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2007 Operating Budget

December 7, 2006

Dear Fellow Homeowners,

We present to you the 2007 Operating Budget for your review, which was approved by the Board of Directors earlier this month, to be ratified at the December Open Board Meeting. The two most significant items to note are that the **monthly Maintenance Fees are not increasing from 2006 to 2007**. However, it again **remains necessary to continue the Special Assessment to build reserves for the upcoming Renovation Project in 2007**. Every dollar we collect, save, and earn interest on now, reduces the amount we will need to borrow and assess when the time comes to start the project. Please see the enclosed letter regarding the 2007 Special Assessment for further information, as well as the Renovation Project Frequently Asked Questions mailed to each Homeowner last month.

Accordingly, the fees remain as follows:

One-bedroom Unit Homeowners will pay a monthly maintenance fee of \$171.00 and a monthly Special Assessment amount of \$103.00, for a **total monthly payment of \$274.00 per month**.

Two-bedroom Unit Homeowners will pay a monthly maintenance fee of \$195.00 and a monthly Special Assessment amount of \$118.00, for a **total monthly payment of \$313.00 per month**.

The percentage of Ownership in Common Elements specifies the share of fees each Unit Owner pays. One-bedroom Homeowners pay 0.1529% and two-bedroom Homeowners pay 0.1749% of the annual Operating Budget.

Review of 2006 Operating Budget Financial Performance

Building on the Board's and Management's success of the fiscal restraints implemented in 2004, the Association did very well in keeping within budgetary guidelines, coming in under budget by 3%, or approximately \$72,000, for the 2006 fiscal year. This was due to several factors that included efficiently utilizing the maintenance staff, enforcing tighter fiscal controls, and bidding out the insurance coverage to keep the premiums as low as possible.

Any surplus money will be transferred to the Long Term Reserve account, to aid in the replenishment of this fund. **We have now built over \$3.6 million dollars in reserves for the upcoming Renovation Project in 2007.**

Below are just a few examples of our financial performance in 2006:

- Long-term contract negotiation, keeping costs down, such as landscape and irrigation services, along with snow removal set at a fixed price for all storms between two to twelve inches (2-12").
- **On-site maintenance performed many repairs to our buildings that normally would have been performed by outside contractors at a much higher cost.** This significantly saved our Association in expenses that would have been appropriated from Deferred Maintenance as well as Common Property Maintenance accounts.
- It is, also, very important to note that **Homeowner delinquencies are down**, thanks to legal counsel and the Board's active approach regarding those Homeowners who were not paying the Maintenance Fees and Special Assessment in a timely fashion. Many of these delinquent accounts, that have been allowed to exist for years, have been paid in full and cleared off the delinquency report.

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- The Board continued to upgrade **the investment returns on our reserve money** from low paying money market accounts to **higher yielding Certificates of Deposit and Treasury Notes**. On average, our Reserve accounts, which include the Long Term Reserve, Deferred Maintenance, and Litigation Reserve, earn approximately 5% interest. Thus dramatically increasing the return on our investments, and we expect interest earned in the 2006 fiscal year to be over \$126,000, which is \$93,000 more than last year!

A few other things to note...:

- Due to the New Jersey State Legislature raising the sales tax rate from 6% to 7% earlier this year, several budget lines items have been overspent, and subsequently raised in the 2007 Budget to account for these additional taxes we must pay on many of our contracts. It also affects expenses such as office supplies, some utilities, and building and grounds maintenance and supplies. Additionally this year, the postal rate increased from 37¢ to 39¢.
- You may notice that, due to last year's very heavy snowstorm, some of the curbs throughout the Community were slightly damaged by the plows and other heavy equipment used to remove the snow. Since the damage did not affect the integrity of the curbs, and is mostly cosmetic, which will wear away and become less noticeable over time, we have negotiated with LMS, our snow removal contractor, to give us a credit of three thousand dollars (\$3,000), to be used for any landscape work we deem necessary. We have used this credit this year to remediate a bad drainage area behind Building 1400, and to remove several large branches and trees that have fallen over the past few months due to several wind storms. This has saved us money in the Landscape Repair line item in the budget.
- On October 10, 2006, the Association had the winning bid for Unit 916 in a Bankruptcy Auction for \$132,000. The Unit closed on November 3, 2006, and we are in the final stages of renovating it in preparation to sell or rent the Unit, which should happen sometime in January. The money used for this sale and renovation was taken from the Long Term Reserve Fund, and the profit made for the Association by renting or selling this Unit will be returned to that same fund, allowing us even greater savings in anticipation of the Renovation Project.

The **2007 Operating Budget** was developed to continue our current financial course for maintaining our Association and for funding the Renovation Project.

Within the next few days, in a separate mailing, you will be receiving your new coupon booklets for your 2007 payments. Included in that mailing will be a Direct Debit form to complete at your option in order to have your monthly payments directly debited from your bank account. We encourage everyone to complete this form, as not only will it save you the time, hassle, and cost of mailing a monthly check, but it will help our Association to receive timely payments, with the anticipated result of further reducing our delinquencies and late payment fines for Homeowners.

We look forward to our fellow Homeowners' continued cooperation in paying the monthly fees and Special Assessment in order to work toward the common goal of commencing the Renovation Project in 2007. We recognize the financial sacrifices of our fellow Homeowners to protect and improve our Community.

In closing, the Board would like to remind our fellow members that the Community's financial well-being, quality of life, and maintaining or even increasing our property values are always in the forefront of our minds.

Best wishes for a happy, healthy, and peaceful holiday season!

Sincerely,

Board of Directors
Ravens Crest East at Princeton Meadows Condominium Association, Inc.