Letter to Harborside Owners – Aug 2006 Annual Owners Meeting

28 July 2006

Dear Harborside Owners:

The purpose of this letter is to provide you information about the financial status of the Harborside Condominium Trust, specifically the 2006 budget projections and the proposed budget for 2007, based on our financial statements as of 30 June 2006. We also provide a status report on the Dock Accounts, Capital Reserve Projects, and some additional background information. For reference, we invite your attention to the 17 January 2006 Trustees letter to Harborside owners, which summarized our financial performance for 2005.

2006 Budget Status and Year-end Projection –
Based on revenue and expenses as of 30 June 06, we are projecting a balanced budget for the year.
Our assessment of the **Operating Account** is as follows:

1. The 1 Jan 06 starting Operating Account balance was $15,272.78. This resulted from a combination of additional revenue from 2005 (primarily a 2004 carry-over and collection of late fees), the 2005 operating under-run (over $5600), and from Common Element Fees (2004 fees collected in 2005 and 2006 prepaid fees).
2. For Revenue, we are right on budget with projected 2006 Revenues of $131, 930.
3. Operating Account expenses show slight projected year-end variances:
    a. Based on expenditures to date, we are projecting a $4000 overrun in Legal Fees (vs. a $3000 budget), although we may be able to reduce this. The $2603 spent to date includes fees for preparing documents and legal positions addressing issues such as insurance coverage, the new Maintenance Resolution, the Antennae & Satellite Resolution, the new Alterations & Additions policy, parking assignments, and grant of limited common areas. These expenses were not the result of the on-going lawsuit.
    b. Projected underruns include $3000 in Snow Removal (unless we have a snowy November and December) and possibly $1000 in Extermination.
    c. All other expense lines are tracking to budget.
    d. Currently, the Maintenance and Repair projected expenses show a potential underrun of $2000, but unexpected needs are the norm in this area.
4. Therefore, we are currently projecting a balanced budget for the Operating Account for 2006.

Our assessment of the **Reserve Account** is as follows:

1. The 1 Jan 06 starting Reserve Account balance was $688.44.
2. Earlier this year, we transferred $15,000 from the Operating Account to the Reserve Account to cover carry-over expenses from the Osgood Painting project and other infrastructure projects beyond routine maintenance and repair. As of the 30 June 06 statement, the Reserve Account balance stood at $7255.19.

3. As $1667.67 per month funds the Reserve Account from the Operating Account, we'll have another $11,673.69 deposited to the Reserve Account by year-end, totaling $20,000 for the 2006 Budget.
4. The projected balance of $18,928.88 in the Reserve Account will go towards completion of the D Building Hallway (~$8000), replacement of the C Building roof (~$15,000), and possibly other contingency projects, such as a stucco face for the wall opposite the C Building entrance (~$1500), blue stone entranceway for the C Building (~$2825), repair/replacement of the carport ceilings and supports (~$4000), and installing a railing alongside the entranceway to D-1.
5. We are also anticipating a drainage project for the B Building crawl space (concrete apron, humidifier, electrical repairs, etc) for $9000-$10,000 and replacement of the common wall between the crawl space and B-9 for $21,000-$22,000. The exact timing of this project is uncertain, so we will make decisions with respect to this and the above contingency projects towards the end of the year. In any case, it is our intention to balance the Reserve Account.

Proposed 2007 Budget – (See Attached)
We are proposing a 2007 Budget of $136,930, a $5000 increase over the 2005 Budget of $131,930 which will result in a corresponding increase in Common Element Fees (Condo Fees). This 5% increase will be added to the Reserve Account, making it $25,000 vs. $20,000 this year, and compares favorably to the 17% increase from 2005 to 2006 and 16% the previous year. The rationale for this increase is as follows:

1. **Operating Account:**
   a. While there is no overall change in the Operating Account budget for 2007, we are increasing Legal Fees by $1000 to $4000 and Maintenance and Repair by $1000 to $33,000, while reducing Snow Removal by $2000.
   b. All other Operating Account lines remain the same.
2. **Reserve Account:**
   a. As indicated above, we are proposing to raise the Reserve Account from $20,000 this year to $25,000 for 2007.
   b. Our primary reason for this increase concerns the contingency projects which will carry over to next year and expenses associated with the B Building crawl space project.
   c. We are also anticipating that some expenses liable to the Harborside Trust will result once the Arrigo's Unit undergoes a restoration project primarily covered by insurance. These expenses would occur if interior structural issues are discovered during the restoration. Such structural and common area repairs are the responsibility of the Trust. The final terms of the restoration proposal have not been finalized. It is difficult at this time to project what these costs may be, but we are planning to maintain contingency reserve funds if the need occurs.

Status of the Dock Accounts – In addition to the two main Harborside Operating and Reserve Accounts, we maintain two dock accounts, The Dock Operating Account and the Dock Reserve Account. The Dock Reserve Account currently has a $2685.85 balance. The Dock Operating Account has a current balance of $10,649.93. Anticipated normal operating expenses (including hauling, insurance and next winter's storage) will be approximately $6,000. In addition, the Harborside Dock Committee is considering the possibility of resurfacing the south dock with Trex, a relatively maintenance-free composite material, and is obtaining estimates for that work (expected to be in the $13,000 to $14,000 range). The general plan is to repair and scrape the north dock next year and resurface it in a subsequent year.

Status of Capital Reserve Projects – In addition to the above financial information, we would also like to update you on current and pending Capital Reserve Projects, which we first presented at the 2003 Annual Meeting and updated at subsequent Annual Meetings. These major infrastructure projects resulted from follow-up inspections stemming from the Goddard Report on the state of the Harborside infrastructure (first conducted in September 1995). These projects are summarized below:

- Replacement of corroded steel I-Beam under D Building – The Site Survey engineering report has been prepared by Bergman & Associates and reviewed in detail by the Trustees. We have decided that this project, while critical to the infrastructure of the building, could be deferred until 2007. Once we have made a final decision to proceed, we anticipate requesting a Special Assessment for that project. We do not yet have an estimated cost.
- B-D Building Drainage – This project will be accomplished in concert with the I-beam replacement.
- Repair or replacement of the failing North Retaining Wall between Harborside and the Boston Yacht Club – Bergman & Associates has prepared an engineering Site Survey. Again, we have temporarily deferred this project until 2007 or beyond, depending on the future pace of deterioration.

Some additional background information – For 2005, we achieved a 5% under-run, significantly bettering the 8% overrun for 2004. We were also able to fully fund the 2005 budgeted reserve contribution of $15,000 – a Harborside first. At past Owners Meetings and in budget correspondence, we have communicated to you that there was minimal investment in Harborside infrastructure from the 1990's through 2002. Common Element Fees increased very little between 1994 and 2001. A small increase in the 2002 Budget was followed with a 20% increase in the 2003 Budget, a 33% increase in 2004, a 16% increase for 2005, and 17% increase for 2006. Significant Special Assessments were necessary in 2001, 2002, and 2003 just to meet operating expenses, while Special Assessments since then have been devoted totally to Capital Reserve Projects. We have not requested any Special Assessments for this year, and we are proposing only a 5% Common Element Fee increase for 2007.

The Trustees' goal continues to be the establishment of a reasonable annual budget and to execute responsibly to that budget. We continue to be challenged, as we try to close the gap between years of infrastructure neglect and the demand of owners to keep pace with increasing property values. We have a unique and beautiful place to live, and your Trustees believe these expenditures are prudent and will serve us well in the years to come.

HARBORSIDE CONDOMINIUM TRUST

		2006 BUDGET	2007 PROPOSED
REVENUES			
A.	Condominium Fees	$131,430	$ 136,430
B.	Laundry	500	500
TOTAL INCOME		**$131,930**	**$ 136,930**
EXPENSES			
A.	Administrative		
	1. Insurance	$20.350	$20,350
	2. Management Services	8,400	8,400
	3. Tax & Tax Preparation	150	150
	4. Office Expense	2,000	2,000
	5. Legal	3,000	4,000
	TOTAL	$33,900	$34,900
B.	Utilities		
	1. Electricity	$ 2,700	$ 2,700
	2. Water & Sewer	4,900	4,900
	3. Cable TV	4,800	4,800
	4. Gas	1,000	1,000
	TOTAL	$13,400	$13,400
C.	Common Services		
	1. Rubbish Removal	$ 5,100	$ 5,100
	2. Snow Removal	8,000	$6,000
	3. Exterminating	1,500	1,500
	4. Landscaping	7,630	7,630
	5. Cleaning & Bulbs	4,500	4,500
	6. Fire System	500	500
	7. Dock Fee	5,400	5,400
	TOTAL	$32,630	$30,630
D.	Maintenance/Repair		
	1. Labor & Materials	$32,000	$33,000
	TOTAL	$32,000	$33,000
E.	Operational Reserves		
	1. Reserve Contribution	$20,000	$25,000
	TOTAL	$20,000	$25,000
TOTAL EXPENSES AND RESERVE CONTRIBUTIONS		**$131,930**	**$136,930**