

**Deerwood Service Company, LLC**  
**P. O. Box 881546,**  
**Steamboat Springs, CO 80488**

February 1, 2019

Dear DSC Customer:

This is an important letter from Deerwood Services Company, LLC (DSC) about our water system, addressing some immediate and future costs. None of us want to pay more for our water, but this is required to keep it running dependably.

New Well

DSC currently has only a single well to provide water for our customers. Unfortunately, while performing maintenance on the well last summer, we discovered problems with the well casing that could cause the well to fail at any time, leaving us without water for an extended time. With the help of the engineering firm Civil Design Consultants, Inc. (CDC), we are moving as fast as possible and plan to have a new well operational by fall, 2019 at the latest. The estimated costs of the new well are:

Engineering -- \$35-45k

Legal (Water Rights) -- \$10-20k

Drilling & Equipping -- \$50-60k

So, the total estimated costs for the new well are \$95-125k.

Long-Term Improvements to Infrastructure

To prevent serious future water outages, we need to have a second well in place. So after the new well is operational, we plan to take the old well offline and rejuvenate it. In addition, we have experienced other outages over the past few years caused by burst pipes and other problems with our delivery system. We are engaging CDC to perform a "reserve study" which will determine what needs to be done over the next 10 years and to give us an estimate of how much it will cost to upgrade and maintain the system so that it will provide continuing, reliable water service.

How to Pay For It All

On January 26, 2019 the DSC Board held a meeting for Owners' Association representatives from the 3 subdivisions served (Creek Ranch, Deerwood Ranches and Wilkerson Subdivision) to discuss the critical need for a new well, proposed improvements to the water system, and to get approval to move forward. Mary Andre, a Principal with CDC, and Bruce Thompson, our System Manager, attended the meeting and answered questions and discussed concerns and possible outcomes.

After much discussion, the following plan was developed and approved. We will:

1. Make an immediate special assessment of \$500 per lot (providing \$33.5k) to cover the engineering costs and get the project started. You'll receive a bill on Feb. 15<sup>th</sup> to be paid no later than May 15<sup>th</sup>, 2019.
2. Increase maintenance fees on empty lots to \$50/month (starting April 1<sup>st</sup>, 2019) to match the fee for lots with homes.
3. Apply for a low-interest, \$100k loan through the federal government's rural water program.
4. Announce a new rate plan this summer to raise necessary additional funds after all of the drilling and long-term costs are better understood.

If you have questions or concerns, please contact me.

Sincerely,

Terry Audesirk (Chair, DSC Board of Managers)