



Park Tower CONDOMINIUM ASSOCIATION

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Board of Directors Budget Meeting Monday, February 25, 2008 Minutes

In Attendance George Pauley, President; Carlos Vargas, 1st Vice President; Sandra Goldberg, Secretary; Laura Cossa, Treasurer; Steve Hanna, Property Supervisor; Tim Patricio, Property Manager; Mavis Mather, Assistant Manager

Absent Phoebe Helm, 2nd Vice President

Time meeting started: (7:38p.m.)

Unit Owner	Comments Regarding Agenda
Mojgan Majdzadeh	<p>I believe that last year we discussed about the driveway construction and I think that there were reasons that this wasn't approved last year because we didn't feel that it was necessary to make any changes to the driveway. You mentioned about the cosmetics, how much cosmetics are we talking. We have a beautiful garden here. How many people really use it to spend that much money?</p> <p><i>George Pauley stated that this was exactly why they cancelled the driveway project. That was well over a half million dollars. However, the planter does leak and what we are doing in the driveway is replacing the west wall, the section that leaks, and we are going to paint the planter with a concrete stain so that the new sections and the old sections match.</i></p> <p>So if I understand, we are just making construction about things that are truly necessary and you are not planning to go further than that.</p> <p><i>George Pauley stated that was correct. We are not tearing out the planter like originally planned. We are not going to expand the driveway into three lanes like originally planned. The major part of the cost for redoing the portion of the planter is tearing out the west wall which is crumbling. We are also moving the drain, which is currently in the center of the planter, which slopes. The drain will then be at the low end of the planter and we think that will prevent the freezing and crumbling of the wall.</i></p> <p>Anything that is necessary I don't have a problem with.</p> <p><i>We will be coming in around \$50,000 for the planter, which is 1/10th of the original cost.</i></p>
Steven Koga	<p>I was here a couple of months ago when you were talking about the cooling tower project and you were debating about doing it in the spring or waiting until the fall. Obviously you made a decision to do it in the spring, sooner rather than later. One of the reasons that you were saying you might not be able to do it in the spring was because it would be a rush job and you might not be able to get all the things done to get it ready. Evidently you found that you can get it done in time.</p>

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	<p><i>George Pauley stated that they were taking one piece of it at a time to vote as we go along. We have voted to purchase a cooling tower, but that can be done in either the spring or the fall. We voted to do it now when we can get a better price. If everything goes on schedule, the tower arrives on schedule, then it will be up and running for the spring. If it is not then we will store it and it will be installed in the fall. Since we have to do it there is an advantage for getting it going this summer. First of all this cooling tower will save us money on electrical expenses. Also, in order to keep the current one running this year we will be spending several thousands of dollars on repairs throughout the summer.</i></p> <p><i>That's what I thought and mentioned at the meeting. Why wouldn't you get it done sooner and save on the electric? My next question is how did you manage to get it for \$350,000 if your estimate was for \$760,000?</i></p> <p><i>George Pauley stated that the people who did the reserve study make estimates. Those are educated guesses. When we went out to bid and Tim got us a good consulting firm on this, the bids came in for less.</i></p> <p><i>Tim Patricio stated that he had been watching this project progress and something that we learned, that they presented, is that the cooling tower that they are suggesting is a more appropriate capacity than the old one was. For its time, the particular capacity of the cooling tower that was put in was typical for high-rises such as this. Now with the changes in technology they are able to put a much lower capacity and energy efficient cooling tower. My theory would be that Reserve Advisors was considering the exact same type of cooling tower, which would have been more expensive. This is smaller and better.</i></p> <p><i>George Pauley stated that having lived here a long time, that it was common knowledge that we had a cooling tower and chiller that was double the capacity of what was needed. This building was built before the energy crisis of the 70's and at that time bigger was better. Its hard to know why it was done that way.</i></p> <p><i>But they know that this unit is going to be enough to service this building?</i></p> <p><i>George Pauley stated that it would. We brought in some really good consultants who have done other projects similar to this on other buildings in the city.</i></p> <p><i>Carlos Vargas stated that he just had a talk about this with management. The mechanical contractors have already come out to bid on this and we should have the bids within the next few days. These are the cream of the cream and they are all agreeing that this tower will work. It is my intention as a member of the Board, I want to be sure that we don't have any problem like years ago when next door had the problems with their A/C. This tower could go another 3-4 years without any problem, with some fixing. But if it goes all of a sudden then we will be stuck with a big problem. We may as well attack the problem. The tower is supposed to last somewhere between 30-35 years and has already lasted 37. We would be correct in doing this at this time.</i></p>
Mike Magliane	<p><i>I may be looking at the wrong page, doesn't our reserve generate income. The CD's and such don't show up here. Is that just operating stuff not pertaining to the reserves?</i></p> <p><i>George Pauley stated that it was in there; very last line is the reserve interest. I just wanted to make sure that was in there. It is kept with our reserve though, its not operating.</i></p> <p><i>George Pauley stated that it stayed in the reserves. We do anticipate that the money shown here is an estimate. Since then interest rates have gone down rapidly so that number is probably more optimistic than maybe what we would have if we had done this today rather than two months ago.</i></p>

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	<p><i>Tim Patricio stated that you might be wondering why you don't see that as an operating income item, but the Board and the Budget and Finance Committee did see the projections in terms of thinking about the reserves as its own entity. That end number that we projected did include some mathematics for the projection of the interest.</i></p>
A Homeowner	<p>This is my first time at one of these meetings, I don't know if some of these things have come up already, but at a quick glance there are a few lines that don't make sense between last years budget and 2008. A couple that stand out to me are the cable income, and gas, I don't know why these would get cheaper. There are several smaller ones as well.</p> <p><i>George Pauley stated that the cable contract, which was a three year contract, did go up 7% so this year it will be about \$151,000. It is in here in a different fashion because prior to this year the cable cost has just been divided by 700 apartments and added into your assessments. Starting March 1st the assessment will be one line item and your actual cost of cable will be listed separately. Everyone will know what your cable cost is and will be able to see it go up year by year. Because of that it was pulled out of part of the budget and put back in a different way so that may account for some of that. With gas, a lot of our gas, for example for the current heating season, was locked in a couple of years ago on futures. We are locked in on portions of our gas for the next two years. Gas prices are now lower than what the building purchased them at years ago so we are seeing savings there. We have not so far locked in any gas prices for next year other than what is already there. Next year we are locked in at 70% and then the following year we are locked in at 30%. We don't have much control over next years gas prices in terms of what we will pay because we are already bought and locked in. Our contract is such that we are locked into purchasing that gas whether we use it or not. We can't buy it cheaper someplace else we are locked in. We will be buying some of the gas for next year. We like to lock in 90% leaving 10% open because if it is a mild winter and we bought 100% we would be paying for it. We will in the next few months be purchasing some gas for next year and the following year we have the opportunity to purchase a lot of it. We are locked in and do not have the option to choose another vendor. The company that we purchase from even if only a partial you must buy the entire load from them. We are going to try and save some money on gas futures.</i></p> <p>So the remaining 30% will probably be at a lower price?</p> <p><i>George Pauley stated that was correct as far as they hope. In some items in the budget you will see that some adjustments were made. Tim and Chuck Brown spent a lot of time going over things and comparing what was estimated and what was actually spent with trends and so forth. They were able to cut out about a \$100,000 from the budget based on what they thought was realistic for next year. We will see areas where it has gone down. There are some areas, for instance we are expecting more foreclosures this year so we would expect that we will loose some more money on assessments than in previous years. I think that everyone understands why we are assuming that there are going to be more foreclosures this year. Its estimated guesses but Tim and Chuck spent a lot of time making those changes, as did the people on the committee. The only person I see here is Becky but she can attest to the fact that the committee put a lot of time into this budget.</i></p> <p>That's why I am saying that I only took a glance at this but this is my first time seeing a budget and I know that there is a reason behind it. What about the parking or garage income, there is a notable increase but yet last year was still under budget.</p> <p><i>George Pauley stated that there was a \$5.00 monthly increase in parking so</i></p>

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	<p>that accounts for some. The other piece is that last May we switched from Standard Parking managing the garage to a self management and our hope is that as a result of this we are going to have some savings. We do know that the result of the self-management is that we discovered 12 spaces that we were not getting income from. That had not been something for one month that had been going on for some time. I believe that was one of the reasons that the previous Board went to self-management.</p> <p>Sandra Goldberg stated that the increase in parking is for residents only. George Pauley stated that at this point we were not increasing the transient parking.</p>
Mojgan Majdzadeh	<p>I have a question regarding the bicycle room, I know that there is an increase on that. Most of the high-rises that I know do not charge for the bike room. We used to pay \$25.00 and now it is \$5.00 extra plus the 5% on the assessments. How much do we spend on construction of the bike room that we have to give \$5.00 extra over the \$25.00? That is a really high percentage increase.</p> <p>Carlos Vargas stated that he wanted to double the cost to \$50.00, which would be \$1.00 per week. To answer your question, it is in line with the reason that we had. The bike fee has not been touched for years and we are looking to make more bicycle parking on 2P, which would require buying racks to accommodate 20-30 bicycles.</p> <p>That doesn't really explain it to me, I would like to know how did you calculate the increase? Other high-rises offer this as part of the services. We don't have the services that other buildings offer but that is just a part. We have to pay \$25.00 and I accept that but the increase is a huge increase. This is not explaining why such a huge increase happens.</p> <p>George Pauley stated that we are proposing to do work on the bike room, increase capacity in the bike room in addition to racks on 2P, and painting the bike room. The reason for the \$5.00 is that it is a round number.</p> <p>This is not explaining it. This is my opinion and I want people here to hear me and hear that is why you use the reserve. Whether it be for parking or the bike room. This is not a huge money, rounding up, but I am one person and I didn't notice until I got the notice that it was increasing to \$30.00. I didn't have enough time to think about selling my bike at that point.</p> <p>George Pauley stated that as Carlos pointed out it had been many years since there was an increase in the bike room fees. We could have been increasing them \$1.00 per year, which would have been a smaller amount. Becky do you recall when we instituted the bike room fee? I know that it has never increased since then. I want to say that this goes back maybe 10 years.</p> <p>Becky Rossof stated that it was more than 10 years. It was when I moved in here almost 20 years ago.</p> <p>George Pauley stated that part of the rationale in the Board increasing this fee was that it had been a very long time since there was an increase and we were looking at expenses because that is still painted from the 70's and the racks are old. Probably all of the money will be used on the bike room itself.</p> <p>I understand its just that it is one more thing. You do a very good job observing other high-rises and I suggest that you do the same thing about the bike room because I am sure that a lot of high-rises do not charge extra or they just charge \$1.00. My point is that it should not be that much.</p> <p>Tim Patricio stated that management could do a survey and get that information to the Board of Directors. It is not unusual to increase this type of fee when you don't have enough space for one spot per unit. When you have to have a waiting list or are not allowed to have access to that amenity for every single unit owner, it is not uncommon to charge a rental fee to justify that only certain people get that amenity. A lot of other buildings have enough</p>

Unit Owner	Comments Regarding Agenda
	<i>space for everybody.</i>
Gregor Hamilton	I would just like to point out one thing. We had a situation where there was some theft in the bike room and we installed cameras to catch the thief and took him to court. There was no increase at that point and I do know that cameras are expensive. I do know that there has been some other improvements like adding racks that have happened without an increase.
Mojgan Majdzadeh	I know that even with the cameras if there is theft or cameras for the bike they are not responsible. The cameras do not help if I am not covered. <i>George Pauley stated that the camera allows them to turn evidence over to the police. As Gregor stated the thief was caught and it is also a deterrent to the crime. One of the things that this building does that is different is that we try to make things self supporting. We can't do it with everything but we are trying with the bike room, like the garage which is self supporting. There are fees. Many buildings, for example the Metropolitan across the street, they don't charge for their pool or health club. It is an amenity included in the assessments. We charge, it's the way that the building was set up from when it was converted to a condominium. We continue to work on the philosophy that amenities that are not used by all the members or residents are not to be paid for by all the owners. They should not have to pay for things that they do not use. Because only a small percentage of the bike room is actually used by the owners we don't feel that they should be charged. That bike room fee will go back into the bike room this year. That is the best that we can do in terms of answering that question.</i>
A Homeowner	The reserves are at \$1.5 million now and we are going to add almost another \$500,000 but we are spending \$350,000 on the cooling tower plus \$50,000 or so on the planter and that is already \$400,000. Are the reserves going to be higher at the end of the year? <i>George Pauley stated that the reserves would be lower. We have a lot of projects that we have to do. We, this Board, are not looking at doing things that are optional, we are looking at things that have to be done. Our major focus is maintaining the mechanical function of the building.</i>
Steven Koga	How does it work with these increases for the janitor and janitor employee benefits? <i>George Pauley stated that those were union increases. We don't have any control over any of the maintenance salaries or benefits that is all handed to us as the union. We do not negotiate in that they all belong in the union. Who negotiates the union contract? George Pauley stated that there is one representative for each management company. Steve Hanna stated that it is done through an organization called ABOMA. Which is comprised of many of the buildings in Chicago. They go with the union to negotiate that contract. If you are not a member of ABOMA, then each building must do it themselves, but you are a member of ABOMA. How long is the contract? Steve Hanna stated that the contract was for 3 years. What year are we in? Steve Hanna stated that he believed that we are going in to the third year so it will end November of next year when a new contract would be negotiated. George Pauley stated that another piece is that last year an additional janitor was added to the budget. It was not in last years budget but the prior Board did increase the janitorial staff by one person.</i>

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	<p>How big is the staff? <i>George Pauley stated that there were 13 janitors, plus the head and the assistant, so a total of 15. There was an addition last year which is reflected in this years budget.</i></p> <p>Is that normal for a building of this size to have 15 janitors? <i>Tim Patricio stated that it was smaller than any other building this size that he was aware of.</i></p> <p><i>George Pauley stated that they did run a tight shift. Part of the increase in staff is that we do a lot of work in-house with our own people instead of hiring that out. There is a lot of painting and touching up done in house by our staff when they have the time as opposed to hiring an outside firm to do it and that is a significant savings for us.</i></p> <p>Why does guest parking go down to zero on your income? Why did you drop off \$22,000 in guest parking? <i>George Pauley stated that there was a change as this was moved into the garage budget. This had to do with the change over from Standard Parking to self-management. You will see an equal increase in the garage line item.</i></p> <p>The parking garage income is up \$40,000. <i>George Pauley stated that was because of the parking garage fees being raised \$5.00 per month for monthly parkers, plus the 12 spaces that were not being rented.</i></p> <p>And the guest income? <i>Sandra Goldberg stated that the guest income was not increasing.</i></p> <p>But what happened to the \$22,000? <i>Sandra Goldberg stated that the \$5.00 increase did not apply to the guest parking rates.</i></p> <p>I understand that.</p>
Gregor Hamilton	<p>I was just going to ask about the term janitor. Our staff does more than just janitorial stuff but you went into that. I also want to share that a couple of years ago I got out of bed and found out that my feet were wet. I had a burst pipe at about 2:30-3:00AM on a Sunday. I called and Chuck was there in 12 minutes to start drying up the leak. There is no question that he knows what he is doing.</p>
Becky Rossof	<p>I just had a question, when they were asking what the reserve expenditures would be I noticed that we were not listing reserve expenditures on this budget. Why do we no longer display that like we did in the past, and why is it that the total reserve expense is shown under operating? It is not separated out to show that.</p> <p><i>Tim Patricio stated that what was mailed out was just the operating budget and showed the reserve contribution from the operating budget. This is the same that was presented to the committee. There was no approved reserve budget and there are no approved reserve projects beyond what the Board approves. So when you call it a reserve expense what you are really talking about is the reserve?</i></p> <p><i>Tim Patricio stated that it is the expense to the operating from making a contribution to the reserves.</i></p> <p>I guess that my request might be that in the future we show what we anticipate as being the expenses. It would make it apparent as to if we are going to be putting in more than we would be expending.</p> <p><i>Tim Patricio stated that would be a decision if the Board asked for it to be presented that way. But this was the operating budget so we only included operating items since that is all that is necessary to be approved. In the cover letter we listed the anticipated projects based on our understanding of what the</i></p>

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	<p><i>Board is considering.</i></p> <p>It had been practice in the past to list those and then the Board would make that part of the budget presented to the owners. That way the expenses would also be part of the budget.</p> <p><i>Tim Patricio stated that he thought that had actually been talked about at one point and I want to say that the discussion that I was present at they stated there was a problem with how it was depicted in the past because there were so many projects listed and so many numbers that either ended up not being right or there were projects that were not preformed. I was asked at one point to just list the projects that we knew we were going with but to not put dollar amounts because there was no guarantee.</i></p> <p><i>Carlos Vargas stated that it could be put as a foot note.</i></p> <p><i>Sandra Goldberg stated that she had not seen that for a long time, when did they used to put that in?</i></p> <p>I could go back and check the previous years budgets but I know it was there three years ago.</p>
Mojgan Majdzadeh	Besides that what is the point of putting things that might not be done later into the budget?
Becky Rossof	<p>You would put in your reserve budget the things that you intended to do. I was told at one point that legally you had to list things there if you wanted to do it. Maybe that was not correct but I remember being told that.</p> <p><i>George Pauley stated that the projects for this year were put in the cover letter. Since we have not started on them we do not have dollar amounts on them.</i></p> <p>But that was part of the budgeting to know how much your reserve expenditures are going to be. People could look at that and guess where the reserves would be in the end. It is just a request that I would ask the Board to consider.</p> <p><i>George Pauley states that he would suggest that next year the budget committee address that. The Board does not put this together the information is given to us. We were not uncomfortable but the committee could present a different format. I will probably forget about it by next year but the committee can bring it up in the budget meetings.</i></p>
Adjournment	Upon due motion by Carlos Vargas and seconded by Sandra Goldberg the budget meeting adjourned at 8:35PM.

Board of Directors Meeting Monday, February 25, 2008 Minutes

Call to Order: (8:36p.m.)

Topic/Agenda Item	Result/Action Item
Adoption of 2008/2009 Budget	Upon due motion by Carlos Vargas and seconded by Sandra Goldberg, the Board voted unanimously to approve the proposed 2008/2009 budget as distributed to members of the association on January 23, 2008.
Adjournment	Upon due motion by Carlos Vargas and seconded by Sandra Goldberg the

Topic/Agenda Item	Result/Action Item
	meeting adjourned at 8:38PM.

George Pauley, President

Sandra Goldberg, Secretary