Letter to Harborside Owners – 2005 Financial Projections & New 2006 Budget

25 November 2005

Dear Haborside Owners:

The purpose of this letter is to update you on the 2005 Year-end Budget projections and to provide you with the new 2006 Budget (see attached). As indicated in the Minutes from the 2 November 2005 Trustees Meeting, we are wrapping up 2005 financial projections, confident we will balance the Operating Budget for 2005 and will completely fund the $15,000 Reserve Account. This beats the year-end projected overrun of 2.6% we announced at the August Owners Meeting and the 8% overrun we had in 2004. This year also marks the first time in many years that Reserves and Special Assessments have not been needed to cover operating expenses. Instead, we were able to realize significant improvements with Special Assessments funding the seawall repair and carpentry/painting projects while Reserves paid for the parking lot resurfacing, the on-going carpentry/painting between the A & C Buildings, and other maintenance/repair work.

For the 2006 Budget – At the August Owners Meeting, we proposed a 2006 Budget of $124,450, an 11% increase in Common Element Fees (Condo fees). This increase resulted from a $3000 increase for Snow Removal, $400 increase in Landscaping, $2700 increase for Dock Fees, and a $5000 increase in the Reserve Account (raising Reserves to $20,000 for 2006). Primary reason for the increase in the Reserve Account concerns the persistent drainage issue between the B and D Buildings, which continues to cause rotting wood and foundation damage under both buildings and has contributed to the deterioration of the steel I- beam under the D Building. We are assuming a total repair cost of $15,000 to $20,000.

Since the Annual Meeting, we have had to raise the insurance coverage to account for an assessed increase in Harborside's property value. We have mostly offset this premium increase by raising Unit deductible to $10,000, thus incurring an increase of only $375 in overall property insurance cost. We have also insured the Docks/Floats and Gangways, which had never been insured. This is a major opportunity as replacement costs due to emergency loss could run as much as $28,000 just for one Dock/Float. This $2100 insurance increase will be borne by the main Operating Budget for 2006, but after next year will be covered within the Harborside Dock Operating Account. Additionally, we have hired Harbor Landscaping, a new landscaper to improve property appearance, and we have increased frequency of the trash room cleaning to weekly. These decisions add $5030 for landscaping, and $500 for cleaning.

As a result of these decisions, the 2006 Budget will be $131,930 (a 17% increase in Condo Fees). This compares to a 16% increase from 2004 to 2005, a 33% increase from 2003 to 2004, and a 20% increase from 2002 to 2003. As we have communicated to you in the past, investment in Harborside infrastructure from the mid-90's through 2002 was significantly under-funded, as Condo Fees increased very little between 1994 and 2002. In short, investment in Harborside had not kept pace with rising property values and the expectations of our owners. However, we appear to be turning the corner on this situation as the quality of this year's painting project will attest. We now need to tackle the remaining Capital Reserve Projects, additional drainage issues, and landscaping/cleaning upkeep.

As for projected Special Assessments for next year, we remain hopeful that the D Building I-beam replacement Capital Reserve Project, currently projected for 2006, can be deferred beyond next year and allow 2006 to be free of any Special Assessments. Paul Bergman Engineering will be conducting a re-inspection of the beam next week, as well as the condition of the north retaining wall (between Harborside and the Boston Yacht Club), which has been a deferred project for the last two years. As soon as those inspections are complete, we'll update you.

In summary, the goal of the Trustees remains to create reasonable Operating and Reserve Budgets that will not require Special Assessments to pay for operating expenses, while at the same time be mindful of the long term infrastructure needs of our uniquely beautiful and valuable place to live.

Thank you,

The Trustees

Attachment: 2006 Budget