

# Treasurer's Report for Phillips Lofts – 2007/08

December 28, 2008

Our condo corporation came through our fiscal year in excellent financial shape; even though, it took the board and the corporation's new property manager, TMA Management, nearly the entire year to get the corporation's books properly reconciled from the changeover of property managers from Laryln.

We ended the year with a small surplus of \$11,000 and a fully funded capital replacement reserve fund of \$204,000. With this strong financial position the board decided not to increase condo contributions for the 2008/09 year. The board will have a much better picture of what the corporation's future budgetary requirements will be when the 2009 reserve fund study is completed (one is required, by law, to be done every five years) in the spring. Given the economic downturn and the increase in reserve fund contributions in 2006, the board is more confident that there will not be a big increase in reserve fund contributions required. The board's biggest concern is expenditures that come up that were never budgeted for in the original reserve fund plan. One example of this was the refurbishing of the parkade's snow melt system last year.

The capital improvements reserve fund is also well funded at \$51,000. Out of the \$17,000 that was spent improving the building (these are improvements that are outside of the capital replacement reserve fund plan) during the year, the floor for the roof-top patio was the largest expenditure at \$8,000. We have major expenditures in 2008/09 expected for the completion of the roof-top patio and elevator refurbishing. We decreased the contribution to this fund by nearly half for 2008/09 and forward.

Utility costs are the corporation's biggest and most volatile expense. The board continues to look for ways to hedge these costs. Given the recent decline in energy prices, the board expects that the corporation will be under budget with utilities for the upcoming fiscal year. The corporation's energy usage actually decreased for the first time this year.

With our corporation's financial position secure and financials up to date, 2008/09 will be spent focusing on getting a new investment plan in place. The lower rates of return that now exist for fixed income is making it difficult to meet the board's original goal of a 5% annual rate of return. Given the recent market volatility, the vast majority of the reserve funds is currently in cash or short-term fixed income. With no major expenditures expected in the building until 2022, the capital replacement reserve fund is expected to grow to over \$1,000,000 by then.

Regards,  
Barry Kaiser, CFA, CMA, CFP  
Treasurer