

Memorandum

To: All River Bank Lofts Unit Owners
CC: Tania Zawadzki, Jim Stoller
From: RBLCA Board
Date: October 29, 2004
Re: Proposed 2005 RBLCA Budget

Attached please find our proposed 2005 budget.

Development and Adoption Process - The first draft of this document was developed by the Board and Management Company in early October. It was then reviewed with TBG President Jim Stoller at the October 18 Board meeting and a revised edition was presented at an open meeting for Unit Owners on October 28. As provided for in our declaration, Unit Owners will have 30 days to review the attached version and are encouraged to contact Tania Zawadzki or a member of the Board with any questions or comments. Appropriate adjustments will be made and the final proposed budget will be presented at the December 1 meeting and voted on by the Board.

Guiding Principals – The budget is designed to accomplish two objectives. The first is to fund normal operating expenses such as payroll, utilities, supplies, contract services and routine cleaning and maintenance of the property. The second objective is to ensure that we have adequate resources to fund anticipated capital projects such as masonry and roof repairs, security system upgrades, the addition or improvement of amenities and repair or replacement of various infrastructure components. Our capital reserve study, commissioned in 2002 from L.M. Associates, confirms that these capital expenses can vary dramatically from year to year. Thanks to a more fiscally responsible posture, adopted by RBLCA Boards in recent years, we have accumulated reserves of approximately \$215,000, which is more appropriate for a building of our type, size and age. This enables us to more effectively balance the financial impact of capital improvements between current and future Unit Owners, an approach recommended by experts in condominium association management.

Our long-term strategy is to allow reserve balances to grow in advance of significant but infrequent events such as a roof surface replacement, allowing us to fund most large projects, without having to resort to borrowing or special assessments, while still maintaining adequate reserve balances. Each new Board will naturally have the opportunity to make annual adjustments as they see fit. It should also be noted that the Board still has the authority and responsibility to employ special assessments and/or borrowing as needed to deal with unanticipated or emergency circumstances.

2005 Budget Highlights – Next year, the Board and Management Company anticipate operating expenses of \$598,146 and capital expenses of \$136,000. A 4.0% increase in regular assessments is proposed, bringing operating revenues to \$729,827 and resulting in a year-end reserve balance of \$213,204. Although building differences make comparisons difficult and misleading, our research indicates that this adjustment is near the low end of the range for similar properties. The attached budget summary contains additional detail regarding specific revenue and expense categories.

Year in Review – During 2004, we executed the second phase of the masonry repair project mandated by the city's 2003 critical façade examination. Necessary work on the north face was completed last year and similar repairs on the south face of the building were completed this month. Over the next few years, the east and west sides of the building will be addressed in phases until the project is finished.

In response to city ordinances created in the wake of the 9/11 attacks and this summer's deadly Chicago office building fire, dramatic enhancements to our security systems are being implemented, including new emergency lighting, battery back-ups, stairwell and evacuation signage, auto-unlock features and improved card reader monitoring capabilities.

Working with our Management Company, we have identified and hired two successive new Property Managers, the second of necessity when the first Manager resigned unexpectedly in order to take on full time parenting responsibilities. Having responsibility for staff supervision, vendor management, accounting oversight and interaction with residents, the Property Manager is essential to the smooth operation of our association and we have endeavored to ensure that this key individual demonstrates the integrity, competence, responsiveness and commitment necessary for success.

Our financial management and controls have continued to improve as evidenced by more accurate reporting, successful resolution of foreclosure and insurance settlement matters and a more effective collection process which has significantly reduced accounts payable. Additionally, various bulk media options were evaluated and a new five-year agreement was negotiated with RCN to provide analog cable TV service to our building at approximately 50% of the retail price. Discounted digital cable, high speed internet and telephone services are also available to residents.

Agreements with the river level unit owners have been developed and executed, granting them exclusive use of the small areas immediately adjacent to their existing patios in exchange for up-front and monthly licensing fees. This arrangement reduces association liability, improves security and privacy for river level residents and generates revenue to defray association expenses.

High-quality wrought iron furniture has been installed on the common roof deck and the north riverfront common area. To improve the comfort and functionality of the latter space, a new community grill, security camera, card reader and lighting fixtures have also been installed.

A wide variety of other projects have been completed or are in process, including the replacement of the South Kingsbury garage door, garage striping and lighting, new lobby art and receptions, a new grand avenue door, a formal challenge to our triennial tax assessment, refurbishment of our exercise room equipment, security and maintenance staff changes, the implementation of new procedures for moves, remodeling and contractor access, the installation of new garage access ramps and two resident social events.

Summary – The final budget will be adopted at the December 1 Board meeting, which will be followed by the annual election and which we encourage all Unit Owners to attend. Please review the attached information and contact Tania Zawadzki (rblcmanager@rcn.com) or a member of the Board with questions or comments. Your input is always welcome and appreciated. Thank you for your consideration.

River Bank Lofts
The Best of River North