



December 9, 2016

Dear Spanish Peaks Club Owners,

As Brad Fretz pointed out in his letter a few weeks ago, the time has finally come when a dues increase is unavoidable. After holding our dues constant since 2011, the rapid growth and wage inflation in the Big Sky area have finally forced us into increasing our revenue. During the past few years, it has been more and more difficult to manage our complex with a constant income and maintain the appearance and standards that we all enjoy and that will maintain our property values for the long term.

During 2015 and especially in 2016, maintenance and improvement projects have been delayed or scaled back due to limited funds. Our landscape beds went unattended, dead trees were not replaced, garage door staining and utility box covers were delayed and gutter repairs were minimized to conserve funds. Despite these efforts, we have slightly overrun our operating budget and have had to use reserve funds to fully cover all of our expenses. Fortunately, in 2016, favorable cost variances in our roof ice melt system, clubhouse repairs and lower propane costs have helped to minimize our total cost overrun.

The 11.3% dues increase (\$38,320) outlined by Brad will be entirely devoted to our operating budget. Increases from our complex management companies (HPM and Lindell & Associates PC), and in snow removal, utilities and insurance will account for approximately \$12,000 of the increase. Staining two – 5 plex units in 2017 (rather than 1 – 2 plex and 1 – 5 plex as was budgeted in 2016) will add \$9000 to the expenses compared to last year, despite the contractor holding our rates constant from year to year. Completing delayed maintenance and repairs such as garage door staining, replacement of broken pool tiles, tree replacement, utility box covers and delayed gutter repairs will consume roughly \$13,000 of the increase. The remaining \$4,000 of the operating budget increase consists of general maintenance cost increases we have identified from our recent cost trends.

The good news in this process is that our “Reserve” contributions will remain unchanged. HPM has recently updated the cost of replacing the roofs in the complex, as well as their expected lives. While this study did show that roof replacement costs have escalated over 30% since our last estimate, our roofs remain in good condition and should last several years longer than

previous estimates. Financially, the increased cost is offset by the increased time to accrue the additional reserves. As a result, no increase in the reserve contribution is needed at this time.

All of us on the Board realize this is a significant cost increase for all owners. We also feel it is vitally important that we maintain our complex in the highest possible condition to boost our property values and to continue the great environment we all enjoy at Spanish Peaks Club condos. We have enjoyed 5 years without a dues increase and the effects of that period of flat revenue have finally begun to show on the complex. As in the past, the Board and HPM remain committed to utilizing your dues money as efficiently as possible.

I look forward to seeing everyone at the annual Owner's Meeting scheduled for Friday, February 17, 2017 at 9:00 a.m. at the Water & Sewer Department conference room in Big Sky. Please bring any questions or concerns you may have and we will do our collective best to answer them.

Bob Shanks  
Treasurer

# SPC Condominium Association, Inc.

## Budget Comparison

	2016	2017
	55 Units Budget 12 Months	Approved Budget 2017
Administrative		
Accounting	6,800	7,250
Association Management (total)	56,650	58,350
HPM	-	58,350
Other	-	0
Corporate Fee	15	20
Bank Charges	100	100
Insurance	34,000	34,500
Interest Expense	0	0
Legal	300	300
Assessment Contingency	0	0
Miscellaneous	100	100
Office / Postage	1,000	1,000
Sub-Total	98,965	101,620
Maintenance		
Building Repairs/Maintenance (total)	5,000	35,250
Building Staining	17,000	26,000
Garage Door Staining	-	4,250
Front Door Staining	-	0
Other	-	2,000
Roof Repairs	-	0
Gutter Repairs	-	3,000
Electric - Buildings/Icemelt (total)	50,000	50,000
By-lin		49,750
Buildings		250
Fireplace Inspections\Cleaning	3,200	3,200
Fire Suppression Inspect/Maint	8,500	10,000
Garbage	13,000	13,000
Landscaping Maintenance (total)	16,000	27,450
Mowing/Trimming	-	7,500
Tree Shrub Maint/Trimming	-	11,600
Irrigation Maintenance	-	1,400
Tree Shrub Replacement	-	2,500
Improvements	-	1,500
Pond	-	2,500
Other/Storage	-	450
Improvements	2,925	4,000
Snow Removal - Roads (total)	18,375	25,000
Roads	-	22,500
Roof Shoveling	-	2,500
Interior/Maint./Repairs	5,000	5,000
Water/Sewer - Grounds	3,600	4,000
Sub-Total	142,600	176,900
Recreation & Clubhouse		
Electricity	6,000	7,500
License	100	100
Propane	5,000	5,000
Repairs/Maintenance (total)	8,000	9,000
Clubhouse	-	2,000
Pool	-	4,500
Supplies	-	500
Cleaning	-	2,000
Internet Service	600	600
Television	1,600	1,600
Water/Sewer	3,500	4,000
Sub-Total	25,600	27,800
Total Operating Budget	267,165	306,320
Reserves		
Roof	65,050	65,000
Betterment/Replacement	5,785	5,000
Road	0	2,000
Total Reserves	72,835	72,000
Total Budget	340,000	378,320