



THE ELIZABETH LOFTS

HOMEOWNERS' ASSOCIATION

Elizabeth Lofts Owners:

If you attended the January board meeting, or if you have read the minutes from that meeting, you know that the Association's insurance premium increased 72% for the current policy year, which began February 1. The increase was necessary to obtain full earthquake coverage for the building, which the Board deemed essential. The Association's insurance premiums went from \$11,575 to \$19,833 per month.

For the past month, the Board has been working on finalizing the new 2020-21 budget, for the fiscal year that begins July 1. We plan to discuss, and hope to adopt, the budget at next Tuesday's Board meeting. Historically, monthly association fees have increased an average of 3.25% since the building opened. Over the past five years, fees have increased an average of just 1.9%.

This year, initial figures showed an increase in monthly association fees in the vicinity of 12%, largely as a result of the 72% increase in insurance premiums. Without the insurance increase, the initial figures showed that the rest of the proposed operating budget would increase only 1.5%.

For the coming year, the Board is proposing some temporary cost saving measures in an effort to bring down the cost of the budget: decreasing the window cleaning from four to three times a year, saving \$475 per month; decreasing the fund for landscaping and lobby flowers in half, saving \$250 per month; and choosing not to fund the Community Committee for the coming year, saving another \$475 per month. The Board has asked that the funding for the CMI Building Maintenance Coordinator remain flat for the coming year. Additionally, the Board has opted to maintain contributions to the reserve fund at the current rate – 5% – for the coming year. CMI employee costs will increase 1.5% and management fees will increase 3.1% – the CPI inflation rate. After these budget adjustments were factored in, the increase to monthly association fees dropped from 12% to 7.2%.

In order to further reduce the monthly fees increase, the Board is considering using some of the Operating Contingency and Working Capital funds. The Operating Contingency fund currently stands at \$38,000; these are funds which have accumulated from the roll-over of past budget years' unspent surplus. Using \$24,000 (\$2,000 per month) from this fund would still leave \$14,000 for emergency cash flow needs. The Working Capital fund consists of contributions made each time a unit sells. The new owner contributes two months' worth of association fees into the fund, which is available for the Board to spend at its discretion. This fund has been used in the past to purchase new furniture for the Community Room. The fund currently holds \$127,000; using \$2,000 a month from this fund would still leave a balance of \$103,000, plus all of the contributions into the fund from real estate transactions over the next year.

Taking these actions would result in residential fees increasing **3.5%** for the 2020-21 budget year.

The Board meeting will be held next Tuesday, June 2, at 5:00 pm via Zoom, and instructions for owners to join the meeting will be sent prior to the meeting. Time constraints will most probably not allow all owners to weigh in on the budget during the meeting, so we are offering this opportunity for you to email the Board before the meeting with your input: board@elizabethlofts.org.

Jim Kennedy (President), Paul Mollomo (Secretary), Andreas Anderson, Brenda Peterson, Steve Rose, Bob Steele, and Tina Tsai (Directors)