

Memorandum

To: All River Bank Lofts Unit Owners
CC: Tania Zawadzki, Jim Stoller
From: RBLCA Board
Date: November 4, 2005
Re: Proposed 2005 RBLCA Budget

Attached please find a summary of our proposed 2006 budget.

Development and Adoption Process - The first draft of this document was developed by the Board and Management Company during September and early October. A revised version was then reviewed at the October 17 Board meeting and is attached herewith. As provided for in our Declaration, Unit Owners will have 30 days to review this proposal 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 5 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 vary dramatically from year to year. Our long-term strategy is to allow reserve balances to gradually increase 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 reserves.

This approach 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. By year-end 2005, our accumulated reserves will total approximately \$245,000, which is appropriate for a building of our type, size and age. It should be noted that each Board has the authority and responsibility to make adjustments as they see fit, including employing special assessments and/or borrowing as needed to deal with unanticipated or emergency circumstances.

2006 Budget Highlights - Next year, the Board and Management Company anticipate operating expenses of \$591,540 and capital expenses of \$163,829. A 4.0% increase in regular assessments is proposed, bringing operating revenues to \$761,288. This should produce a surplus of \$5,919, which, combined with reserve interest income of approximately \$8,150 will result in total year-end operating and reserve balances of \$288,200. Although building differences make comparisons difficult and potentially misleading, our research indicates that this assessment adjustment is consistent with the average for similar properties. The attached budget summary contains additional detail regarding specific revenue and expense categories.

Masonry Project – We are executing the third phase of the masonry repair project mandated by the city’s 2003 critical façade examination. Essential work on the north and south elevations was completed in 2003 and 2004 and high priority non-staged rooftop work is currently underway. Our decision to engage a structural engineering consultant to advise the Board on appropriate repair options, contractor selection and city reporting will result in substantial savings for the association during the course of the project. Our plan is to complete all remaining budgeted masonry repairs between 2006 and 2009.

Miscellaneous – A variety of other initiatives and capital improvement projects are either underway or were completed during 2005, including the following.

- New flooring in the cleaner foyer and mailroom
- North riverfront patio landscaping and lighting
- Replacement of the granite under the main entry doors
- An improved ventilation system for the cleaner and management office
- New emergency evacuation and garage safety signage
- Lobby HVAC equipment repairs
- New flooring and paint in the Grand Avenue entrance ramp
- New snow removal equipment
- New automobile and motorcycle rental parking spaces
- The initiation of a new series of lobby art exhibitions
- New higher-yielding reserve fund accounts
- Replacement of the entire common roof deck with long-lasting synthetic material

Summary – The final budget will be adopted at the December 5 Board meeting, which will be followed by the annual meeting and election. All Unit Owners are encouraged to attend.

Election Note – The terms of three RBLCA Board members will expire this year and replacements will be needed. Candidate nomination forms and other election materials will be distributed soon. Please give some thought to nominating yourself or someone else whom you think has the necessary qualities to carry on this important work.

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