snow removal budget should be increased by \$10,000 for 2010.

Any money left from the Operating Fund Assessment should go into an Operating Fund Savings Account to provide a financial cushion for when we have unusual expenses in the Operating Fund. The target balance for the Operating Fund Savings Account should be the cost for the highest snow removal year (\$76,000 in 2008) minus the snow removal budget. Once that target is reached, any excess can be transferred to the Reserve Fund.

In the fall of 2008, the BOD had requests, from some property owners, to include grading the main roads in late summer or early fall. Because of our high snow removal costs that year only Trophy Lake and Solitude were done in 2008. These were done in conjunction with some necessary road repairs. I suggest adding \$7,500 more for fall grading to the 2010 budget.

In 2009, \$22,000 was budgeted to pay off the Cattle Guard/Log Entrance Loan. In 2010, the \$22,000 that is no longer needed for the loan could provide the funds for the increases in the Operating Fund Assessment. The Major Road Repair budget would remain the same at \$48,000 or if the Grazing program comes through with the fifth and sixth installment of repayment of the Cattle Guards to the Operating Fund, the Road Repair budget could be increased by \$7,000.

Conclusion

To fund the 2009 Reserve Study and an increased 2010 Operating Fund budget, the Annual Assessment should be \$1,393 per lot. For 2009, the Annual Assessment is currently \$745 per lot.

Realizing that the economy is in the worst recession since the Great Depression balanced with our immediate need for additional water supplies, I recommend the following:

- Keep the Annual Assessment the same for 2010. Increase the Operating Fund budget using the \$22,000 no longer needed for the Cattle Guard/Log Entrance Loan.
- Conduct a vote by ballot by all property owners in good standing on a special assessment of \$200 per year for three years due September 1, 2009, 2010, and 2011 to pay for a new wells or wells.
- Come up with a plan to address the imbalance between the POA assessments and the POA's financial responsibilities.

The Reserve Study should be updated annually with any new information available.

The dollar amounts of the Reserve Study should be increased to compensate for inflation and increased use of Alpine lakes Ranch roads and water. This increase will usually be about 3% to 5% per year.

Other Relevant Comments

Paid Manager

Governing ALR POA by a board of property owners is based on the premise that among the property owners there is a limitless pool of competent managers ready to volunteer as much of their time as necessary. After learning first hand how much knowledge, time, and effort it takes to run Alpine Lakes Ranch, I do not think this is a valid premise.

Alpine Lakes Ranch needs someone to do financial planning and accounting, who is also knowledgeable about ALR, our governing documents, and applicable laws. We cannot expect all this from volunteers

The cost of a manager depends on what a Board asks him or her to do..

Utility Extensions

The POA BOD is currently involved in establishing the POA's financial liability for installing electric and telephone utilities along roads in Ponderosa Hills and coyote Park where none exist. No allowance has been made for the Utility Extensions in the 2009 Reserve Study.

Peter Coe
ALR POA Treasurer

Alpine Lakes Ranch Property Owner's Association
 2009 Reserve Study
 May 27, 2009

Reserve Fund	Cost	Years	Annualized cost	
Roads				
Re-Gravel				
		Miles		
Heavily Used / High Maintenance - 15 year cycle				
Bull Elk to Black Bear		2.3		
Solitude		0.7		
Trophy Lake to Cattle Trail		2.8		
Blue Spruce		1.3		
Total x \$48,000/mile	(1,2,3)	7.1	\$340,800 (3)	15 (1,2,3) \$22,720
Moderately Used / Moderate Maintenance - 20 year cycle				
Buckboard		1.5		
Lodge Pole to Tall Pine		1.1		
Stallion to Pinto		1.2		
Stallion - Pinto to End		2.3		
Pinto		2.9		
Bull Elk - Black Bear to End		0.8		
North Black Bear		0.7		
Cattle Trail to Spence Cabin Court		1.2		
Total x \$48,000/mile	(1,2,3)	11.7	\$561,600 (3)	20 (1,2,3) \$28,080
Lightly Used / Light Maintenance - 25 year cycle				
Snowflake				
Lodge Pole - Tall Pine to End				
Doug Fir				
Golden Spruce				
Tall Pine				
Palomino				
Mustang				
South Black Bear				
Cougar				
Puma				
Regal Pine				
Trophy Lake Cattle Trail to End				
Boone Cabin Court				
Spence Cabin Court				
Cattle Trail - Spence Cabin Court to end				
Chuck Wagon				
Water Tower Roads				
Total x \$48,000/mile	(1,2,3)	14.2	\$681,600 (3)	25 (1,2,3) \$27,264
Spot Gravel Treatment per year	(1,2)			\$20,000
Cattle Guards and Steel Gates - Replace - 30 year cycle	(1,4)		\$35,000 (4)	30 (1) \$1,167
Culverts - New and Replacement - per year	(3,4)			\$10,000
Drainage/Ditches - Repair - per year	(4)			\$7,000
Log Entrances - Replace - 15 year cycle			\$70,000 (1,4)	15 (1,4) \$4,667
Guard Rails - 3,000' - New - installed or paid for over 5 years			\$75,000 (5)	5 (1) \$15,000
Water System				
New Water System Equipment per year	(1)			\$2,000
Three New Wells - installed or paid for over 8 years			\$260,000 (6)	8 (1) \$32,500
Dams				
Refurbish Four Dams - 30 year cycle	(7)		\$600,000 (7)	35 (7) \$17,143
			\$187,540	per lot \$880
Reserve Assessment				
Operating Fund				
2009 Operating Assessment				\$87,150
5% Annual Increase -	(1)			\$4,500
Increase for snow removal				\$10,000
(three year average increased by 5% twice)	(1)			
Fall Grading	(1,4)			\$7,500
2010 Operating Assessment				\$109,150
Annual Assessment = Reserve + Operating Assessments			\$296,690	\$1,393

Sources:
 (1) Peter Coe
 (2) John Thompson
 (3) Andy Weber A&M Construction
 (4) ALR POA Records
 (5) Gonzales Construction - Guard Rail Contractor
 (6) WATCO
 (7) Ditch Company

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