

December 14, 2017

Dear Spanish Peaks Club Owners,

The year is ending and I am pleased to report that our association has been able to successfully manage our complex while working within our budget for 2017. As you all remember, the Board decided late last year to increase our dues for the first time since 2011. This change was driven by the accumulated impact of many years of significant wage and material inflation in Big Sky.

The additional funds from the dues increase were designed to catch up on projects that had been delayed or scaled back due to budget constraints and to provide for the ever-increasing costs faced by our basic service providers. I can report that we achieved our goals in 2017 of improving our landscaping and grounds maintenance, resuming the construction of the utility cover boxes, and catching up on delayed garage door staining and gutter repairs.

Unfortunately, we did suffer two large and unexpected incidents during the year. Frozen pipes in one unit broke and caused extensive damage, triggering the first claim against our insurance in many years. The cost of our insurance deductible was paid from our long-term financial reserves and the claim did drive a modest increase in our insurance premium. The second incident involved the failure of the boiler that heats our swimming pool water, requiring roughly \$11,000 in repairs and shutting down the pool for two weeks during the summer. The swimming pool boiler repair was paid for out of our operating budget. Fortunately, favorable costs in areas such as trash collection, pond maintenance, and propane costs more than offset this large, unbudgeted expense. As a result, our total operating expenses for 2017 should come in slightly favorable to budget.

Our 2018 budget is unchanged from 2017. No dues increase is required. There have been some adjustments from the 2017 plan within certain expense categories, but the overall budget remains unchanged at \$378,320. I want to thank Hammond Property Management and Lindell & Associates for maintaining their budgeted expenses at 2017 levels for 2018, despite the constant cost pressures they are facing at their businesses. Please refer to the attachment for details on our 2017 spending versus the budget and the 2018 budget.

The Board remains committed to maintaining our complex in the best possible condition to sustain our property values and to continue the great environment we all enjoy at the Spanish Peaks Club condos. We remain focused 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 9th at 9:00 a.m. at the Big Sky Water & Sewer District conference room. The Board will have two vacancies to fill at the annual meeting. If you are interested in serving a two-year term, please contact me, Collin Dobrovolny or Frank Alley, or call Scott Hammond or Katie Coleman at HPM. 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.
Schedule 2 - Budget Comparison

	<u>2017</u>	<u>2018</u>
	55 Units Budget 12 Months	Approved Budget 2018
Administrative		
Accounting	7,250	7,250
Association Management (total)	58,350	58,350
HPM	58,350	58,350
Other	0	0
Corporate Fee	20	20
Bank Charges	100	100
Insurance	34,500	35,000
Interest Expense	0	0
Legal	300	300
Assessment Contingency	0	0
Miscellaneous	100	0
Office / Postage	1,000	800
Sub-Total	<u>101,620</u>	<u>101,820</u>
Maintenance		
Building Repairs/Maintenance (total)	35,250	37,750
Building Staining	26,000	27,000
Garage Door Staining	4,250	3,250
Front Door Staining	0	0
Other	2,000	2,000
Roof Repairs	0	0
Gutter Repairs	3,000	5,500
Electric - Buildings/Icemelt (total)	50,000	51,000
By-lin	49,750	50,000
Buildings	250	1,000
Fireplace Inspections\Cleaning	3,200	3,200
Fire Suppression Inspect\Maint	10,000	10,000
Garbage	13,000	8,500
Landscaping Maintenance (total)	27,450	27,200
Mowing/Trimming	7,500	11,600
Tree Shrub Maint/Trimming	11,600	7,500
Irrigation Maintenance	1,400	2,000
Tree Shrub Replacement	2,500	2,500
Improvements	1,500	2,150
Pond	2,500	1,000
Other/Storage	450	450
Improvements	4,000	5,800
Snow Removal - Roads (total)	25,000	27,500
Roads	22,500	22,500
Roof Shoveling	2,500	5,000
Interior/Maint./Repairs	5,000	4,800
Water/Sewer - Grounds	4,000	3,000
Sub-Total	<u>176,900</u>	<u>178,750</u>
Recreation & Clubhouse		
Electricity	7,500	4,500
License	100	0
Propane	5,000	4,000
Repairs/Maintenance (total)	9,000	11,500
Clubhouse	2,000	2,000
Pool	4,500	4,500
Supplies	500	1,000
Cleaning	2,000	4,000
Internet Service	600	600
Television	1,600	2,150
Water/Sewer	4,000	3,000
Sub-Total	<u>27,800</u>	<u>25,750</u>
Total Operating Budget	<u>306,320</u>	<u>306,320</u>
Reserves		
Roof	65,000	65,000
Road	2,000	2,000
Betterment/Replacement	5,000	5,000
Road	2,000	0
Total Reserves	<u>72,000</u>	<u>72,000</u>
Total Budget	<u><u>378,320</u></u>	<u><u>378,320</u></u>

FOR MANAGEMENT USE ONLY

These financial statements have not been subjected to an audit or review or compilation engagement, no assurance is provided on them