



PO Box 160099 Big Sky, MT 59716

December 10, 2013

Dear Spanish Peaks Club Owners,

For your information and review, the attached 2014 budget was approved by the Board of Directors with a total budget of \$340,000, unchanged from 2013 (see **Schedule 2** attached). As most of you know from prior communications, absent unforeseen events, the Board's focus is to maintain the budget at this monetary level and, thereby, hold individual owner assessments constant. From our previous conversations, 2014 continues the theme of reserving more dollars for future, long-term capital expenditures and offsetting such increased reserve deposits with reductions in selected improvements at the Complex. We will prudently continue to improve the Complex as necessary with smaller expenditures than in the past. The following review explains the major points:

- 1) **Administrative** section: The subject costs have been **reduced** by over \$7,000 for 2014 (total \$46,265). The reduction was principally due to lower expected Legal expenses and Assessment Contingency. As of this writing, the Complex has one unit in short sale/foreclosure mode (i.e., a non-paying assessment unit). Consistent with past practice, insurance cost and the associated insurance coverage will be discussed at the Annual Owners' Meeting in more detail. SPC's coverage continues to cover guaranteed replacement cost for property damage and earthquake, subject to deductibles. On a related point, all owners should remember that personal property coverage is an optional, owner responsibility, whereas pursuant to the terms of the Association's Declaration, **each owner must maintain at least \$300,000 in liability coverage.**
- 2) **Maintenance** section: The subject costs reflect a net **increase** of about **\$11,000** (total \$186,985). Electric – Buildings/Ice Melt costs are forecasted to decrease by \$5,500 (to total \$52,500) due to the forecasted power requirements of the ice melt system. Through the assistance of Hammond Property Management, SPC is attempting to reduce these costs by monitoring snow conditions and the corresponding adjustment in operation of the system—keeping in mind that the system does have operational limitations. The expected reduction in power costs are more than offset by increases in Landscaping Maintenance, Improvements, Snow Removal and Roof Shoveling. An updated project list will be reviewed at the February 2014 Owners' Meeting with more specificity.
- 3) **Recreation & Clubhouse** section: The subject costs have **increased** by **\$2,000** (total \$27,700). Increases in Electricity and Repairs/Maintenance were somewhat offset by decreases in Propane and Water/Sewer Costs. Replacement of the pool's coping is planned for 2014. Additionally, propane costs have been reduced by

\$4,000 as SPC has adequate storage of propane used for heating the Clubhouse and the pool.

- 4) **Reserves** section: Total expected deposits have **decreased** by approximately **\$6,000** (total \$79,050) principally due to lower deposits for Painting/Staining as a portion of such deposits for 2014-related expenses have been made in previous years, whereas Roof reserve deposits are expected to increase. As was the case in 2013, SPC continues to reserve for future roof replacement in the 2020-2025 time horizon. **Buildings 7 (units 51-55), 10 (units 48-50) and 11 (units 43-47)** are planned to be re-stained in 2014.

In summary, for 2014, the average annual dues per unit are once again expected to be \$6,181, unchanged from 2012 and 2013. As noted in previous years, compared to other complexes in Big Sky with similar amenities that the Complex offers, SPC's owner assessment remains in the lower cost quartile. Our challenge, for 2014 and beyond, is to prudently grow SPC's reserves and continue to improve the Complex without increasing assessments. As you may know, the Board takes collection of assessments very seriously and manages SPC's precious cash as optimally as possible. In considering the interests of all paying owners, virtually all owners have met this responsibility and I thank you for honoring your payment commitment. Consistent with past practice, please rest assured that the Board and Hammond Property Management remain committed to "stretching" your assessment dollars.

I hope to see you on **Friday, February 14 (9:00 a.m.)** at the annual Owner's Meeting. In the interim, the Board wishes you and your family a happy holiday season and a prosperous 2014!

Jim Hammelman
Treasurer