
Star Valley Ranch Association's "Feasibility Study"

Star Valley Ranch Association Special Assessment Funding Option

1. DEFINITION OF SPECIAL (CAPITAL) ASSESSMENTS:

In any assessment year, the Star Valley Ranch Association may levy a special assessment with the approval of a two thirds (2/3) majority vote of the Membership for capital improvements applicable to that year only.

a. PURPOSE OF SPECIAL ASSESSMENTS:

A special assessment is for the purpose of raising funds. (Sec. 4 of ARTICLE VI, DCCRs) A special assessment is used for specific project(s) too expensive to be funded from the annual SVRA assessments/budget.

b. FUNCTION OF SPECIAL ASSESSMENTS:

Special assessments must be fixed at a uniform rate for all lots and may be collected on a monthly or other convenient basis. (Sec. 6 of ARTICLE VI, DCCRs)

2. HISTORY OF SPECIAL ASSESSMENTS AT STAR VALLEY RANCH ASSOCIATION:

SVRA has attempted four special assessments:

1984 -- A special assessment of \$100/lot was attempted twice in 1984 which proposed monies for paving of selected roads. Estimated cost was to be \$35,000 per mile or a total cost of \$175,000 to the Association. The first attempt failed on June 23, 1984.

In the meeting of July 2, 1984, Directors proposed that a second attempt should be made. They also clarified that the following roads were to be paved:

- 1) Vista Drive from the Ranch entrance to Vista East Drive around the Loop Road to the lodge, pool, tennis courts, and nine-hole golf course, thence Vista Drive West to its intersection with Vista Drive,
- 2) Alpine Way from Vista Drive to Ridgcrest Drive to the parking area behind the silo,
- 3) Cedar Creek Drive returning to Vista Drive.

The Directors pointed out that an error had been made in correspondence to members for the June 23rd vote that said Alta Drive and Solitude Drive would be paved instead of Cedar Creek Drive. A second attempt passed on July 23, 1984.

RESULTS: By the time the project was implemented, the cost of the paving was more than estimated, and not all of the paving was completed.

1997 -- Board of Directors approved at an April 5, 1997, meeting a Special Capital Improvement Assessment. Lot owners would be assessed \$350.00. These costs would include expenses associated with the Memorandum of Agreement (MOA) between SVRA and Leisure Valley Inc. (LVI): water line repairs, replacement, or improvement; equipment replacement for accounting systems, utility/road improvements; repairs and/or improvements to common area buildings, grounds, and pools and road repairs. Estimated costs would come to \$710,000. This assessment failed by 22 votes at the Annual Meeting of June 28, 1997.

RESULTS: The Board of Directors considered the implementation of the MOA to be essential to finally separating the SVRA from Leisure Valley Inc. (LVI). Associated costs were paid from the then-current income over a period of several years. Those funds came out of the normal income and were not available for needed equipment replacements, upgrades, etc.

2002 -- The Board of Directors approved a Special Capital Improvement Assessment on May 4, 2002. Monies raised were to be used for the golf course irrigation project and building the construction of the Cedar Creek pool building. The estimated cost was \$800,000. (Included was \$40,000 for a new pool building as mandated by the requirements of a recent Wyoming statute.) This assessment failed at the June 22, 2002, Annual Membership Meeting.

RESULTS: The Board of Directors still considered the replacement of the failing Cedar Creek irrigation system such a necessity that they went ahead with the project by borrowing \$800,000 from Wells Fargo Bank. The loan is being repaid out of current income from the normal annual assessments over a period of 10 years. The loan payments will be taking monies away from needed equipment and infrastructure repairs and upgrades for the next eight years.

The new Cedar Creek irrigation system has resulted in better water coverage of the course, a significant reduction in system maintenance costs and a substantial saving in water -- 1.5 million gallons of water per day reduced to about 0.3 million gallons per day.

3. PROCESS AND TIME FRAME TO PASS A SPECIAL ASSESSMENT:

To pass a special assessment, two thirds of the votes of Members present in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days, nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. (Sec. 4 of ARTICLE VI, DCCRs)

The Board of Directors and General Manager would be responsible for implementing the project proposed in the approved special assessment.

4. PROBABILITY OF SUCCESS:

The key to passage of a special assessment is the Board of Directors proposing a well thought out plan that is clearly communicated to the Membership. The Board of Directors must 1) be in complete agreement, 2) set a positive tone, 3) state clear estimates of costs and parameters for monies needed and for what purpose, and 4) must clearly state why current funding is not adequate to cover costs.

For example: In 1984, the road paving assessment had total agreement among Board Members, however, the first attempt failed. The second attempt clearly communicated the proposal to all members with a letter and map of roads to be paved. It passed.

In 1997, the special assessment may have failed because too many different items were listed for monies raised. Thus, the voters may have become confused about the intended use of funds.

In 2002, the latest attempt for a special assessment (golf course irrigation), did not have total support from the Board of Directors. Also, some voters misinterpreted the project to favor golfers, as a special interest group, when it was not identified how the golf course deterioration, wasting valuable water and rising maintenance costs would reduce property values for all SVRA lot owners.

5. COST:

- Costs of mailings to members would about \$1500.
- Volunteers would be used to encourage the high voter response needed.
(\$200 for phone calls)
- Costs of the proposed project would be covered by the assessment and would be determined by the scope of the proposed project.

6. DCCRs INTERFACE:

The DCCRs provide special assessments as a way of raising funds for special capital projects. They require two thirds of the membership to approve funding for the proposed project.

7. BOARD OF DIRECTORS INTERFACE:

It is clear from the past history of special assessments, that the Board of Directors must unanimously initiate and support any assessment. It should be made clear to Members that present funding cannot meet the needs of the project(s) defined for the proposed special assessment. It is essential for Members to understand the need for the special assessment and the benefits to be gained from it.

8. EFFECTS / RISKS:

1. The first risk to the SVRA would be if the special assessment failed and thus, the Association would be out the cost of an election as explained in Section 5 above. Also, additional costs would be incurred if a failed assessment was to be re-proposed.

2. A second risk is that a special assessment generates funding for only one year. Members need to understand additional special assessments may be forthcoming in future years if additional capital needs arise and monies are still short.

3. A third risk is that, if the special assessment is never passed, infrastructure deterioration would continue, funds from the Association's operating budget would be drained, and some services might have to be suspended.

9. RECOMMENDED SPECIAL ASSESSMENT:

The selection of the recommended special assessment project was developed by the Special Assessment Funding Option Committee after consultation with the Long Range Planning Committee, the Utilities Committee, the General Manager and Assistant Manager, and several other SVRA employees who provided information from their personal experience and from meetings with State of Wyoming personnel that have responsibilities for water systems, roads, and other infrastructures within the state.

It was the consensus that the culinary water system was the highest priority project on the Ranch.

Reports from two independent engineering studies of the SVRA's water system were reviewed. Even though issued over seven years apart, the studies were in general agreement in their conclusions and recommendations. The two reports are the "Jorgensen Report" (Water System Master Plan by Jorgensen Engineering and Land Surveying, P. C., November 1996), and the "Forsgren Report" (Summary Investigation of the Star Valley Ranch Water System, by Forsgren Associates, Inc., March 2004)

The Special Assessment Committee's recommendation for the special assessment project is the same as the just-completed Forsgren Report. The Forsgren Report recommends: (1) providing for chlorine disinfecting of the all culinary water, (2) the drilling and development of two new culinary water wells and (3) the immediate replacement of the most seriously corroded and leaking portions of the steel waterline pipe.

- Construct and install systems to disinfect the culinary water springs: \$90,000
- Drill and develop a culinary water well in the North end of the Ranch: \$160,000
- Drill and develop a another culinary water well central to the Ranch: \$160,000
- Immediately replace about 10% of the steel water-pipe with PVC pipe: \$74,000

Total \$484,000

Based on approximately 2,000 lots, less 7% attrition, the special assessment for each lot would be \$260.

The United States Environmental Protection Agency (USEPA) can require chlorinating of any water source without prior notice. Having disinfecting systems in place would avoid an extended shut down of a water supply source while a disinfecting system was designed, constructed and installed. Additional wells would provide the flexibility to continue full-system operation even if one of the water sources was shut down. The most severely corroded steel pipe could be replaced with non-corroding PVC (plastic) pipe.

The number of homes on the Ranch is significant, because each added home increases water-demand. As water demand approaches the capacity of the existing culinary water supply, the entire system becomes susceptible to falling short of demand in one or more plats if either of the springs or water wells should fail or be shut down by the USEPA. The results could range from low water pressure, no water, and even a temporary moratorium on home building. Water or system concerns would adversely affect all property values on the Ranch. In particular, it could more seriously depress the value of lots not already hooked up to the culinary water system, and delay construction of those planning to build on the Ranch in the near future.

The Forsgren Report points out that the need for new wells is even more imperative considering the need to reduce dependence on the Green Canyon Spring, SVRA's current major water source because:

- The Environmental Protection Agency (EPA) has flagged Green Canyon as a trouble spot which, with any further problems, could lead to the EPA stopping use of the spring.
- Leisure Valley Inc. (LVI) has water-right allocations, which it has been allowing SVRA to use. If LVI exercised those rights, it could leave the SVRA with less than half the culinary water we have been receiving from that source.
- In general, springs tend to have variable flows that are minimum during the late summer which is during the period of peak-flow demand. Flow from wells is much more constant throughout out the year.
- Seismic activity could disrupt or contaminate the water supply at the spring.
- The risk of surface contamination is high for any spring.

SUMMARY STATEMENT:

SVRA has neglected its infrastructure maintenance for years, because the DCCRs have limited funding to minimal annual operations. Previous special assessment failures have led to bank loans to be paid back from already limited operating funds. Continued home construction has brought the culinary water system nearly to capacity. That and possible USEPA actions against untreated water sources makes capital improvements of about \$500,000 to the culinary water system urgent. As a non-governmental organization, under the DCCRs, the only avenue for raising these additional funds is by a \$260 per lot special assessment which requires approval by 2/3 of the members. Also if more capital funds are needed in future years, additional special assessments will need to be approved for each year of new funding.