



RIVER VALLEY RANCH

· Irrigation Water Settlement ·

As we advised you in mid-December, the Association's leadership successfully negotiated the end of the protracted contract stalemate with Crown Golf, doing business as RVR Water Department. Since the late nineties, Crown Golf has managed the infrastructure of the irrigation system at River Valley Ranch—the ditches, pipes, ponds, and pump stations which deliver water from the Crystal River to our front yards.

We're pleased to start the new year with this milestone behind us. We are confident that the re-structured relationship will permit the Association to better manage our costs for irrigation service, plan for long-term, capital expenses of the system, and create a more productive, flexible partnership with Crown Golf to meet our common need for adequate, reliable, cost-conscious irrigation water.

We hope to accomplish several things with this communication package:

- Summarize the structure of the new relationship;
- Disclose the financial terms of the settlement;
- Provide notice of a reimbursement assessment for your share of the costs of the system *if you owned a custom home during 2007–2010*;
- *If you are a resident of Old Town, The Settlement, Crystal Bluffs, The Boundary, or Twenty Four*, provide notice of the reimbursement assessment for your neighborhood's share of costs for 2007–2011;
- Advise you of the reimbursement assessment you or your neighborhood will receive for your share of the costs for 2012;
- Enlist you in our efforts to be stewards of the irrigation water which will improve the health of your lawn, trees, and shrubs and will help us to manage the costs for our irrigation water delivery;
- Anticipate some of your questions.

A key element of the new agreement with Crown Water is that the River Valley Ranch Master Association will assume the billing function for irrigation delivery costs. This includes the necessity to collect monies owed for irrigation delivery service for 2007–2010. We recognize that these bills may come as a surprise to many of you, although the Board has tried to remind homeowners that this inevitable day of reckoning would arrive.

If you are a lot owner at RVR and you do not irrigate your lot, you will not be billed for the reconciliation period or participate in the cost sharing for 2012.

We hope that this information is helpful to you. There will be opportunities for you to pose your questions or concerns in person to the Board and Community Manager; we will advise you of our plans for information sessions. Feel free to stop by the Ranch House and ask the Community Manager, Ian Hause, for clarification.

The process has consumed an inordinate amount of volunteer leadership and management time and energy since 2004. Thank you for your patience; we're confident that we've got it right and that these agreements will guide us long into the future.

RVRMA Executive Board

Jim Noyes, *president*

Peter Frey, *vice chair*

Bill Grant, *treasurer*

Ted Stude

Frank McSwain

Lani Kitching

Amy Harvey

Community Manager

Ian Hause

Please see the enclosed invoice, your share of the costs of irrigation water delivery from 2007 to 2011 (not applicable to unimproved lot owners).

How did this dispute arise between Crown Golf and the River Valley Ranch Master Association? How was it finally resolved?

TIMELINE OF KEY EVENTS

1995

Town of Carbondale annexes the ranch lands that form RVR; water rights to be conveyed to the Town of Carbondale.

1996

Water Rights Operating Agreement executed by the Town of Carbondale and RVR's developer. The developer will install the irrigation system for "Golf Land" and "Residential Land." "Charges [for residential land] shall be based upon rates that include the criteria customarily used for calculating charges for the diversion, distribution, and delivery of untreated water for irrigation, provided, however, that in no case shall such rates be greater than 80% if the rates billed by the Town for general municipal water service."

1997

Water Delivery, Management, and Maintenance Agreement details the relationship between the RVRMA and Crown Golf for the operation and maintenance of the irrigation system.

2000

RVR Water Department—a subsidiary of Crown Golf—starts billing the Master Association and residential customers.

2004

Executive Board of Master Association asks RVR Water/Crown Golf for clarification of

cost basis for irrigation water bills and documentation; Irrigation Water Committee formed.

2006

Transition from developer to homeowner control; RVRMA Executive Board presses Crown Golf to provide detailed information to justify irrigation system costs and the basis for billing.

2007

David Fairman, CEO of Crown Golf, visits Carbondale to meet with homeowners and Association representatives; RVR Water bills increase concerns of RVRMA leadership and homeowners; RVRMA makes only token payment.

2008

RVRMA Board leadership continues to press for resolution of the irrigation water issues; authorizes audit of Crown Golf's stated costs.

2009

On advice of counsel, RVRMA advises Crown Golf that the 1997 agreement is no longer binding. RVRMA Executive Board designates negotiation team to approach Crown Golf to negotiate "global settlement" to include the interests of the Association, sub-associations, and homeowners.

2010

RVRMA team continues to press for resolution; Board authorizes a

study to determine reasonable and customary charges for an irrigation system such as RVR's.

2011

January Joe Gilmore, CFO of Crown Golf, is authorized to negotiate settlement with RVRMA; travels to Carbondale; negotiates key deal points with RVRMA team.

February Negotiation continues; Joe Gilmore visits Carbondale in April and August; deal points August and agreement strategy clarified.

September Draft of restated and revised 1997 Agreement prepared by Crown's local attorney; reviewed by RVR's HOA counsel, Hindman-Sanchez for consistency with the governing documents and statute, and local firm, Garfield & Hecht regarding contractual matters.

October Draft agreements reviewed by respective negotiating teams.

November RVRMA Executive Board reviews agreements; Board adopts agreements at its regularly November 30, 2011 meeting.

December 7 Agreements executed by the parties.

December 9 Announcement to RVR Community

December 14 RVRMA Executive Board approves reimbursement assessments to recoup some of the 2011 costs of the settlement.

A SINCERE THANK YOU

Over the years, several RVR homeowner/volunteers devoted countless hours and commendable persistence to the goal of improving the relationship with Crown Golf. We have benefitted enormously from their groundwork as we breathe a sigh of relief that this hurdle has been overcome. These dedicated individuals deserve our gratitude and praise.

Roy Davidson · Steve Falwell · Matt Hamilton · Dick Hart · Dick Heinz · Bill Hoover · Dick Kelley · Stan Kleban · Ted Stude

KEY DEAL POINTS

- 1 Crown Golf and the RVRMA will share the costs of maintaining the irrigation system from the head gates on the Crystal River to the valves which direct water either to the Golf Course or to the residential community.
- 2 The RVRMA will own and assume direct responsibility for maintenance of the irrigation system from the isolation valves that divert water to the Golf Course or the residential system to each homeowner's front curb.
- 3 The RVRMA will assume responsibility for billing RVR homeowners, sub-associations, and limited common areas. The Association has acquired Crown Golf's account receivables for 2007–2010. These receivables will help to fund the costs for this settlement with Crown Golf.
- 4 At the beginning of each year, Crown Golf and RVRMA will mutually agree to an annual budget. Certain costs for the Association will be determined by the relative percentage of irrigation water used by the golf course and the residential community. Other costs will be shared according to a negotiated percentage. At the conclusion of the irrigation season, actual costs will be reconciled, and adjustments will be made to the Association's bill. All aspects of the relationship will be transparent. (Irrigation water use is measured each month during the season by representatives of Golf and the RVRMA.)
- 5 Capital projects will be planned long in advance by the two parties, and the costs will be shared according to relative use of water.
- 6 A comprehensive digital map of the irrigation system illustrating the respective responsibilities of the Association and Crown Golf is an exhibit to the Amended and Restated Water Delivery, Management and Maintenance Agreement (2011).
- 7 While negotiating the revised agreement, a comprehensive summary of respective responsibilities was developed to insure efficiency and accountability.

FINANCIAL SUMMARY OF THE SETTLEMENT

	PRE-2006 SEASON	Both parties have released each other from any and all claims for previous irrigation seasons.
	2006 SEASON	Crown Golf agreed to accept partial payments for the 2006 season from the RVRMA, sub-associations, and homeowners as full satisfaction for its 2006 costs.
CROWN GOLF'S STATED COSTS, 2007-2010, AT THE BEGINNING OF THE NEGOTIATIONS (JANUARY 2011)		\$701,000
NEGOTIATED TOTAL AMOUNT OF CROWN GOLF COST RECOVERY, 2007–2010, AFTER DISCOUNTS		\$508,077*
PAYMENTS BY RVRMA, HOMEOWNERS, AND SUB-ASSOCIATIONS, 2007–2010		\$118,983
NET AMOUNT OF COST RECOVERY		\$389,094
CREDIT TO RVRMA FOR CAPITAL RESERVE ACCOUNT COLLECTED BY CROWN GOLF, 2000–2005, TO FUND FUTURE CAPITAL REPAIRS		\$135,924
RVRMA PAYMENT TO CROWN WATER/SETTLEMENT AMOUNT		\$253,170
*2007...\$112,853 2008...\$128,134 2009...\$133,519 2010...\$133,570		

Why does it cost so much to irrigate with free water from the Crystal River?



THE HEAD GATE AT THE CRYSTAL RIVER A mile up river, irrigation water leaves the Crystal and travels to RVR through the Bowles & Holland ditch. Each day during the season, a “ditch rider” inspects this weir and insures that the water flows unimpeded. The ditch rider also inspects for beaver activity and other environmental conditions which may negatively impact ditch operations. This weir also measures how much water RVR is drawing from the Crystal River.

BOWLES AND HOLLAND DITCH NEAR SHADOWWOOD LANE AFTER RECENT MAINTENANCE Over 11,000 lineal feet of open ditch meander through RVR. Five ditches make up this network. Each ditch requires annual maintenance to maintain its flow.



CULVERT WITH GRATE 8,000 lineal feet of our five ditches travel underground through culverts. Each culvert requires maintenance to insure that the irrigation water flows freely. The grates don't clean themselves after storms and mowing!

WEST SIDE POND Our seven settlement/intake ponds occupy 5.4 acres and are attractive amenities for homeowners, golfers, and wildlife alike. Equally important, they are storing the water which our irrigation system delivers to your homes, the Golf Course, and master common areas.



MORE DATA ...

Controllers: 91 | Piping under Pressure: 739,200 feet, or 140 miles

Electrical Line Controlling the Timing of the Irrigation: Over 2,000,000 feet, or 379 miles!

If this system were built today on raw land, it would cost \$2.5 million for the infrastructure to bring water from the river to the system and an additional \$4.2 million for residential irrigation distribution.

EAST SIDE PUMP STATION It's not pretty, but this "bunker" houses the two powerful pumps which push water for the east side of the development, including a portion of the Golf Course, Triangle Park, and key assets of the residential community.



WEST SIDE PUMP STATION This pump house powers the irrigation system for the west side of the community—most of the Golf Course, all custom homes, Orchard Park, more common area and right of way planting strips. Another "booster" pump helps irrigation water travel up to the mesa at the southern end of the community.

ELECTRICAL PANEL, EAST SIDE Annual bills for electricity for the irrigation system total over \$60,000! It takes a lot of electricity to power the pumps which deliver water to the irrigated areas of approximately 520 acres.



CLA-VALVES Twenty-nine vaults house the Cla-Valves to the residential community. No, they are not made from clay, but, these valves perform a critical job. We measure our water use with their meters. They open and close remotely to allocate irrigation water to the Golf Course and the residential community on a fixed schedule (8 am to 8 pm for the residential community). With irrigation water heavy with turbidity, they require intensive cleaning and preventive maintenance before each irrigation season.

QUESTIONS & ANSWERS

How will we pay for this settlement? Will my dues go up?

The Master Association prudently reserved funds for its share of this obligation in an escrow account to which all homeowners contributed through homeowner dues since 2006. In addition, the RVRMA will bill homeowners and sub-associations for their share of the costs for 2007–2010. These escrow funds plus the receivables will fund this transaction.

If you live in Old Town, The Settlement, The Boundary, Crystal Bluffs, Twenty Four, or Thompson Corners, your associations have reserved, in part or in full, for this expense. *(Please see the enclosed communication from your neighborhood association.)*

How was my bill for 2007–2010 calculated?

After extended negotiations, the Association agreed to reimburse Crown Golf for their costs for the 2007–2010 seasons with a significant discount. Charges for 2007–2010 were recalculated incorporating these discounts, and Crown Golf's receivables were purchased by the RVRMA.

In calculating your bill, we started with Crown Golf's 2011 calculations. We simplified the rate structure using square footage information from the Assessor's Office. Our goal was to make sure that your bill was significantly less than you were charged when you last received a bill from Crown Golf for the 2007–2008 seasons. We also conducted a competitive analysis to assess what homeowners in other communities might pay for irrigation service.

Very Important: If you made payments in 2007–2009 for service during 2007–2008, you will receive a credit for these payments. They will be deducted from your charge for 2007–10.

Please be assured that we carefully considered your charges and those of your neighbors; fairness was a primary consideration.

Will I receive a bill for 2011?

Good news! The Master Association Executive Board has decided that it has adequate resources from the escrow fund and the receivables to absorb all of the costs for 2011 for RVR residents (estimated \$126,000).

When will I get a bill for 2012? How much will it be?

Individuals and neighborhood associations will receive a bill for a reimbursement assessment on May 1, 2012, for their annual fee for irrigation water delivery. The Association will assume forty percent of the total cost of the 2012 budget estimated to be \$120,000.

After careful review of the competitive analysis and after consideration of the nature of the costs for irrigation delivery, the Board has decided to impose a flat fee for irrigation delivery for all owners of custom homes. Neither the size of the lot nor the amount of water delivered during a season affect the costs for the irrigation delivery infrastructure. The fee for Custom Homes for 2012 will be \$290.

Residents of neighborhood associations will pay for their irrigation delivery through their sub-association dues—paid in addition to RVRMA homeowner dues. For 2012 irrigation water delivery, Settlement homeowners will pay \$180; Old Town, \$90; Twenty Four, \$80; The Boundary, \$65; and Crystal Bluffs, \$65.

Why aren't RVR homes metered so that we could simply be charged for the irrigation water we use?

In the early years of RVR, the developer installed meters on many homes. The proper functioning of the meters was hampered, however, by our raw irrigation water filled with turbidity. A metered system would require extensive filtration which was judged too costly to install and maintain. In addition, our system is pressurized in excess of 80 psi (pounds per square

inch). The required seasonal blow-out of the system damaged those meters. At a certain point, the developer disabled existing meters, and no additional meters were installed.

The Association's operating budget includes a line item for "Irrigation Repair and Maintenance" along with the costs of "Irrigation Delivery." What's the difference?

The Master Association irrigates almost forty acres of common area, parks, rights of way, and the Ranch House grounds. During the irrigation season, controllers time the schedule and duration of irrigation service within a twelve hour window from 8 am to 8 pm. Thirty-eight thousand irrigation heads water our trees, bluegrass, planting beds, and natural areas. Irrigation Repair and Maintenance captures the costs of maintaining the irrigation delivery devices in good repair, insuring the attractive and healthy appearance of our landscape assets.

"Irrigation Delivery" captures the cost of maintaining the infrastructure of the irrigation system. Most of these costs are shared with Crown Golf. Other costs, such as maintaining the Cla-Valves that service the residential community, are the exclusive financial responsibility of the RVRMA. Specifically, this line item covers the Master Association's share of these costs, forty percent of the total. Repairs to main lines in the residential community are also included.

How will the Association reserve for future capital expenses of the irrigation system?

The Master Association Reserve Budget planning has always included the future needs of the irrigation system. All homeowners make a contribution to reserves as part of their annual homeowner dues.

With a closer and more productive relationship with Crown Golf and the aging of the system, homeowners

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Irrigation Water Delivery

2011 PRELIMINARY BUDGET

RVRMA'S SHARE OF JOINT COSTS	AMOUNT	BASIS
Payroll & Benefits	\$8,255	Percentage of salary and benefits of dedicated personnel.
Property Taxes	\$6,149	10% of annual property taxes.
Legal & Consulting	\$6,861	Directly billed expenses; 2011 includes some of the cost for the new contracts.
Travel	\$3,461	Directly billed expenses; 2011 required more travel because of contract negotiation.
Electricity	\$26,963	To be based upon proportional use of metered water.
Contract Maintenance & Operation Cost Allocations	\$51,807	Maintenance contract costs for pumps, ponds, ditches, headgates, controllers, computer, etc.
Sub-Total <i>(subject to annual reconciliation)</i>	\$103,496	
RVRMA COSTS FOR THE RESIDENTIAL SYSTEM		
Cla-Valve maintenance, main line repairs, etc. by Lone Wolf Irrigation for services	\$22,500	Costs directly billed
PROJECTED TOTAL FOR 2011	\$125,996	

QUESTIONS & ANSWERS (continued)

can expect that capital planning will receive a higher priority. Pending projects include improvements to the pumps, ditches, and the intake pond on the east side of the community. These projects will be carefully planned and phased over time when possible.

How much does it cost other homeowners in the region to irrigate?

Here's what we learned from our competitive analysis:

If you owned a 3900-square-foot home in Aspen Glen situated on an 18,000-square-foot lot and irrigated with water from the Roaring Fork Water and Sanitation District, it would cost you \$1,200 per season.

If you owned a 1800-square-foot town home in Aspen Glen, your annual fee would be \$300.

But I pay a bill for each month to the Town of Carbondale for water. Would it be less expensive if I used Town water to irrigate?

Your bill for water [and sewer service] is for your potable drinking water. RVR's agreements with the Town explicitly require our irrigation systems to use raw water from the river.

We looked at this question as part of our competitive analysis. The Town uses a tiered rate structure: the more you use, the higher your rate. We estimated that a typical custom home would pay \$1,100 per year for irrigation water in addition to the monthly charges for drinking water and sewer service. This is accurate.

What's a "reimbursement assessment"?

The Executive Board may levy a reimbursement assessment for any purpose which it deems necessary and appropriate (Article 10.10 of the Master Declaration of Protective Covenants). In this case, the Executive Board has voted to levy a reimbursement assessment to retire the obligation to Crown Golf for the costs of delivering irrigation water during the 2007-2010 seasons.

Each year, prior to the launch of the irrigation season, the two parties will estimate the costs for the year. Individual homeowners and sub-associations will be charged a reimbursement assessment for their share of that year's costs based on that estimate.

Why can't we irrigate our yards at night?

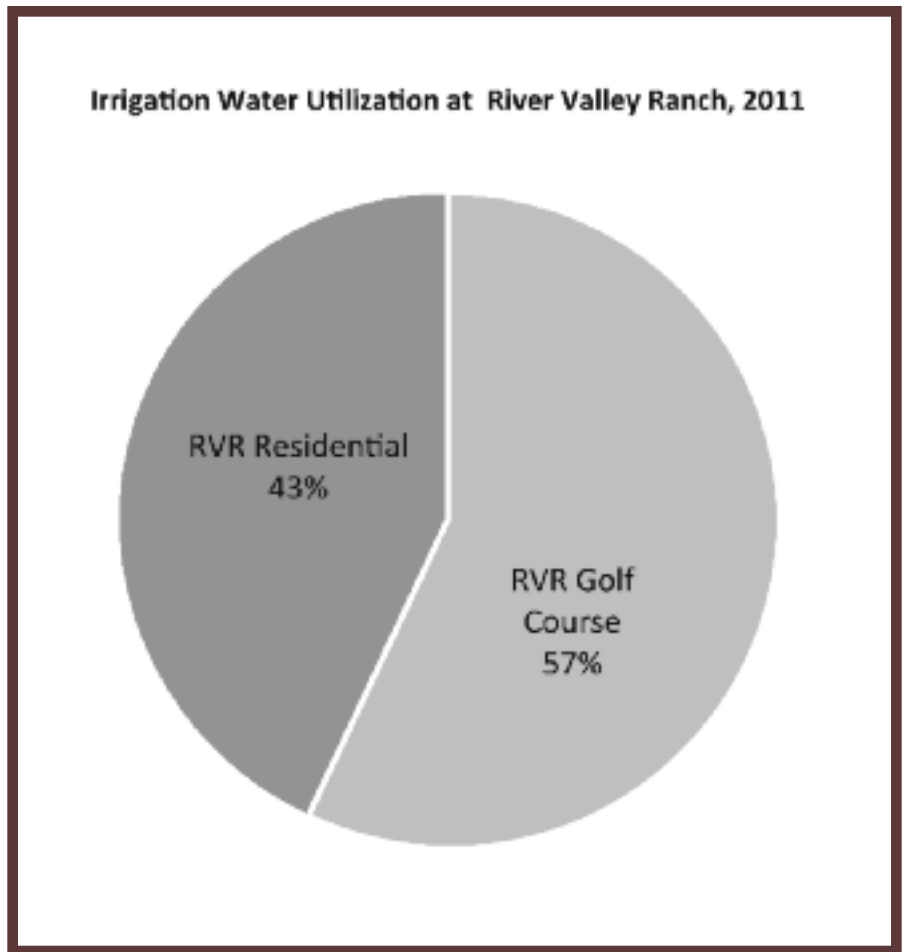
The 1997 operating agreement stipulated that the Golf Course would irrigate overnight, and the hours for the residential community are 8 am to 8 pm. It might be preferable to irrigate at night, but the golfers might protest if the fairways and greens were irrigated during golfing hours! Also, the pumps which power the system are fully utilized irrigating the property even with a 24-hour schedule. As we go forward, we expect that RVR and Golf will more closely coordinate the watering schedules. We hope that there might be more flexibility in the future.

A Word about Stewardship of Irrigation Water...

OUR COLLECTIVE BILL for irrigation water will increase if we use more water relative to the Golf Course. The chart (right) illustrates the 2011 distribution of residential and Golf Course utilization. (As new homes are completed, we might use more water, but we will also be collecting additional fees.)

Careful watering will also improve the health of your grass, trees, and shrubs. Please consider doing your part by learning about “waterwise” irrigation and adjusting your time clock as the season progresses or if we receive heavy rainfall.

We'll be providing resources to help you learn more about optimal watering as the irrigation season approaches. We will appreciate your help!



THE ANNUAL BLOW-OUT OF THE IRRIGATION SYSTEM

Each year Rich Myers and his team man two compressors and systematically move through the community, blowing out each and every irrigation system. This measure is important to protect the infrastructure of the system and to insure that there are no surprises in the spring which might damage your home.

It is not necessary for you to pay a property manager, landscape contractor or irrigation specialist to perform this service. Save your money!

QUESTIONS, CONCERNS ABOUT YOUR BILL?

Please contact Suzie Matthews, RVR's Controller. She can be reached at rvrfinance@rvrcommunity.com or by phone at 970-963-6300, extension 302. She can answer most questions you might have and correct errors that might have occurred during the reconciliation process.

If you believe you received an incorrect credit for payments during 2007–2010, we will need your canceled check or credit card receipt to verify the accuracy of your claim.



MAP OF THE IRRIGATION DELIVERY SYSTEM

If you are interested in learning more about RVR's irrigation delivery system, a comprehensive map is available at the Front Desk. Please stop by, and the staff will be happy to provide one.



COMMUNICATION PACKAGE

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