

2019 Reserve Study

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. These are actual expenses we may incur whether we are financially prepared for them or not. The Study includes a general view of the condition of these items and the most effective financial plan to fund these projected periodic repairs, maintenance and or replacement of various items where needed.

The 2019 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.

To create the 2019 Reserve Study, we compiled information from road maintenance invoices and experiences from the past 10 years and sought input from POA Road Committee Members, as well as potential future costs from, Andy Weber of A&M Construction along with other service providers. 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.

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 and as necessary.

We have not set a target balance for the Reserve Fund Savings Account. Ideally, the Reserve Study will be fully funded, a balance for each component will built up over the period of years, assigned to each component, and the funds will be ready to spend when the time comes. For that to take place, Annual Assessment Dues will need to be increased significantly, which we are not planning to present in the immediate future, with the exception of unforeseen events that may damage current infrastructures.

In preparing for this study and funding needs, it was suggested back in 2009 that a 12% increase in annual assessment would assist in building of the various reserves needed/projected. Keeping in thoughtful mind that too much or many increases in annual assessments, may also detract and take away home values.

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. Recent and past estimates are still about \$52,000 per mile from A & M conveyed estimates (would be 5% – 10% more for Bull Elk).

- As in the past, we 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 (that being cited comes up in 2024). The 11.7 miles of moderately used / moderate maintenance roads should be re-graveled on 20 year cycle (2029). The 14.2 miles of lightly used / light maintenance roads should be re-graveled on a 25 year cycle (2034). Roads will need spot treatment in the periods between a full 4" gravel application. There are many roads or road segments in Alpine Lakes Ranch that need gravel immediately. We have included in our forecast expense allocation of 40,000 annually to be placed into Gravel Reserves for the initial treatment of problem areas for 2019, so we can begin to gravel areas where most needed. Road Committee will be asked to look for alternate ways in order to reduce future costs, while maintaining proper road conditions.

- To summarize, we need to be spending \$54,000 to \$100,000 per year to maintain the surface of our gravel roads, as we are not prepared to fully re-gravel all 33 miles of roads of ranch roads at one time. Instead, we have chosen to gravel where most needed on this estimated allocation of \$54,000.00 annually.

- **Cattle Guards and Steel gates**

- Cattle Guards last a long time but it is reasonable assumption to expect to replace them eventually (est. \$10,000 each if and when needed).

- **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.

- **Drainage/Ditches**

- Need for repair work and cleaning ditches and culverts often depends on the volume of snowmelt (est. \$5,000- \$7,000 from prior financial records).

- **Log Entrances**

The original log entrances may last another 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, if they are replaced could cost anywhere between \$20 - \$30K.

- **Water System**

Alpine Lakes Ranch POA owns the wells and water system.

The POA has financial responsibility for new equipment. There has been no major expense for new water system equipment in many years (WATCO covers all "replacement" of existing equipment) so there is no historical record to base an annual figure on.

The POA does however have financial responsibility for new additions to the infrastructure. We are currently planning on drilling new well(s). We are in the process of determining well locations with water geologists in 2019. We plan to do at least one well as soon as possible. Estimated Cost \$100,000 - \$130,000 for well infrastructure and connection to water tanks.

Dams

All Property Owners benefit from the existence of 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 potential financial responsibility for maintaining the dams. Based on 40 shares that ALRPOA owns of Ditch Company There is a total of 634 Ditch shares, of which 40 shares or 15.85% are owned by ALRPOA. This information is from the Ditch Company.

Operating Fund Assessment Budget Increase for 2019

A yearly Operating Fund Assessment increase of 5% compensates for periodic price increases and an increase in the number people living here. In 2018, we saw a 10% increase in equipment rates for maintaining roads and hourly snow removal costs for snow depths over 6". This 10% annual increase in road services from current contractor, adds \$12,000 to the Operating Fund Assessment when compared to 2018.

In general, to determine Operating Fund budgets for individual items, we used the prior two year average and increased by 5% annually.

Conclusion

Reserve Study items along with an increase to the 2019 Operating Fund forecast indicate that Annual Assessments should be increased by 12% annually. This will help in the replenishment of Retained/Net Earnings for the 2019 well & water project(s) of \$100K - \$130K. ALRPOA Board will withdraw from the current Retained Earnings for these costs which would leave \$243,000 in Net Earning/Reserves. Recommend ALRPOA always at a minimum maintain a minimum of 1 year of operating expense coverage in their Net Earnings/Reserve account at all times. Board will continue to review ways to reduce costs while maintaining the support of the current infrastructure and growing needs of ALRPOA.