



Tellico Village Property Owners

Re: Water and Sewer Infrastructure Asset Fee (WSIAF)

At the July 17, 2024, Tellico Village Property Owner's Association (TVPOA) Board of Directors (BOD) meeting, the BOD approved the implementation of a \$80 per month WSIAF for utility customers effective October 1, 2024. This fee will apply to any property receiving water and sewer utility service from TVPOA and was approved for a period of 60 months. However, the WSIAF amount will be reviewed at least annually and may be adjusted based on updated information for infrastructure project costs or the realization of other funding opportunities.

The purpose of the WSIAF is to finance five TVPOA-identified water and sewer projects that are needed to address significant risks associated with TVPOA's 35-year-old utility infrastructure. These projects are currently estimated to total approximately \$36 million, but actual costs are subject to final design and bid processes. The fee is to be used solely for water and sewer infrastructure expenditures and will be accounted for separately. Information about the five projects is available on the TVPOA website and has been explained via YouTube videos on the Tellico Village Network. Each of the projects remains subject to final review and approval by both POA management and the TVPOA BOD prior to implementation. These water and sewer projects are consistent with approaches taken by other utility districts and municipalities to address similar infrastructure issues.

The TVPOA BOD approved the WSIAF in accordance with Article VI of the Declaration of Covenants and Restrictions that each property owner is bound to when purchasing property in Tellico Village. Our legal counsel reviewed and confirmed the Board's interpretation of Article VI of the Declaration to authorize the implementation of the WSIAF. Legal counsel has rendered a written legal opinion, and that document is available for review on the TVPOA website.

The volunteer TVPOA BOD members approved the WSIAF after an extensive multi-year study and review of the current risks associated with existing TVPOA water and sewer infrastructure. Each of the five water and sewer projects has been unanimously approved by the Public Services Advisory Committee (PSAC) members. The WSIAF had the unanimous support of the Finance Advisory Committee (FAC) as the optimal means to improve TVPOA's utility infrastructure based on current information and projections to finance these projects. Contractors will not bid on these multi-year projects unless the POA can demonstrate existing financial capacity to pay for project expenditures.

The PSAC and FAC members are committed fellow property owners with extensive past professional careers and relevant experience. The advisory committee members spent countless hours understanding optional approaches and challenging assumptions before making recommendations.

In order to have sufficient funds available to the POA to complete and finance the five water and sewer projects, collection of the WSIAF must start now. As a reminder, the POA has extremely limited options to obtain traditional bank financing for these projects, given restrictions in its governing documents. The POA cannot practically pledge either assets or a revenue stream as collateral for a loan. In addition, current loan rates are not favorable for significant POA borrowing.

It is recognized that some Tellico property owners disagree with TVPOA's current approach. BOD members and POA management have heard and carefully considered the concerns raised by Tellico property owners.

Recently, the TVPOA BOD members and POA management have been made aware that one or more Tellico property owners have initiated a fundraising effort to finance legal counsel and potentially initiate litigation against the TVPOA concerning the WSIAF. The TVPOA BOD certainly respects the rights of all property owners to organize and express concerns regarding any utility matters. However, the BOD urges all property owners to carefully consider the merits and viability of such litigation, along with the financial risk to the POA and all residents that may result from delaying these projects, before engaging in such fundraising effort or potential litigation.

In addition, some property owners have expressed the potential intent of not paying the \$80 monthly WSIAF by short-paying their monthly water and sewer bills. Payment of the WSIAF is not optional, and any property owner not paying the fee will be subject to the discontinuation of water service under the POA policy, along with associated fees for late payment and reconnection of utility service.

The TVPOA BOD voted to implement the WSAIF and intends to initiate the water and sewer infrastructure projects as the optimal approach to maintain long-term property values for all Tellico property owners. As demonstrated in an August BOD presentation of a study conducted by the Long-Range Planning Advisory Committee, Tellico Village provides significant value to owners and residents compared to other property owners associations. Your elected BOD and POA management intend to maintain and operate TVPOA in a financially sound manner while addressing known infrastructure risks.

Thank you for supporting Tellico Village and for carefully considering the information in this letter.

Sincerely,

Board of Directors, Tellico Village Property Owners Association