

## Frequently Asked Questions

*Q: Why aren't the owners of unimproved lots included in the assessment? After all, they will benefit because the renewal of the road should increase their lot values just as it will increase the property values of our homes.*

A: Actually, if the question is asked in terms of the overall revenue for the project and not isolated to one particular component of the revenue pie, the owners of unimproved lots have contributed to the project.

If you look at the revenue pie distributed with the special assessment ballot, you will see that about a third of the money for this project comes from the reserve built over the last seven years from annual assessments through prudent budgeting by WLRMS. Owners of unimproved properties have contributed significant amounts to that portion of the budget through their annual assessments.

And, although it is true that one way to consider the benefits of the renewal of Wolf Laurel Road is property values, by far the greatest benefit will be to those who regularly use the road to access their homes and the recreational benefits of Wolf Laurel. The owners of unimproved property generally do not use the roads on a daily or even seasonal basis as do the owners of homes.

How to apportion the sources of revenue for improvements is always a difficult judgment subject to debate, and there was debate about the issue on the board. In the end, the board decided that factoring in the difference of usage, and acknowledging the contribution of unimproved lot owners in the reserve portion of the revenue budget, the distribution arrived at was not grossly unfair, even if open to debate.

*Q: If owners of unimproved lots are not required to contribute to this special assessment, why do they get a vote on the matter?*

A: Special assessments must be structured according to the Covenants and Bylaws of WLRMS. These rules require that votes for special assessments be conducted with each improved lot receiving two votes and each unimproved lot one vote. So, owners of unimproved lots are required to be provided a vote.

The same sets of rules specify that the proposal to be voted on may distribute the assessment between improved and unimproved lots as the WLRMS Board judges to be fair and equitable. For this particular special assessment, the Board decided that because of the multiple sources of revenue with the owners of unimproved lots contributing through the reserves coming from annual assessments, they would not also be asked to contribute to the special assessment portion of the revenues.

*Q: People all over the mountain use Wolf Laurel Road. Why is the special assessment only for those who are members of the WLRMS POA?*

A: The multiple Home Owner Associations (HOAs) within the 5000 acres that was Wolf Laurel can be perplexing.

Legally, WLRMS only has the power of special assessment for those in its POA. But once again a better perspective is to look at the entire revenue budget. In fact, those outside of WLRMS have contributed to the reserve portion of the budget drawn from annual assessments because other road maintenance organizations on the mountain make an annual contribution to the WLRMS budget in exchange for services we provide them.

But in addition, the voluntary contributions portion of the budget has to be considered. Many people living on the mountain but outside WLRMS contributed to that solicitation. In addition, however, a significant number of vendors whose trucks use Wolf Laurel Road also made contributions to the voluntary fund. The generosity of our neighbors and vendors added to the generous contributions of home and lot owners within WLRMS made the successful campaign for voluntary contributions the largest portion of the revenue budget.

So, there is no legal authority for a broader special assessment, but revenue from those all over the mountain is included in revenues for the work.

*Q: We are only at Wolf Laurel for a weekend and a summer vacation. Why should we pay the same in a special assessment as those who are in Wolf Laurel for the entire summer, or even full time?*

A: Our Special Assessments are legally governed by our Covenants and Bylaws. The Covenants permit differentiation between developed and undeveloped lots in setting assessments. But any other differentiation in assessments is prohibited. So we cannot create categories for summer residents and all-year residents, nor Wolf Laurel Road users and non-users, nor those who typically use a half mile of Wolf Laurel Road and those who use all two miles, nor paved road users and gravel road users, nor large houses and small cabins. In the eyes of our legal documents we are a community with a permitted differentiation for those who have developed their lots and those who have not. That is the only distinction permitted.

This principle in the Covenants recognizes that we are one community, and calls upon all owners to fund our total infrastructure system of over 60 miles of both paved roads and gravel roads. At one time the road on which we live may receive more attention; at another time some other road will be temporarily favored. At all times as we travel the roads, going to our mailboxes, enjoying the amenities at WLPOA or WLCC, visiting out neighbors, we enjoy the road system that ties our community together. WLRMS has responsibility for all 60 miles of those roads, and as a member you support that total effort. Wolf Laurel Road is a critical part of the overall road system serving our community. It is today, as it has been, the main arterial road through the heart of Wolf Laurel. Over the next few years, through our annual assessments, other roads throughout the community will receive attention that right now is focused on Wolf Laurel Road. Right now this key road needs our attention.

Regardless of how much time a homeowner spends at Wolf Laurel, they depend on that road

system being there for them. For that to be achieved, a unified effort to maintain and rebuild roads when necessary has to take precedent. WLRMS uses that principle in planning and executing maintenance of the road system.

*Q: Why isn't the total cost of this project coming from a reserve fund?*

A: From Wolf Laurel's earliest days, reserves for infrastructure replacement and renewal have always been a problem. Bald Mountain Development Corporation during its stewardship tended to operate on a simple income/expense basis rather than setting aside identifiable reserves for infrastructure renewal. When WLRMS purchased the assets of BMDC in 2012, no reserve funds accompanied the purchase. This despite the fact that some infrastructure on the mountain was at that time approaching 50 years old. Wolf Laurel Road specifically contained a surface then 21 years old, by all accounts beyond the expected life of a road before rebuilding.

Over the intervening seven years WLRMS has annually budgeted for and built a reserve fund from annual assessments. Within the constraints of our budget, however, building a fifty year reserve in seven years just was not possible. Thus, our current revenue pie mixes funds specifically earmarked for this project with a portion of those reserves from annual assessments.

Obviously, the reserves are set aside to address needed renewal of many elements of infrastructure, not just Wolf Laurel Road. WLRMS is respecting that arrangement and not totally exhausting the current level of reserves. We are anticipating and planning for a substantial need to replace infrastructure in the next twenty years with a reserve study currently underway and appropriate budgeting. So, we decided that for this project we would draw revenue from a number of sources. This special assessment will complete the portion contributed by current homeowners who will enjoy the rebuilt road for many years to come.

*Q: I hear there are overruns being experienced on the road?*

A: Unfortunately, this is true. Discoveries after the start of construction have resulted in overruns. But all involved (engineers, contractor, and WLRMS) are working together to contain the problem.

WLRMS tried mightily to budget properly for this project. Expensing the project was a three stage process. At the first stage we located a road construction expert, walked the road with them, and asked them for a rough quick estimate of the cost. Based on that estimate, we did the first draft of a budget and included expense for an engineering firm with the expertise to make certain that we planned, monitored, and executed the project to high quality, with maximum longevity, and as efficiently as possible.

We began stage 2 by soliciting bids for this engineering portion and based on those bids contracted with THC, Inc. of Johnson City to provide this service. They had worked at Wolf Laurel before and had served in a similar capacity for other Western North Carolina communities similar to Wolf Laurel, and on other mountain road projects in North Carolina and Tennessee. They conducted core drilling at various places on the road to assess the conditions that would be

encountered and, based on that research, prepared a report and a projected cost budget. We met with them and went over their recommendations in detail, challenging them on many issues. Then, after our input and working with us, they prepared necessary documents to bid the project. Our engineer-partners recommended, as a stage 3, milling of the road to locate problems that the sampling research from the core drilling did not reveal. They also recommended that we build a contingency into the budget for problems that quality demanded we address and only discoverable at stage 3. They indicated that milling was not simply the final stage in research for problems, it was a process that would create a better bonding in the reconstruction. Once we received the bids from contractors, we renegotiated the bid price with a “value for price” obsession. At that point we signed a contract and prepared a full budget for the project including the recommended contingency.

With the contract signed, our contractor began stage 3, the recommended milling to uncover the problems that the initial research did not reveal. Of necessity, this stage came after our budget was drafted and the contract signed. Although stage 3 revealed that the core drilling reflected the general condition of the road, there were at least two places where the initial construction 28 years ago had been completed with insufficient care to give us a quality road bed for reconstruction: one near the Community Center by the gate and a large area directly in front of Wolf Laurel Country Club. In addition, there were places where the uneven surface of the road was due to uneven base and the asphalt surface needed to vary in depth. Thus the material cost overruns.

The engineers and contractor have worked with us since these discoveries with two goals in mind: (1) construct a quality road of long duration, and (2) find areas of possible cost savings that will minimize the overruns consistent with goal one. We have succeeded in minimizing the overruns, but not in eliminating them.

*Q: Did the paving include areas beyond Wolf Laurel Road? Was the Wolf Laurel Country Club parking paved by our contractor? Was the area near the mail cabin?*

A: WLRMS’s contract called for paving Wolf Laurel Road. Our contractor did pave for our neighbors, but our engineer-partner carefully monitored these two areas to make certain that the asphalt for them was not included on our billing, and to make certain the contractor did not double charge us and the WLCC. The WLCC paid for the paving of its lots. The contractor agreed to pave the area near the mail cabin to complete the project but without charging WLRMS for the area since it was not included in the original contract.

*Q: What happens now that the special assessment has been approved by vote of WLRMS members?*

A: We hope to quickly receive the payments for the special assessment. The bill from the engineer and contractor is expected in early October with the balance due in two weeks. Invoices for the special assessments will be mailed to WLRMS households before October 15.

After WLRMS receives the final bill for the project, the finance committee will once again

review the budget making any necessary adjustments and identifying the sources of any additional revenue that is needed. Their recommendation to the board will follow, and the board will make final decisions on the project and its funding.

At that time, the Board will conduct a thorough review of the entire project, identifying successes and challenges as the project proceeded. Similar projects to renew infrastructure will be recurring needs over the next two decades. Lessons learned from this project should be invaluable. The Board is now finishing a plan to replenish the reserve fund budgeted from annual assessments. That plan, the review of this project, and other future actions will greatly influence future infrastructure projects.

*Q: When can we expect attention to other roads now that Wolf Laurel Road has been restored?*

A: There are two aspects to this question: planning and financing.

The WLRMS Board is currently finishing an inventory of our long term infrastructure renewal requirements. Last year the long range planning committee undertook a reserve study to examine our anticipated infrastructure needs including (a) major projects such as re-paving of roads, (b) upkeep of our buildings and other administrative and community assets, (c) our major equipment with which we conduct ongoing maintenance, and (d) requirements to be able to contend with emergency recovery and prevention. The study included assessment of the age of the asset, its likely life-span, its last renewal, and estimation of the year when major expenditures would be required to renew it. Our goal was to identify “need by” dates extending out 30 years. In addressing paved roads, we did not assume that each road would get the same method of repair (some are arterial, others secondary roads and they need different things) but we do understand that the community expects investment in every road. You will hear more about the reserve study in the future. This study will shape our planning for major infrastructure projects.

The other aspect of planning for roads is a multi-year rolling schedule for treatment of gravel roads as well as ordinary, minor repairs to paved roads. This schedule is annually reviewed and revised with the target of bringing gravel roads in each quadrant of Wolf Laurel up to our best standards every four years, including drainage correction, proper contouring, adding base material and repairing weather damage. But our gravel roads require on-going and consistent methods and work performed every year to reach and maintain the target goal, therefore this work is funded out of our annual operating budget.

Funding our major projects is a more difficult problem. Because WLRMS is restricted in its ability to increase assessments to fund operations (limited to five percent per year), funding of major projects inevitably must be balanced against our ability to perform ordinary projects and operations. The reserve study is designed as a first step in further developing the reserve fund to attend to the long term infrastructure needs of the community. When the Wolf Laurel Road project is completed, the Board will conduct a review of the process and evaluate how we should approach funding in the future. The process we employed on this project – careful project budgeting, seeking of professional advise and supervision of the project, developing a many faceted revenue budget – is likely to be the model. This may well include special assessments,

but ideally as part of an overall mix.

In short, we understand that completing the Wolf Laurel Road Project is not the end of our infrastructure needs, and that we need to plan very carefully for the next series of projects so that we can work within our annual revenue to the greatest degree possible. We also understand the need to space projects in order to balance the cost to owners with the need to address a road before its condition gets too expensive to manage. Our team has looked at all 6 miles of paved roads and prioritized the needs as part of the process of developing a cycle of paving. As these plans develop, we will keep the community informed.