



**TERLINGUA RANCH**  
**POATRI BOARD OF DIRECTORS**  
**BULLETIN #2 – September 8, 2008**  
*Options for the Terlingua Ranch Resort Facility –  
Part Two*

When the strategic planning process was begun in late 2004, the resulting vision statement regarding the resort operation stated that “[t]he resort facilities of POATRI are a valuable asset of the corporation and therefore must be preserved for the benefit of the members...” and “[t]o offset operating costs we will continue to promote resort facilities to non-owner visitors...”

At the request of management, a Resort Task Force was formed in July, 2005 to review the initial strategic planning goals because <sup>1)</sup> “it is not clear that the proposed 35% occupancy is attainable, given current resources and organizational structure... <sup>2)</sup> it is not clear that POATRI members continue to be willing to support the resort operation with any part of the Association assessment, and <sup>3)</sup> it is not clear that those owners who do support the resort wish POATRI to encourage the visitation it would take to make the resort self-sufficient.”

The management conclusion of this report was that “...a majority of Terlingua Ranch owners:

- **do not** oppose supporting the resort operation with assessments, *within limits*
- **do** support non-owner visitation, *within limits*
- **do** fear uncontrolled commercialization of Terlingua Ranch Lodge & Terlingua Ranch itself
- **do** recognize the resort operation as an asset, but at the same time see the road system as a far more important asset.”

These conclusions led to an operational approach to the resort that included reducing hours of operation, increasing room and RV rates, limiting improvements to only the most necessary repairs, and maintaining a short-staffed position to the extent possible while still providing service. In 2005, 31% of billed assessments were used to support the resort operation. The change in management strategy reduced that percentage to 11% for 2006 and 7% for 2007. The bottom line loss for the resort went from \$91,271 in 2005, to \$64,265 in 2006 to a low of \$43,246 at the end of 2007.

Unfortunately, for the budget year 2008, due to wage expectations from both long term and new hire employees and other increases in projected costs, as well as the limitations placed on us by the strategic plan goals, we found ourselves having to project 19% of billed assessments for use by the resort. With the closure effective September 1<sup>st</sup>, the 2008 projected loss of \$118,000 will be held to 12% of billed assessments, or approximately \$76,000.

Based on the current POATRI Strategic Plan, we, the POATRI Directors and Membership, face a complex problem:

- **How best to minimize assessment support of the resort,**
- **While maintaining the facility primarily for the use and enjoyment of owners,**
- **In order to maximize our revenues for road maintenance and assessment collections.**

### ***Some Historical Perspective on the Resort:***

When Great Western/Terramar began marketing property in Terlingua Ranch the Lodge area was the center and focus of their sales effort. What is now the Bad Rabbit Cafe was a combination lounge/office and coffee shop. Terramar built the pool and the bath house. They installed the first RV hookups and the first cabins. Potential buyers were attracted through newspaper ads and home visits. They came for the weekend to have a good time, look at land and, hopefully, sign on the dotted line. The sales staff manned the entire operation, hosting bar-b-ques, pool parties, horseback trips, hayrides and camping trips. Terramar footed the bill because these activities produced sales contracts and were marketing expenses for the property sales.

For those purchasing Terlingua Ranch property in the 1970s the Lodge was an important part of what they were buying into, just as much as the Hunt Parks and the Hunt Club culture were.

The resort property was deeded to the Property Owners Association of Terlingua Ranch, Inc. in 1976, at the same time Terramar transferred to POATRI its duties and responsibilities as Administrator of the Maintenance Fund. For many years thereafter, POATRI and the resort were managed and operated by those former salesmen who chose to remain on Terlingua Ranch and who continued to sell property using the Lodge and the Hunt Parks as part of the package.

### ***The Resort as the “Heart of Terlingua Ranch”***

In the early 1990s decisions were made that changed the focus of the Resort. No longer were land sales the attracting factor. Maintaining the resort operation as a 24/7 facility was becoming expensive and draining resources from road maintenance. During this time the fifteen member Board decided tourism would solve these ills. Plans for marketing and attracting the tourist dollar were made. However, somehow that initiative never quite materialized, whether due to lack of funding, lack of commitment or lack of energy, it is difficult to determine, but the project simply never got off the ground.

In the meantime, other parts of Terlingua Ranch began to grow economically. New tourism, increased visitation to the National Park, and creation of the State Park all spoke of potential and possibilities.

Geographically and economically Terlingua Ranch Lodge serves only about 35% of the area of Terlingua Ranch, if you include the Cedar Springs area. The remainder of Terlingua Ranch property is geographically closer to other motels, restaurants and amenities. For every owner who has utilized the resort facility over the last eight years there are five or six owners in good standing who have not. The facility which started life as the “heart of Terlingua Ranch” is now viewed as a burden by many owners who prefer their assessments be used to provide road access at as low a cost as possible.

### ***The Resort as a Business Operation***

If we assume that the difficulties of terminating the Covenants discussed in our earlier bulletin will preclude the Association from selling the property, the Board has little choice but to approach the Resort operation in as business-like a manner as possible.

Escalating costs for all commodities, supplies, equipment and payroll mean that either annual assessments must be increased to bear the load, or services must be reduced further. This is a fact of business life, not a threat or any form of “blackmail.”

If we, the owners of Terlingua Ranch, want a functioning resort, decent road maintenance and repair and the administration necessary to collect the funding, we must be prepared to make choices.

## ***Choices Available for the Resort Operation***

**Operate primarily for owners:** After 20+ years of Association attempts to keep the resort operational in the face of ever-increasing costs, with no commitment to repairs to a 30-year old infrastructure, and no resort management expertise, it seems clear this strategy does not work. ***Never once in its history has the operation not required support from assessments.*** To continue this years-long strategy does not make sense without owner support and agreement.

**Maximize its potential to earn:** This strategy requires <sup>1)</sup> commitment of at least 30% of billed assessments for a minimum of three years, <sup>2)</sup> full time, experienced resort management with incentives for earnings, <sup>3)</sup> employee retention plans, including medical insurance and housing allowances, <sup>4)</sup> funding for capital improvements and repairs. ***Most importantly, decisions for the resort operation must be based strictly on a business bottom line,*** which should be protected from the often changing agendas of individual owners or directors.

**Divest POATRI of the Property:** This strategy, as we explained in our first bulletin, requires that a number of conditions be met first: <sup>1)</sup> a Board resolution, <sup>2)</sup> agreement of 67% of at least a 10% quorum of members in good standing attending a Members meeting, <sup>3)</sup> agreement of the owners of legal title to at least 51% of the actual acreage. ***This is, at best, a two year project with additional costs to the membership and no guarantee of success.***

### ***Affect on the Annual Budget***

- Permanent closure, with minimum maintenance, would require 12-15% of annual billed assessments, which, based on the projected 2009 assessment rate equals \$80,000 to \$100,000 per year.
- Operating the resort primarily for the benefit of owners will continue to have a negative affect on our assessment bottom line by approximately \$120,000-\$150,000. Without continually increasing assessment levels, owners will face an increasing percentage of assessments going to resort support with a decreasing amount being committed to road maintenance and assessment collections activity.
- A business plan to encourage revenues through the tourist dollar would require a minimum investment of 30% of billed assessments over a three-year period, or at least \$200,000 annually. There would be additional costs involved for capital repair and improvement which would require a mortgage on the property, committing POATRI to at least 10 years of monthly note payments.
- A concerted effort to take the steps necessary to sell the property would require additional legal fees, printing and postage for owner communication, as well as meeting and balloting expenses of at least \$50,000 in addition to the costs of one of the options outlined above.

***Considering only the bottom line, the POATRI annual budget would benefit more from permanent closure than by pursuing any of the other options available.*** However, even closure is not possible over the long term without capital investment in infrastructure.

These financial considerations return us to the basic strategic questions raised in 2005. ***Do POATRI members still want a fully functioning resort facility?*** Are members willing to pay additional assessments to support a resort, or should the Board of Directors shift budgetary focus away from road maintenance and collections activities to the resort operation?

No doubt the resort property is “...a valuable asset of the corporation...” However, does it contribute to “...the common good and benefit of owners of Terlingua Ranch...”? ***This is the crucial issue before your Board and you, the Members of the Terlingua Ranch Maintenance Association.***

Our next bulletin will explore the budget issues affecting the resort and road maintenance to assist us all in making this important decision.



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**POATRI Board of Directors**  
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## **IMPORTANT NEWS FROM THE TERLINGUA RANCH BOARD OF DIRECTORS**



### **2009 Election Reminder**

The 2009 Director's Election will end Saturday, January 31, 2009. In order to run for a seat on the Board, candidates must submit a completed application no later than 5:00 pm, Friday, October 24, 2008 to secure a place on the ballot. Applications are available from the Ranch office beginning September 2, 2008.

Check the following to ensure that you can vote in the upcoming 2009 election:

- Is my address with POATRI correct?
- If I am a new property owner, have I completed the process necessary to be included as an owner in the POATRI database?
- Am I current on all my fees and assessments?
- Make sure to complete the ballot and mail it back to the address listed on the ballot for receipt no later than Friday, January 30, 2009.
- Remember that mail delivery is not consistent during the Christmas season so mail early to ensure receipt.
- Ballots can only be received at the address printed on the ballot. Receipt at any other address will invalidate your ballot.
- If you have not received an official ballot from POATRI by December 22, 2008 call or contact the Ranch office.
- Make sure that your friends who own property on Terlingua Ranch have received their ballots, encourage everyone to VOTE.

This announcement is being made in accordance with current POATRI Policies & Procedures Election Process.