

*Melody Ranch
Improvement and Service District*

*P.O. Box 4337
Jackson, WY 83001
(307) 733-0205 / (307) 733-9033 Fax*

May 14, 2018

Re: Melody Ranch Water System Improvements

Dear Melody Ranch Property Owner,

You may have noticed some water outages last winter when critical water valves were being repaired due to corrosion issues. Most of the Melody Ranch infrastructure is over 20 years old. Water and sewer demands have been increasing as the lots are being developed and some components have reached their service life and are becoming obsolete. Melody Ranch currently has two potable water supply wells. In the event either one of these wells becomes inoperable, water production would be insufficient to meet current summer demands.

The Melody Ranch Improvement and Service District was formed in 2012 and is responsible for the water, sewer and road systems. Operation and repair costs have been increasing and reserve funds have been utilized to make repairs. In February the District was successful in obtaining a low interest loan to fund additional water valve repairs. The District has also pursued an engineering feasibility study on the Melody Ranch water system through Wyoming Water Development Commission (WWDC). That study, paid by the WWDC, was completed last fall and recommended the following water system improvements:

- 1) Construct a third supply well
- 2) Replace and enlarge pumps in the two existing wells
- 3) Construct and enlarge water transmission lines from wells for the increased well production
- 4) Replace and update four outdated water pressure booster pumps and electrical control system

The District has been able to secure significant grant and funding assistance through various programs offered through the State of Wyoming. Currently the funding process is nearing completion. The funding process is complicated with various components being eligible and some ineligible for specific State funding programs. In general, most of the project costs would be paid with 67% WWDC grant funds. The remaining 33% would be paid through a low interest loan and potential principal forgiveness funded through the Wyoming Department of Environmental Quality (WY DEQ) and State Lands and Investment Board (SLIB).

As detailed in the attached project status report, the total cost of needed water system improvements and repairs is \$2,104,000. The District feels it is important to maintain current reserve funds for emergencies and future infrastructure replacement costs. In addition, we want to preserve reserves that are restricted to our roads and sewer infrastructure. However, the District did spend \$75,000 from reserves for the initial water valve repair project completed last winter. This leaves \$2,029,000 of remaining water project costs which would be funded through grant assistance and a 2.5% interest, 20-year loan.

There are presently two scenarios that could occur with the District's grant funding requests. Scenario A assumes the State provides 25% loan principal forgiveness (subject to SLIB approval) for the water system Improvements.

Under Scenario A, \$1,407,025 (67%) of the total project cost would be paid through grant funding, leaving \$696,975 to be paid by Melody Ranch.

However, the principal forgiveness funds are limited and in high demand. Therefore, Scenario B assumes the 25% loan principal forgiveness is not approved. Under Scenario B, \$1,324,525 (63%) would be paid through grant funding, leaving \$746,800 to be paid by Melody Ranch. Loan principal, annual payment, and per lot costs for the water system project are summarized in the table below:

Funding Scenario	Total Project Cost	Melody Ranch Reserves	State Grant Funding	Loan Principal Amount	Loan Annual Payment	Equivalent Annual Lot Fee	Equivalent Monthly Lot Fee
A	\$2,104,000	\$75,000	\$1,407,025	\$621,975	\$39,897.91	\$107.25	\$8.94
B	\$2,104,000	\$75,000	\$1,324,525	\$746,800	\$47,905.08	\$128.78	\$10.73

The Melody Ranch Improvement and Service District intends to pursue the recommended improvements identified in the WWDC water system feasibility study, and to continue with water valve repairs. These projects are necessary in ensure future continuous water supply and service to our Melody Ranch homes. Revenue reductions from mineral severance taxes have impacted some State of Wyoming funding assistance programs. It is not certain these programs will continue in the future. Under the current project funding, each \$1 of cost paid by the District is being matched with approximately \$2 of State grant funding. In order to secure the various loans and grants, the District is required to formalize revenue collections to repay the loan amount. Therefore, the District intends to both increase water rates, and approve a special assessment for the water system improvements.

Melody Ranch District Meeting Notice

The Melody Ranch ISD intends to discuss proposed water rate and lot assessment increases needed to repay the loan financing for these projects at a District meeting Scheduled for 5:00 pm, Tuesday, June 5, 2018, located at Lower Valley Energy, 4000 S. US Highway 89, Jackson, WY. At this meeting the District intends to approve the following:

- 1) 2018-2019 Budget
- 2) Water usage fee increase from \$1.40 to \$1.50 per thousand gallons beginning July 1.
- 3) A \$100.00 per lot special assessment for 20 years to repay the loan financing for these projects. This annual assessment would begin in 2018 and end 2038 and will be added to the portion of Teton County taxes collected on behalf of the District by the County

The combined water rate increase and special assessment will cover the \$39,897.91 loan annual payment which reflects an equivalent annual lot fee of \$107.25, per Scenario A in the table above.

Please plan to attend this important meeting. In the interim please reach out to any of the ISD board members to answer any questions or address any concerns.

Sincerely,

Board of Directors, Melody Ranch Improvement and Service District

Bob Hammond, Rich Bloom, Lee Harris, Jim Miller and Larry Pardee

MELODY RANCH ISD - Proposed Budget
7/2018 - 6/2019

	2017-18 Projected Year-End	ISD Proposed Budget 2018-19	Variance Favorable/ (Unfavorable)
OPERATING REVENUES			
ISD Tax Revenue	\$ 126,630	\$ 163,830	\$ 37,200
Less Reserve Fund	(60,000)	(60,000)	-
Water Charges	96,480	103,234	6,754
Interest Income	1,000	1,000	-
Total Operating Revenue	164,110	208,064	43,954
Administrative			
Accounting Fees	750	750	-
Advertising	250	250	-
Copies & Postage	1,300	1,200	100
Office Supplies	250	250	-
Website Maintenance	75	100	(25)
Bank Service Charges	531	600	(69)
Grand Teton Property Mgmt	21,600	21,600	-
Insurance-Other	3,120	3,120	-
Professional Expenses			
Legal Fees	1,875	2,500	(625)
Roads			
Street Maintenance	17,500	13,000	4,500
Snow Removal	18,500	18,500	-
Water Operations & Maintenance			
Alarm	1,140	1,300	(160)
Building Maintenance	5,000	5,000	-
Engineering			
Operations	30,000	46,000	(16,000)
Equipment & Repairs	-	-	-
Sampling & Testing	8,232	6,000	2,232
Exercise Valves/Flush Hydrants	6,500	6,500	-
Curb Stops	-	-	-
Manhole Inspections	4,470	4,500	(30)
System Alarms/Emergency Response	5,665	5,500	165
ISD Coordination	1,500	1,500	-
Special Projects	390	-	390
Safety	4,500	4,500	-
Supplies & Equipment	-	-	-
System Maintenance	10,307	2,500	7,807
Sewer Maintenance	2,000	2,000	-
Utilities	14,435	15,850	(1,415)
Other			
Taxes & Licenses	1,450	1,450	(0)
Equipment Purchase	-	-	-
Miscellaneous/Contingency	2,254	2,000	254
Debt Service	-	40,000	(40,000)
Total Operating Expenses	163,594	206,470	(42,876)
Net Operating Income/(Expense)	516	1,593	1,077

MAINTENANCE RESERVE

Deposits			
	60,000	60,000	-
Grand Funds (2018) / State Loans (2019)	75,000	330,000	255,000
Expenses			
Phase 2 Water Valve Repairs	-	330,000	(330,000)
Phase 1 Water Valve Repairs	148,002	-	148,002
Totals	148,002	330,000	(181,998)
Net Maintenance Reserve Revenue	(13,003)	60,000	73,003

Bank Balance as of 4/30/18

Operating Account	\$ 14,188
Mnt.Rsv. Account	\$ 439,768

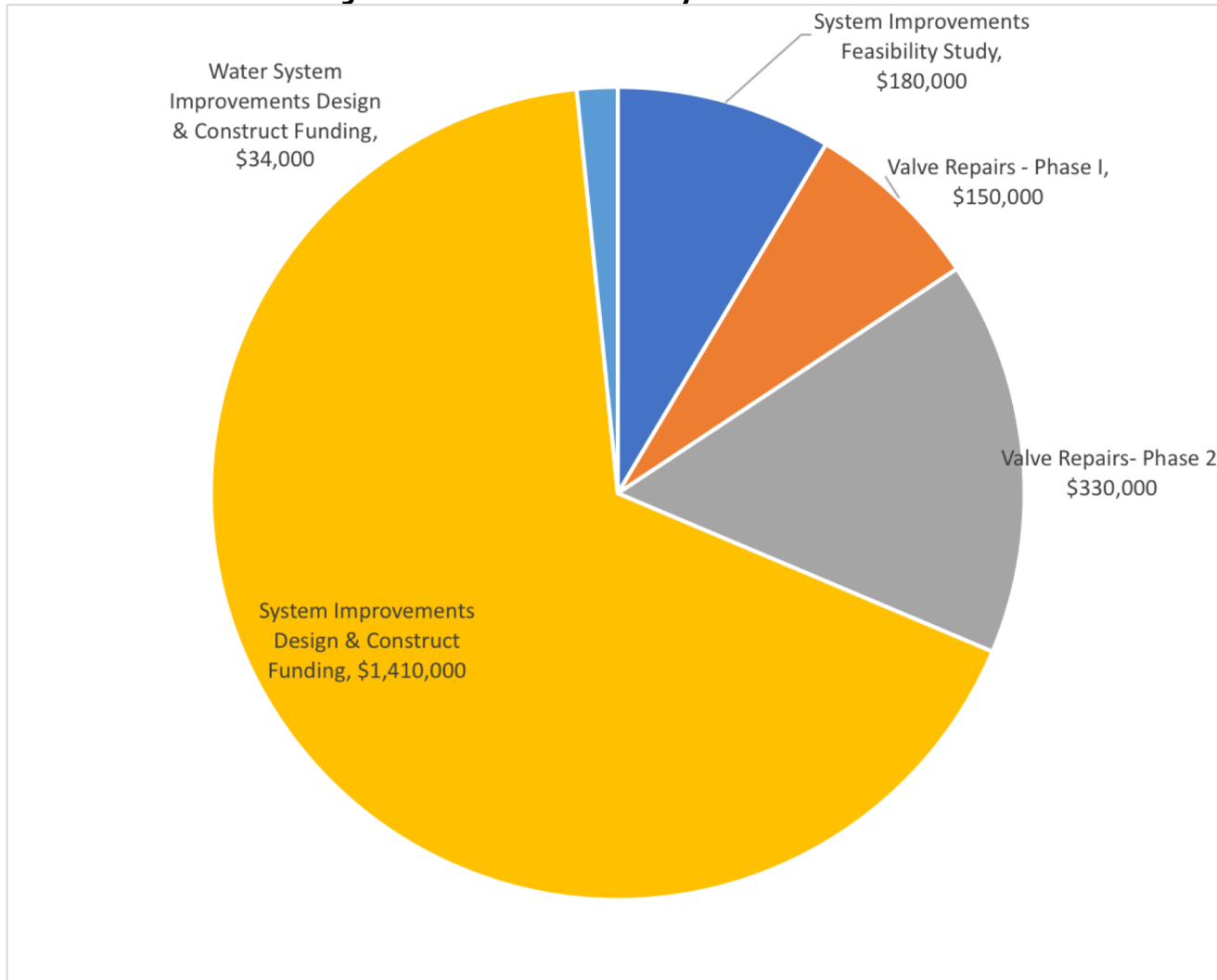
Why – System Problems and Needs

- Current system is over 20 years old
- Deteriorating bolts on water valves due to corrosive soils
- Aging, outdated pumping and distribution equipment
 - Expensive to repair
 - New equipment is more energy efficient
- Insufficient capacity and redundancy
 - Peak summer usage
 - Fire hydrant flow emergencies

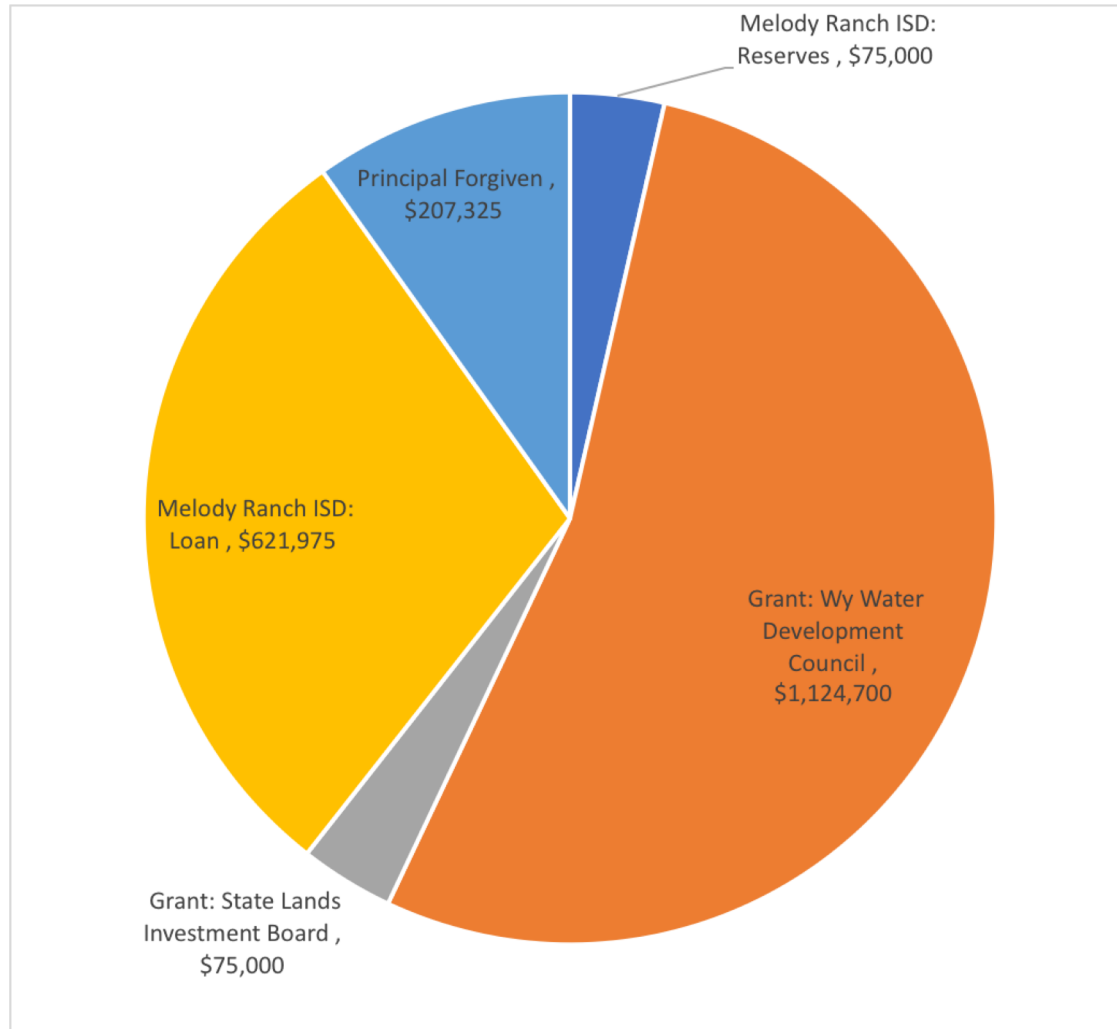
What - Projects, Phases, and Costs

- System Improvements Feasibility Study (\$180,000)
 - Funded by Wyoming Water Development Commission (WWDC)
 - Identify needs and funding sources
 - Completed 2017
- Valve Repairs – Phase 1 (\$150,000)
 - Known critical valves in the system
 - Replace corroded bolts and add protection
 - Completed (exc. Repaving/planting) Feb 2018
- Valve Repairs – Phase 2 (\$330,000)
 - Remaining critical valves
 - Planned: Winter 2018-2019
- System Improvements ((\$1,410,000)
 - Upgrade existing pumps, motors, transmission line, and control systems
 - Construct third well and transmission line for redundancy
 - Design and contracting Summer/Fall 2018
 - Construction Spring - Fall 2019

Project Costs by Phase



Project Funding Sources





**Melody Ranch Improvement and Service District
Water System Improvement Projects
May 10, 2018 - Status Report**

- 1) **Water System Improvements Feasibility Study.** Last September, the Wyoming Water Development Commission (WWDC) completed and funded an engineering feasibility study on the Melody Ranch Water System to identify needed improvements and associated construction costs. The study included an analysis of the various funding assistance available through the WWDC and State Lands and Investment (SLIB) programs. WWDC paid for this \$180,000 study which was completed last fall. The study recommended improvements costing approximately \$1,352,815 which include the following work:
 - Install larger pumps and motors in the two existing Melody Ranch water supply wells.
 - Construct a new third well
 - Replace four existing water pressure booster pumps and associated pump electrical control system
 - Enlarge the water transmission line from the existing wells to booster pump station
 - Construct new water transmission line from the proposed new well location to the site where the existing wells are located.
 - Miscellaneous water distribution system repairs.

- 2) **Water System Valve Repairs – Phase I.** In January and February of this year, the first phase of water main valve repairs was completed. This work involved replacing corroded bolts with new stainless-steel bolts and installing cathodic protection to extend the valve service life. Severe bolt corrosion is occurring at specific Melody Ranch areas that have corrosive soils and high ground water conditions. The focus of this project was to repair critical valves so that future valve repairs can be completed by isolating smaller neighborhood areas. This phase of valve repair work was completed on February 15th, and the road repairs will be completed this summer. The \$150,000 project budget is being funded through a 50% (\$75,000) mineral royalty grant, through the Wyoming State Lands and Investment Office, and 50% (\$75,000) from Melody Ranch infrastructure replacement reserves.

- 3) **Water System Valve Repairs – Phase 2.** On February 1, the Wyoming State Lands and Investment Board, approved a \$330,000 loan funded through the Department of Environmental Quality, Drinking Water-State Revolving Loan Program. The approval of this loan included 25% principal forgiveness, in other words \$82,500 of principal that does not have to be paid back. The remaining \$247,500 loan principal is financed for 20 years, at 2.5 % interest. This loan will fund Phase 2 valve repairs scheduled for winter 2018-2019. Both the phase I and phase 2 projects only focus on critical water system valves. Based on repair history, the valve corrosion issues appear to be concentrated east of Flat Creek. This funding should be enough to complete the eastside valve repairs and associated road restoration. The funding for the Phase 1 and Phase 2 projects should cover repairs to approximately 50% of all the Melody Ranch water system valves. To date, valves west of Flat Creek have not experienced significant failures. The Phase 2 work will include uncovering a small sample of the westside valves to access their condition for future infrastructure repair planning.

- 4) **Water Supply System Improvements.** On March 14, 2018 the Wyoming Legislature approved House Bill HB0078, Omnibus Water Bill – Construction, which included funding for a \$1,410,000 Melody Ranch water system improvement project. Under this program, WWDC will provide 67% (\$944,700) grant funding for this project. This legislation includes a special condition requiring Melody Ranch to be responsible for the remaining 33% (\$465,300) project cost.

To cover the debt for these water system improvements, the Melody Ranch ISD is presently in the process of requesting Wyoming State Lands and Investments (SLIB) loan funding to utilize Wyoming Department of Environmental Quality, Drinking Water-State Revolving Funds. The request will total \$499,300 which includes the \$465,300 debt from the WWDC project, plus \$34,000 for water distribution system improvements that were not eligible for WWDC funding. This loan package application will also request 25% principal forgiveness, that is \$124,825 of principal that does not have to be paid back. However, loan forgiveness funds are limited and thus approval is not certain at this time. If loan forgiveness is approved, the remaining 75% (\$174,475) loan principal will be financed for 20 years, at 2.5 % interest.

Subject to final funding approval, engineering design work should begin late summer 2018, and construction completed during 2019.

Summary. The four water system improvement projects identified above have a total cost of \$2,104,000. As proposed, the State of Wyoming funding assistance amounts to \$1,407,025 (67%) which leaves \$696,975 to be paid by the Melody Ranch ISD.

The Melody Ranch ISD portion will be funded with \$75,000 from reserves and a \$621,975 loan, financed for 20 years, at 2.5 % interest. The annual loan payment for this principal amount will be \$39,897.91.

Dividing by 372 total Melody Ranch Lots requires an annual collection of \$107.25, or \$8.94 per month per lot.

If the SLIB loan forgiveness is not approved for the proposed Water Supply Improvements Project, the loan principal increases to \$746,800 with an annual payment of \$47,905.08. This in turn increases the annual collection to \$128.78 per lot which is equivalent to \$10.73 per month to lot. Please reference the attached Water Project Cost Summary.

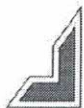
Attachments:

- 1) Melody Ranch Water Project Cost Summary, May 2018.
- 2) Proposed Improved Transmission Line and New Transmission Pipeline from Proposed Well, Nelson Engineering, Figure 15, dated 6/30/2017.

Prepared By:



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Rendezvous Engineering, P.C.



Melody Ranch Improvement and Service District

Project No. 14-017

Date: 05/10/2018

Rendezvous Engineering, P.C.

P.O. Box 4858

Jackson, WY 83001

Melody Ranch Water Project Cost Summary, May 2018

No.	Project Description	Total Project Budget	Melody Ranch ISD Reserves	WWDC Funding Grant*	SLIB Mineral Royalty Grant*	SLIB / DW SRF Funding		
						Loan Amount	75% Principal Payback	25% Principal Forgiveness*
1)	Water System Improvements Feasibility Study	180,000	-	180,000	-	-	-	-
2)	Water System Valve Repairs - Phase I	150,000	75,000	-	75,000	-	-	-
3)	Water System Valve Repairs- Phase 2 **	330,000		-	-	330,000	247,500	82,500
4a)	Water System Improvements Design & Construct Funding **	1,410,000		944,700	-	465,300	348,975	116,325 !!
4b)	Water System Improvements Design & Construct Funding **	34,000		-	-	34,000	25,500	8,500 !!
5)	Totals	\$ 2,104,000	\$ 75,000	\$ 1,124,700	\$ 75,000	\$ 829,300	\$ 621,975	\$ 207,325
6)	Government Assistance Total	\$ 1,407,025		\$ 1,124,700	\$ 75,000			\$ 207,325
7)	Melody Ranch Total	\$ 696,975	\$ 75,000				\$ 621,975	

Melody Ranch Water Project Cost Totals

No.	Payment Summary	Amount	Equivalent Amount Per Lot
A)	Melody Ranch Reserves	75,000	
B)	Grants/Loan Forgiveness		
	- WWDC Grant	1,124,700	
	- SLIB Mineral Royalty Grant	75,000	
	- DW SRF Loan Forgiveness	207,325	
	Subtotal	1,407,025	
C)	Melody Ranch Loan	621,975	1,671.98
D)	Totals	\$ 2,104,000	

Grant / Loan Forgiveness Benefit

Grants/Loan Forgiveness Total	\$ 1,407,025
Equivalent Grant/ Loan Forgiveness Value Per Lot	\$ 3,782.33

Loan Payback With Principal Forgiveness

2.5% Interest / 20 Year Loan			
Principal Amount	Annual Payment	Equivalent Annual Lot Fee	Equivalent Monthly Lot Fee
\$ 621,975	\$ (39,897.91)	\$ (107.25)	\$ (8.94)

Loan Payback Without Principal Forgiveness on Water System Improvements

2.5% Interest / 20 Year Loan			
Principal Without Forgiveness (!!)	Annual Payment	Equivalent Annual Lot Fee	Equivalent Monthly Lot Fee
\$ 746,800	\$ (47,905.08)	\$ (128.78)	\$ (10.73)

- Notes:** * Indicates Government Grant or Loan Principal Forgiveness.
 ** Melody ISD pays loan origination fee & construction interest.
 !! Prinical forgiveness not certain, subject to future loan approval.
 a) WWDC - Wyoming Water Development Commission
 b) SLIB - Wyoming State Lands and Investments Board

- c) DW SRF - EPA Drinking Water State Revolving Loan
 d) Principal Forgiveness - Loan principal amount that does not have to be paid back.
 e) Item No. 4b is project costs not eligible for WWDC program funding.
 f) Equivalent annual lot amount or fee based on 372 Melody Ranch lots.
 g) Equivalent monthly lot fee based on 372 lots, for 12 months per year.

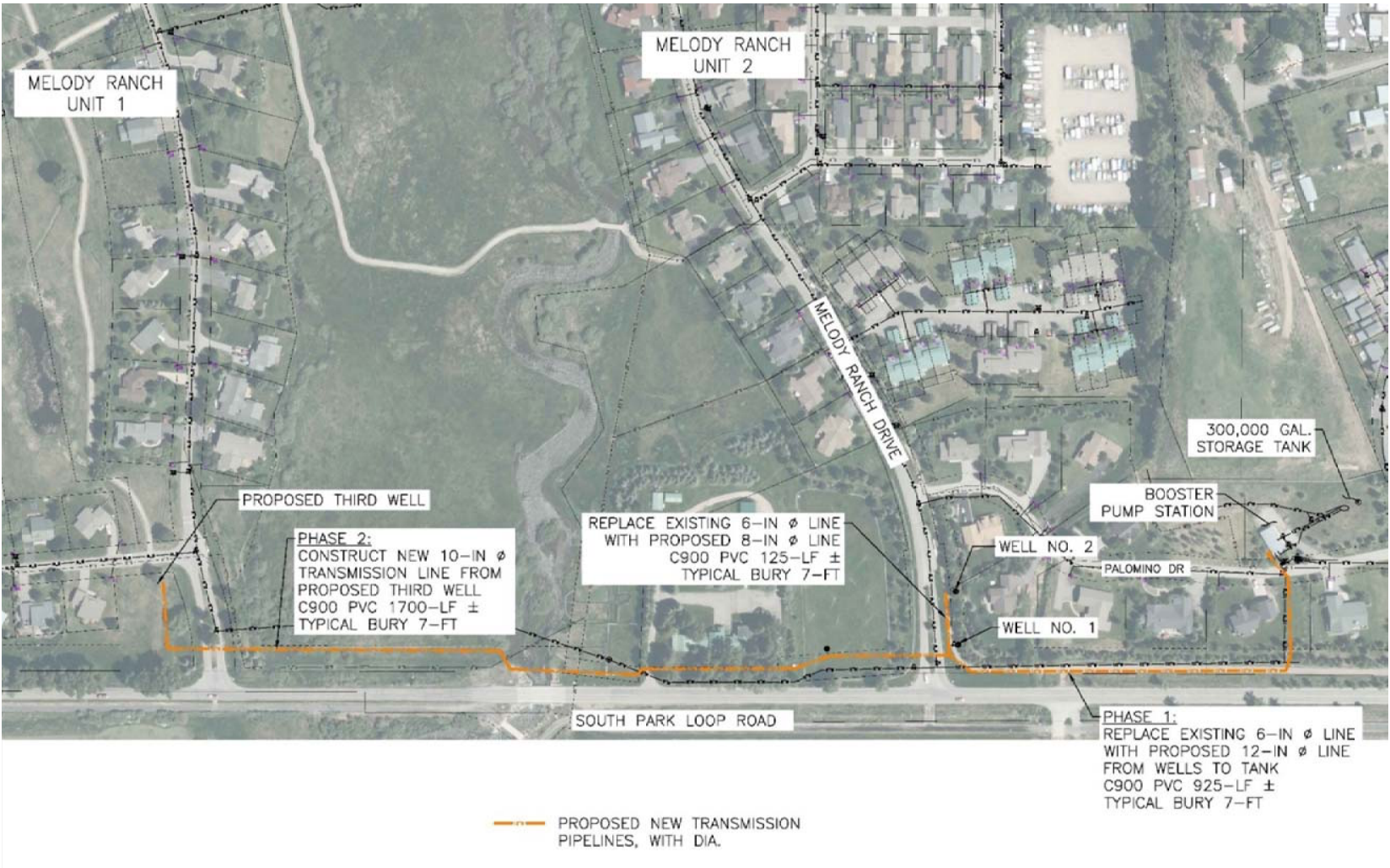


Figure 3 - Proposed Third Well and Transmission Pipeline