

December 27, 2019

Dear Homeowners,

As we close out 2019 and begin planning for 2020, we feel it is important that our Homeowners have a good understanding of our decision for a dues increase and our pending Special Assessment for much needed upgrades and improvements to our building.

Our financial goal and industry standard is to keep our HOA Reserve Fund at a minimum level of at least 30% of the anticipated expenditures over the next 30 years. Without the dues increase our funds would fall below this benchmark. We know this comes as a surprise as many Owners have been under the impression that the Reserve Fund has been very healthy. There have been several factors that have contributed to the accelerated depletion of the Reserve Fund.

Your Shadow Ridge Board of Directors recently commissioned an updated Capital Reserve Study. It was very thorough and included significantly more maintenance projects than the previous study; therefore, increasing the amount of money that is required for a 30% funded reserve. The 2020 Budget analyzed the recent Capital Reserve Study and found it necessary to increase the dues by 10% starting in 2020 to maintain the 30% threshold forecast for how much we will need to spend to maintain our building over the next 30 years. The 10% dues increase will go towards basic maintenance on the building, which covers replacing things as they are needed. While this was abrupt and frustrating to find out, it means we will be better prepared to fund the maintenance projects that our building requires, and it makes us financially stronger moving into the future.

Our Reserves also sustained quite a blow with the 2016 Park City building inspections. We were able to fund nearly \$200K of City mandated behind the walls work without a Special Assessment. This was possible because the Reserve Fund was well-funded. The Board will continue to maintain a well-funded Reserve to be able to handle any future unforeseen expenses without Special Assessments.

Shadow Ridge Condominiums Owners Association dues have not kept up with inflation. Over time, fixed costs like utilities (water and sewer, electric, gas, waste disposal, internet and cable), labor wages, and insurance have increased dramatically with inflation, while our dues remained the same. This means every year we have been contributing less to our reserves as our fixed costs have increased.

The Board has been assessing the building and our Owners would like to make some improvements to make our building more appealing to guests and better serve our owners. The recent Survey results have indicated your priorities. Updates we are assessing are: nicer carpeting, improved interior lighting, a green roof, an updated front entrance and lobby, a game room and lounge, and possible ski storage area. These updates would be funded through Special Assessments. We are currently assessing bids for work to begin in April 2020. Moving forward, the Board is creating a vision for maintenance and improvements to be both cohesive and cost effective.

We are continuing to review our expenses to try and find meaningful cost savings. We are welcome to any ideas, comments, or suggestions. All communication about this matter should be directed to our HOA Manager, Jim Simmons jsimmons@asrlodging.com.

The Shadow Ridge Condominiums Association Board of Directors