

## WATER MAIN REPLACEMENT PROJECT

This is the third in a series of articles to inform you about the project to replace our water mains and hydrants and the paving of our roads. Members of the Board, our Association Manager, and our Maintenance Crew have met several times with Bill Schmidt, our engineer, to evaluate our needs, set priorities and estimate costs. The only thing set in stone at this point is, this project MUST be done; it is not a question of when or if, it is a question of how. (See last paragraph) The how is yet to be decided, so these articles are to tell you what the Board is thinking, to invite you to Board Meetings, and to invite your questions and comments.

The project is projected to take 10 years, although construction contracts and the impact on Ponderosa roads may allow us to shorten that time frame. The cost of 6" ductile iron pipe, valves, vaults for water meters and paving is preliminarily estimated at \$3.845 million, based on 2008 prices and adjusted by 3% for inflation each year over the 10 year period. We have included water meters against the possibility the legislature may enact law to circumvent the recent Supreme Court decision.

Following our instructions, the engineer has broken construction into 26 levels, #1 being the highest priority and #26 the lowest priority (see map posted on the Clubhouse window. In reality, the first 10 levels should be done in that order, the last 16 are set more for convenience and can be changed as construction proceeds and circumstances dictate. In broad strokes, the plan is to begin on Camp 12 Road where low pressure has always been a problem. The next stage replaces the section where most of our water line breaks are occurring and ties in the upper system and the lower system for better control. The last stage replaces the lower Ponderosa where fire flow is a serious problem and our old mains are too fragile to allow the Fire Department to connect their pumper truck.

Now that we have a preliminary cost estimate, we are able to apply for State low cost financing (2% interest plus a 1% loan fee) and to seek grants and, perhaps, federal money. If construction begins in 2010 we will have about \$280,000 in our Capital Improvements Reserve Fund and an additional \$405,000 in our Water Assessment Fund. The latter is made up of the annual \$100 per lot Special Assessment, which expires at the end of 2010, and is dedicated to pay off our current old State low cost loan (1% interest) by the end of 2023.

To date, there appear to be four basic ways to collect the money for this project:

Scenario 1) We could divide \$3 million by 585 lots and collect about \$5,100 per lot before the project begins. This assumes \$3 million invested at 2.5% on a declining balance would generate \$3.845 million over 10 years.

There are two problems with this idea: Most members would pay early, but receive no benefit for several years; and averaging the slowly inflating costs would mean some would pay more and some would pay less than the actual costs of their segment of the project.

Scenario 2) We could collect the actual costs of each priority area just before that area's construction begins. For example (see Cost Spreadsheet posted on the Clubhouse window. The cost of priority levels #1 and #2 are projected at \$317,200. Dividing by the 27 lots in these priority levels equals an assessment of about \$11,800 per lot.

The advantage is that each lot pays the actual costs at the time of construction, and pays when it receives the benefit. The disadvantage is, this is a major hit which most

members probably could not afford.

Scenario 3) We could utilize our Capital Improvements Reserve Fund and our Water Assessment Fund, estimated at \$685,000 by the time the project begins in 2010. A cash flow analysis suggests that this would allow us to give each priority level five years to pay their costs. For example, the \$11,800 per lot assessed to priority levels #1 and #2 could be paid off by those lot owners at about \$2,000 per lot per year.

The advantage is that each lot pays the actual costs at the time of construction, pays when it receives the benefit, and is provided a 5-year interest free loan financed by the Ponderosa and the State money. The disadvantage is that these figures are based on assumptions about inflation and interest rates on invested money that may not come true and may have to be adjusted annually.

Scenario 4: This a combination of Scenarios 1 and 3; that is, divide the \$3.845 million project cost by 585 lots (\$6,600 per lot), then divide by 10 years to establish a Special Assessment of \$660 per lot per year.

There are at least two advantages: This would give us enough money up front to probably pay for each priority level as it is done, reducing or eliminating any need for State loan money and the interest and fees connected with it; secondly, the assessment would be a known quantity each year which could be planned for by the members. The disadvantage would be that many members would advance money before receiving any benefit, but this is exactly what was done with our last water system upgrade.

In a nutshell that is where we are in our thinking. Any ideas, suggestions, or help you care to offer will be appreciated, but do keep in mind: Our water mains are in terrible shape from years of neglect, there is insufficient water flow to fight fires adequately, and if a fire gets out of control, evacuation of the entire Ponderosa is the only option and even that is problematical. This project is not something we can put off any longer; it MUST be done, and quickly.

Bill Griffin, President