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Water Line Project Update

Sept 2008

As some of our residents may have noticed, our water line and water system improvement project is off and running. We received substantial interest by contractors for the pipeline construction portion of this project and received the nine formal cost proposals shown.

Sunroc	Condie	Green	Johansen	Whitiker	Rolfe	COP	Gordon	Lyndon Jones
\$4,886,057	\$4,932,675	\$5,062,681	\$5,389,388	\$5,436,111	\$5,450,687	\$5,485,652	\$6,237,174	\$7,691,089

As you can see, the first two bids were relatively close followed by four that were in the same general cost range. The two high bids received showed substantial increases. Based on the local construction environment, we feel very fortunate to have received such favorable proposals. The award amount estimated by Horrocks Engineers for this phase of the project was \$6,899,031. Still to come are the design and construction phases for the water tank and telemetry systems which will be designed this fall and winter.

The contract was formally awarded to Sunroc following the completion of financing with a notice to proceed on August 8th. The contractor immediately ordered the pipe and started moving equipment to the site. Sunroc is a large well known and respected pipeline contractor. It is our desire and intent to complete all construction efforts before the winter of 2009. The funding rate anticipated for this project was on the order of 5.5% per year. We have again been very fortunate to acquire gross funding rate, including up front loan fees, of just under 5%.

At the recommendation of our water system manager, Jody Defa, the water line replacement project is focusing this fall on the higher elevation areas where the water system is more susceptible to winter freeze issues. The contractor has one crew on site now with additional crews being added shortly. As the weather limits construction in higher elevations, the contractor has indicated that he will move his crews and continue work in lower elevations as long as weather permits.

During the pipeline construction project there will be inconveniences to both travel and water service. These issues have been discussed with the contractor and he has committed to do all he can to minimize these temporary inconveniences, and to coordinate with cabin owners during the construction process. With both full-time and part-time owners on the mountain, we anticipate there will be some notice and communication problems but ask for your patience and cooperation as we work together to make these necessary water system improvements.

Over the past several months there have been several questions regarding options for personal funding, as well as further clarification as to when the rate increase will take effect. It was originally thought by the Board that, if desired, lot owners could pay the full assessment now to avoid the interest charged on the construction loan. Although there is a maximum amount approved under the Bond Assessment for the

project, the exact amount will not be known until it is completed, and therefore we will not be able to receive lump sum payoffs until the project is complete. There are two alternatives that the Board is considering at this time to help reduce total long term commitment and the amount of interest paid against the construction loan. These alternatives are:

- 1) Initiate a moderate rate increase now sufficient to pay the construction loan interest so that we aren't paying interest on interest for the term of the loan. No fixed amount has yet been seriously considered, but a general increase of \$20 to \$30 per month has been discussed. Any funds thus received would be put into a separate account to pay interest with any balance going directly to project capital costs. If this path is chosen, we would hold another public meeting, likely in October or November to receive owner input and comments.
- 2) Choose the default alternative and wait until the construction project is completed and all costs are known before initiating the bond rate increase. The assessment could then be paid as a lump sum or as monthly payments for the term of the bond.

One further consideration the Board is following, under the direction of the County Council, is a financial aid program to assist those who truly can not meet the bond obligation. This issue was discussed at the end of our August Board meeting and is being investigated. We hope to have more information shortly on this program and the requirements for qualifications. Generally speaking, it is anticipated that one of the major requirements to qualify for the program will be that the owner must be a full-time resident on a fixed income.

We continue to appreciate the support we have received from many lot and cabin owners for these upgrades and look forward to a brighter and safer water future.

David E. Hansen, Ph.D., P.E.
TLWSSD – Board Chair