

Subject: Important Additional Information Regarding the Water Line Replacement Project

Hello Dakota Ridge Home/Lot Owners,

Since we mailed the informational letter and ballot last week, we have been contacted by several owners who expressed concern about the increase in the special assessment -- \$8,960 per home/lot owner (please know this is an "up to" number in that we believe there is an opportunity to reduce this number but cannot guarantee this, of course) vs. the previously communicated amount of \$7,754 per home/lot owner. It is understandable that you would question this increase of \$1,206 per home/lot owner because we didn't fully explain the differences between the previous project scope & cost versus that which we recommend, which reflects a **long-term approach to the health of our water system** and not one that solely replaces pipes that are prone to breaks and thus costly repairs.

The following is a quick summary illustrating how we arrived at the new & enhanced scope of work and proposed per-lot assessment of up to \$8,960.

If you visit the Dakota Ridge Web site [www.drhoa.org] you will be able to review a Q&A resource that will provide additional details.

And please attend the informational meeting on June 11th at Sharon Pace's house for further discussion and Q&A.

Project Summary & Timeline:

- * Last year, your Board of Directors (BoD) conducted a study of what it would cost to replace the historically costly section of ductile iron pipe in the north entrance side of our neighborhood (this was their sole focus and scope)
- * With that scope, they came up with a proposal from Native Excavating of \$733,000
- * Assuming \$159,200 of capital reserves would be invested, the "net" cost for the project would be \$573,796, resulting in a per-lot assessment of \$7,754
- * At an informational meeting held at Sharon Pace's house on January 30, 2015, consensus was reached that the BoD should research the project more thoroughly, produce a bidding document to which at least 3 vendors could respond, and develop a revised proposal incorporating any new findings discovered throughout the process
- * Accordingly, the BoD engaged Civil Design Consultants of Steamboat Springs to assess our water system issues and vulnerabilities, including the failing ductile iron pipes in the north side of our neighborhood, produce a specifications document and corresponding bidding document
- * The newly seated BoD received the completed report -- which was initiated by the previous BoD -- in mid-April
- * The result of CDC's work revealed additional issues regarding:
 - Non-compliant water chlorination process being followed (due to inadequate facilities) and increasingly being scrutinized by the State of Colorado via forced compliance times and potential non-compliance penalties

- Inadequate fire mitigation water flow specifications of our pipes
- Inadequate number of fire hydrants to comply with State/County guidelines

* Per the consensus reached at the January 2015 informational meeting, your BoD authorized a bidding process that included three RFP invitations, two responders, and one finalist -- Native Excavating -- who we believe provides us the optimal combination of addressing 100% of our requirements, delivering the highest level of quality, and working within our required timeframe

* The restated project scope is up to \$1,000,000, which **includes up to \$350,000 for a chlorine contact basin to address the non-compliant water chlorination process. This chlorine contact basin was not contemplated by the original proposal developed by last year's BoD and reviewed at the Annual Meeting of Homeowners.**

* Your BoD plans to invest up to \$350,000 of our capital reserves (vs. \$159,200 previously contemplated) to reduce the project cost not more than \$650,000

* The impact on your assessment is that the new figure is up to \$8,960; the previous figure was \$7,754

* The project scope & cost has been -- responsibly and appropriately -- increased by 36% (\$733,000 increased to up to \$1,000,000), yet the special assessment has only increased by 15% (\$7,754 increased to up to \$8,960)

In summary, we increased the project scope to include the highly recommended chlorine contact basin, which has an estimated cost of up to \$350,000. This work will be performed in the summer of 2016 (while the higher-priority ductile iron pipe replacement will be performed this summer). The addition of the chlorine contact basin increased the cost to up to \$1,000,000 and increased the per-lot assessment from \$7,754 to up to \$8,960.

A final note about the chlorine treatment approach currently in place. We are effectively treating our water supply using the same approach we have since circa 1982. We continuously test our water as required by the State of Colorado. We are fine. It is simply a case where the State of Colorado is increasingly enforcing compliance in this area, specifically the installation and use of a chlorine contact basin.

We hope this information serves to answer any questions and address any concerns each of you might have.

Please refer to the Q&A section accessible on www.drhoa.org for more details.

Regards,

Dakota Ridge Homeowners Association Board of Directors