



THE ELIZABETH LOFTS

HOMEOWNERS' ASSOCIATION

May 25, 2021

To All Elizabeth Lofts Owners:

The 2022 Budget Has Been Adopted. At the May meeting, the Board of Directors approved a budget for the 2022 fiscal year, which will begin July 1, 2021. Your copy of the 2022 budget is included in this mailing. This year's budgeting process was made especially difficult because the earthquake insurance for the building — which went into effect on February 1, 2021 — increased \$72,600, an additional 38% over last year's premium.

The earthquake premium also increased significantly in 2020 (\$88,000), but the Board was able to keep homeowner costs down by using money from the Operating Contingency and Working Capital funds to “buy down” the premium. This year, there were no existing funds available for the Board to use for such a buy down.

For residential homeowners, the earthquake premium — along with the other budget adjustments discussed below — will mean an increase in monthly dues of 9.99%. Commercial units will see an average increase of 11.2%.

The Board discussed the option of levying a special assessment to fund the increased insurance premium, rather than a monthly dues increase, but ultimately concluded it would be less of a hardship for most residential and commercial owners to pay the insurance increase over 12 months rather than one or two lump sums.

Insurance is the second largest item in our budget, making up 17.8% of the total budget, just behind the Replacement Reserve contribution at 18.9%. The Board has considered full earthquake coverage to be an important component of our master insurance policy but will be soliciting owner input before the next policy renewal. In the next few months, the Board will be distributing an owner survey seeking your input on whether we should maintain full earthquake coverage when the policy renews in February 2022.

Some additional points regarding the 2022 budget:

- 1) **2022 Budget Based Upon Actual Costs of Operation** — The budget is based on actual expenses incurred over the previous 12 months. It also takes into consideration any rate increases that have been announced for the coming year.
- 2) **CMI Rate Increases** — Concierge and Porter rates will increase 3.6%, reflecting increases in health insurance coverage, as well as the Oregon Corporate Activity Tax,

which CMI passes on to its clients per contract agreement. The Concierge and Porter staff are the third and fourth largest items in our budget (expenses for the concierge make up 13.1% of the budget and the porter staff makes up 9.4%). Cutting hours and services were considered, but the Board chose to keep both line items fully funded at this time. Building Maintenance Coordinator costs are increasing based on the number of hours needed over the course of the past 12 months. These hours are billed on an hourly basis and are not set monthly expenses.

- 3) **Third-Party Contracts** — As noted above, the master insurance policy premium for the Association increased 38% on February 1, 2020. Elevator maintenance costs have increased in the past year, and the Board is considering a new vendor in order to minimize maintenance expenses. Garbage costs continue to increase at over 3%, and residents are again asked to help reduce overage costs by always flattening cardboard and making sure that recyclables are placed in the containers neatly, conserving space.
- 4) **Utilities Expenses To Increase** — The total budget for utilities is increasing just over 3.8% for the coming year. Increases have been seen in Electric, Garbage, Telephone, and Water and Sewer. Natural Gas is the only utility where expenses have decreased. We believe these trends are attributable in part to more residents working from home and fewer people taking vacations this past year due to the pandemic.
- 5) **Board Decreases Several Budget Items** — Because of the increase in insurance premium costs, the Board decreased funding levels for the following line items: Natural Gas (3.5%); Carpet Cleaning (3.8%); Garage Maintenance (6.3%); HVAC Maintenance (9.5%); Pest Control (4.2%); Association Operations Outside Contract (16.7%); and Landscaping (8.0%). These decreases are meant to be temporary, and the Board will reassess these allocations on an annual basis.
- 6) **Allocation For Future Replacement Costs** — Each year, members of the Board and CMI meet with the Reserve Study provider to review the expenses of the past year and the expected maintenance needs over the next 30 years. The anticipated expenses are then adjusted, factoring in inflation and other factors. Our reserve study specialist, RDH Building Sciences, proposed an increase of 6% for the 2022 budget; the Board chose to increase funding at 5% for the coming year to help minimize the overall dues increase. The Board continues to review the updated reserve study numbers each year to ensure that reserve funding decisions are based upon the most accurate information available.
- 7) **Commercial Fees Increase as Well** — The commercial unit fees will also experience an increase in 2022. Since the commercial units do not participate in all the expenses that the residential units do, often the commercial and residential fees increase or decrease at different rates than each other. Since the commercial units do pay into

the full insurance premium, the insurance increase will impact the commercial units, with fees increasing an average of 11.2% for the coming year.

- 8) **Fees Are NOT Charged On An Equal Basis** — Homeowner fees are NOT charged on a per unit basis at The Elizabeth. Instead, expenses are allocated and monthly fees are calculated based upon each unit's square footage as a percentage of the total.

What Is My New Monthly Fee? Your monthly HOA fee will increase 9.99% effective July 1, 2021. The full allocation spreadsheet is posted on the website, and you can review a hard copy of the spreadsheet at the Concierge desk. You will receive a coupon book for July 2021 through June 2022 unless you are signed up with ClickPay for automatic payments. **PLEASE NOTE: If you are on autopay for a fixed amount through ClickPay, you will need to log in to your account and manually adjust your monthly amount. If you are on autopay for the full amount of your monthly dues through ClickPay, you do not have to do this as ClickPay automatically will pay the increased amount billed by the management company. If you pay using your bank's Bill Pay service, please be sure to adjust the amount manually for the next 12 months.**

Please Use The New Payment Coupon Book. For those of you who pay by check, new coupon books have been ordered for paying your HOA fees and are expected to arrive in plenty of time for your July payment. Please consider using ClickPay to make automatic payments, which will save the Association the costs of printing coupon books each year. Currently, over half of the owners are using ClickPay!

Questions About The Budget? If you have questions about the information contained in this mailing, please contact your CMI management team:

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If your question is strictly about our receipt of a payment, you may ask for CMI's accounting department at 503-233-0300.