

YELLOWSTONE CONDOMINIUM OWNERS ASSOCIATION
OWNERS UPDATE
December 18, 2012

2013 Operating Budget

The first order of business for the Board of Directors each year is the adoption of an Operating Budget for the Association. The Budget is the basis for the quarterly assessments to Owners. Using “zero-based” budgeting philosophy and working closely with Hammond Property Management and Rich Lindell, CPA, the Board has adopted the Budget for 2013. A copy of the Budget is attached. For the third year in a row the Budget reflects a **decrease** in Operating Expenses for our Association:

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$165,000	\$141,140	\$129,415	\$126,465

A number of factors have had an influence on this positive trend:

- The selection of Hammond Property Management effective November 1, 2010, to provide day-to-day management has resulted in improved appearance, cost control, and enhanced Owner satisfaction.
- The Ownership approved a comprehensive Exterior Renovation Project that was funded and completed in 2011. These needed repairs and improvements have helped to reduce our routine operating costs and will continue to do so for a number of years in the future.
- Working with Ali Gregory, we were able to improve our insurance coverage at a substantial cost reduction. The new policy with United Fire Group will be serviced by a bright young broker in Big Sky, Ty Moline. It provides \$5,206,000 in building coverage (\$847,900 more than old policy), \$1M/\$2M Liability, \$3M/\$3M Umbrella, and \$1M/\$2M D & O at an annual savings of \$2,498.
- The Operating Budget will include only General Common Area maintenance expenses. This line item will be used by Ryan Welch for such items as light bulbs, hardware, and the occasional use of an electrician, plumber, or carpenter for small repairs and replacements throughout the year. Other exterior building improvement costs will be paid from the Deferred Maintenance Reserve as discussed below.
- Consistent with the discussion at the last Annual Owners meeting, the budgeted amount for contribution to the Reserve is \$18,970, or **15%** of the Total Operating Expenses. The Board has adopted the following procedure to be used to maintain the condition and appearance of our buildings for the next few years: HPM personnel will conduct a comprehensive inspection of all 15 buildings in the early Spring. A report detailing deficiencies and recommended repairs such as siding, trim and deck repairs/replacement and painting, along with estimated costs will be submitted to the Board of Directors for review and approval. HPM would then secure quotes from qualified contractors in the Big Sky area to

perform the work during the remaining Spring/Summer season. This will likely only be spot repairs and painting during 2013 based on the current condition of the buildings. This expense is expected to increase somewhat each year as we get further away for the Exterior Renovation Project that was completed in 2011. At some point, however, the Board anticipates a more comprehensive building repair and painting rotation. By that time, sufficient funds should have accumulated due to the increased Reserve assessments at the 15% level. By moving the funding for this work out of the Operating Budget to the Reserve as an annual project, the Board will have a better handle on the overall condition of the entire complex and can better anticipate future capital expenditures in advance. In addition, the impact on the amount Owners are assessed will also be minimized as they become accustomed to the increased Reserve requirement.

In summary, the Total 2013 Budget (Operating and Reserve) of \$145,435 is an increase \$6,020 over the 2012 Budget (+4.3%). This will result in an increased quarterly assessment of only \$35.82 for the average Owner in the coming year.

The Board of Directors is committed to effectively managing the costs of operating our Association and will continue to look for prudent options to do so while maintaining consistent quality services for the Owners and the financial viability of our Association.

YCOA Board of Directors:

Buddy Baker	Unit 79A
Diane Doss	Unit 75B
Maggie Trimiew	Unit 74A
Peter Barber	Unit 30B
Dave Hanson	Unit 75D