

WILLAMETTE TOWERS CONDOMINIUM

Minutes of the Meeting of the Board of Directors

January 14, 2002

Introduction of Board Members:

Douglas Cochrane-President
Joanne Gulsvig-Vice President
Marge Catha-Treasurer
Carol McCarthy-Secretary
David Goth-Member

Also present were:

Bob Huntley	Lillian Rarick	Irene Rose
Joan McCornack	Roberta Phillips	Bobbye Sorrels
Roy & Shirley Pearson	Esther Erford	Uldine Summers
Ruth Lutz	Lois Harrington	

Approval of Minutes of Meeting on December 19, 2001:

Joanne made a motion to approve minutes as submitted.
Carol seconded the motion. Motion passed.

Financial:

Marge reported that a CD is due on January 29, 2002. Since the financial report is not complete for December until after the 15th of the month, no report was available for tonight's meeting. Financial discussion postponed until later in the meeting.

Update on refurbishing from Marilyn Augusta Design (David Goth):

Marilyn Augusta made a presentation. She brought carpet samples that would hold up to the type of wear necessary for our building for a lifetime. The textures and colors do not show dirt and damage. (Samples in office/lounge).

Lighting on all floors was also discussed, as well as the possibility of painting all doors facing into the halls white. She suggests we clean and repair damage on paneling in lobby and office/lounge. She also suggests we leave the murals in place. Her opinion and projected costs for carpeting are on attached page. Other projected costs discussed are as follows:

Elevator panels—approximately \$750 per elevator.

Touch up wood paneling on main floor—approximately \$150.

Consider lobby security camera—possibly \$2,000 (research costs). Further discussion took place later in the meeting.

Windows:

A window-by-window—unit-by-unit—bid was not available for this meeting. Lane County Glass will furnish the board with this information as soon as possible.

Manufacturer cannot supply us with enough windows to do job at one time without greater cost, but will give a better price per window if we plan a longer term project—perhaps six months. Diana reported that the main floor and penthouse applications would be more complex than floors 2 through 12. More information is needed. No decision was made.

Budget for 2002:

The budget is experiencing a shortfall of just under \$11,000 (largely because of empty lease property on main floor, Douglas reports), without allowing anything for reserves. Bobby Sorrels recommends funding the reserves for \$15,000, making the total shortfall \$26,000.

Douglas suggested options to deal with this.

- 1) Raise dues
- 2) Discontinue “free cable TV” service (approximately \$19,800 a year)
- 3) Get lease property leased, and possibly rent out office/lounge when other two are leased

Douglas proposes to send information with questionnaire to ownership for opinions.

Property Management:

Douglas reported that the board had a meeting with Bennett Property Management, and felt that they would be the best candidate for the job. He believes that with professional management, expenses may be less than we are now paying, although states that nobody knows for sure—that it may be a year before we are sure.

Items he believes property management can save money on are as follows:

- 1) Elevator contract
- 2) Insurance on building

Douglas has prepared a report to all owners to include a question to assess owner opinion on television cable.

Discussion included whether the board or association can approve of leases offered by off-site owners who rent their units to others.

Note on Incorporation:

Carol McCarthy reported that she had tried to get in touch with Portland Attorney Dave Bennett, but could not contact him. His purpose is to bring our bylaws into compliance for incorporation. Will update when information is available.

Lighting costs:

Carol reported that by the time we got the bid for lighting improvements on main floor, the program that offered a tax advantage was already over, but that there may be a program offered in the new year.

U.S. Postal Service requirement of key box bylaws:

Carol reported that, because of liability issues, we must put a key box outside the building for the mail carrier. He cannot have his own keys according to the U.S. Post Office. This must be accomplished in a “timely” manner. Smeed Sound and Crawford Door will coordinate to have the key box installed at our request.

Increase in cable costs:

We were paying \$1,320 a month for cable. AT&T raised our fee to \$1,569.75 a month which Eric Peterman of the Bottom Line says adds up to about \$1,652 once you add on licensing fees, franchise fees, tax, etc.

We continue, at this time, to get Starz and Encore (premium stations) as a bonus.

Miscellaneous:

Balcony Doors: There have been complaints that some people open the balcony doors and leave them open for long periods of time. This makes it very hard to heat some units. Please close the balcony doors after a reasonable length of time.

Some smokers may be leaving them open when smoking. Signs will be posted regarding smoking laws. You must be at least 10 feet away from a building entrance to smoke.

Annual meeting announcement: Diana has prepared the annual meeting notice with proxy forms. This will be included in the Minutes of the Meeting packet going out to each owner.

Advisory Questionnaire:

Douglas distributed his informational memo and advisory questionnaire to the board members for their review before it is sent to the ownership.

Redistribution of 2001 reserves: Prior to the meeting, Bobbye Sorrels had prepared a paper suggesting that the 2001 budget contributions to reserves could be revised because of changed requirements for parking-structure deck repair. (See attached.) The board wanted to move the \$18,000 from budgeted parking structure reserves to budgeted carpeting reserves so that refurbishing work could be done soon. Bobbye concurred but urged that the 2002 budget emphasize contributions to the remaining reserves. Carol moved that the reserve contributions in the 2001 budget be revised as follows:

Roof:	\$1,000
Exterior painting and repair:	\$1,500
Interior painting	-0-
Carpeting	\$18,000
Laundry	-0-
Water Heater	\$1,500
Plumbing	\$1,500
Parking Structure Coating	<u>-0-</u>
Total:	\$23,500

Motion carried.

Refurbishing—Carpeting:

This makes it possible to replace carpeting and do some other improvements. Joanne made a motion to take money from carpeting reserves and unappropriated reserves to replace the carpet; not to exceed \$32,500. David seconded motion. David agreed to get a second bid. Board members agreed.

Diana presented a bid from Norm Parmentor for painting elevator doors, frames, and ceilings. After a discussion on various costs, Joanne made a motion to cap the above upgrades at \$37,500 on carpeting, protective entry rugs and refurbishing elevators. David seconded motion. It passed.

Douglas moved to bring the meeting to a close at 9:20 p.m. It passed unanimously.

Respectfully submitted,

Secretary, Board of Directors

Prepared by,

Diana Drake,
Assistant to the Board of Directors

ADDITIONAL INFORMATION AND CLARIFICATION ON BUDGET AND
PROPERTY-MANAGEMENT CONSIDERATIONS

Bobbye Sorrels, January 14, 2002

(1) Parking Structure Reserves.--It appears that the upper parking structure does not require a complete coating, as originally recommended in 1998 by Pioneer Waterproofing Company, Inc., of Portland, after site visits and analysis: "A parking structure of this age should be deck coated with elastomeric traffic barring surfacing" (cost = \$61,740).

The 1996 board had the cracks filled with then-recommended epoxy at a cost of \$4,875. The epoxy deteriorated and began chipping out. The 2000 board had a study done by Mortier Engineering, concluding that a new "wear surface" would overload the structure. The 2001 board had the epoxy removed and tar inserted, at a cost of \$4,900. It appears that the tar will need to be cleaned and replaced about every five years, but will be sufficient to protect the reinforcing steel.

The 1999 and 2000 boards had set up large contributions to a parking structure coating reserve for the 2000 and 2001 budgets to begin to build the \$60,000+ to do the work by 2004 or 2005. It had reduced contributions to the other reserve accounts to do so. At the end of 2000 the coating reserve had \$12,000 in it, and the 2001 budget planned to add \$18,000 more.

If it is satisfied that filling cracks every four or five years is sufficient to protect the rebar, the 2001 board could reasonably pass a motion at the January 14, 2002, meeting to instruct The Bottom Line to distribute (in January, 2002) the \$18,000 originally budgeted for parking-structure coating into other reserve accounts as revised by the board. I have provided copies of this recommendation to 1999, 2000, and 2001 board members Marge Catha and Carol McCarthy. I was a board member and budget and reserve developer in 2000, a helper with the 2001 budget, and the developer of the 1999 and 2000 reserve schedules. With the knowledge so gained and using approximate and rounded proportions from the 1999 reserve schedule (prior to the aggressive push to build coating reserves), I suggest the budgeted \$23,500 reserve total for 2001 be distributed into the appropriated reserve categories as follows instead of as originally budgeted:

	Originally budgeted	
Roof	\$4,000	\$ 1,000
Exterior painting & Repair	8,000	\$ 500
Interior painting& Repair	1,500	\$ 0
Carpeting	3,000	\$3,000
Laundry	1,500	0
Water Heater	2,500	0
Plumbing	3,000	0
Parking Structure Coating	<u>0</u>	<u>18,000</u>
Total	\$23,500	\$23,500

After subtracting the cost of filling the cracks, the parking structure coating account would still have about \$7,100 in it, which would be a good start for future repairs to the parking structure. In addition, the interior painting and repair account would grow to \$7,685 and the carpeting account would grow to \$16,934.30, for a total of \$24,619.30 saved up for improvements to the foyer, elevators, and carpeting in 2002. Future boards would work out new reserve schedules to take account of the changes.

January 14, 2002

To the Owners
Willamette Towers Condominium

From Douglas Cochrane, President of the Board

Dear fellow owners,

I write to share with you the good news and the bad news. The good news is that the long range financial situation for the Willamette Towers Condominium Association is strong with adequate capital reserves to maintain the building. This good news was enhanced in 2001 when we were able to discover a less expensive repair for the deck of the parking structure. This freed up \$18,000 in capital reserves that had been held for this purpose.

Your board determined at the January 2002 meeting to invest these funds in recarpeting the building and refurbishing the elevators. This work will be done in the next few months and should have a positive impact on the livability and value of the property.

The bad news is that we face a serious shortfall in operating funds, caused in large part by the loss of two commercial tenants on the ground floor. It is the duty of your elected board of directors to make the decisions on how to manage the finances of the association. It is prudent that the board first consult with the ownership to seek consensus. The enclosed opinion poll is your opportunity to weigh in on these important issues. We encourage you to return the enclosed questionnaire on or before February 1st, 2002.

Issue #1 – A Budget Shortfall

The budget for 2002 has a serious cash shortfall. The board projects a shortfall of at least \$10,600 if we contribute nothing to reserves. To be fiscally responsible, we believe we should contribute at least \$15,000 to reserves to cover anticipated long term repairs and maintenance.

There are three potential solutions that would largely or completely alleviate this problem:

- 1) Lease the commercial spaces promptly.
- 2) Raise the owners assessments by \$25,000 for the year 2002. This would average approximately \$23 per unit depending upon the size of unit.
- 3) Eliminate services that the Association has previously provided for free to the owners. The cable television contract costs the Towers approximately \$20,000 per year or approximately \$18 per unit per month. Options would include charging owners separately for this service or disconnecting it. Considering the cable channels available, including Stars and Encore, our wholesale rate is a bargain for those who use it but an unnecessary burden for those who don't.

Issue #2 – Professional Management

Your board has been researching the possibility of hiring professional management for the building. Real estate professionals advise us that professional management would enhance values while making it easier to attract qualified business people to the board.

Advantages to professional management are building management expertise, consistency, and history. Professionals who manage many buildings as a career are better qualified to evaluate the buildings needs, the costs associated with them, and the best mix of employees or subcontractors to provide them.

Disadvantages include the fear of the unknown... it is difficult to determine exactly what it will cost to hire professional management until we have some history together. There would also be some loss of control by individuals who have sought to control the board over the years.

The Towers currently employs, either as direct employees or as subcontractors, the following people for these tasks:

<i>Individual</i>	<i>Job Description</i>	<i>Cost/Year (approx.)</i>
Dianna Drake	Assistant to Board	\$9,840
Sandi Hansen	Janitorial	\$18,600
Eric Pearson	Light bookkeeping	\$2,160
Bottom Line Bookkeeping	Accounting	\$4,230
Grounds Maintenance	Landscaping	\$2,400
		=====
Total		\$37,230

Bennett Management Company, the local firm that appears most capable of handling our affairs, proposes to hire a full-time on-site manager who would perform the janitorial services, light landscaping, and light bookkeeping at an annual salary of \$21,600. Heavy landscaping would cost approximately \$1200 per year. BMC would provide the most other services provided by our current employees and subcontractors including the accounting, hiring and supervision of maintenance subcontractors, and support for the board for an annual fee of \$18,768.

There would be additional costs for services not included in the monthly fees. It is difficult to determine exactly what these will amount to. BMC states that in most cases they save the cost of their fees through more experienced management and large scale purchasing. As examples of costs savings available through their services, they point to the benefits of group purchasing of elevator service contracts between multiple buildings, better insurance pricing, better management of subcontractors, and better management of tenant relationships to avoid costly vacancies.

Issue #3 – Windows

The windows in the building are old and inefficient. There are three problems with them:

- 1) The aluminum frames are energy inefficient;
- 2) The glass in many units is beginning to get pitted and wavy;
- 3) Some frames are failing and windows have actually fallen out, creating a hazard to those below and a potentially costly liability for the owners and the association.

Usually the exterior shell of a condominium structure is the responsibility of the association and the interiors belong to the individual owners. Our bylaws are unusual in that they state that the windows belong to the individual owners, not to the association. Individual owners may not change their windows without permission of the board.

One approach to solving the problem of windows that have outlived their useful life span would be for the board to approve individual owners changing their windows, presumably to more energy efficient vinyl framed, double paned windows. Since most vinyl windows have white frames, this would have the effect of creating a patchwork appearance on the exterior of the building.

A second approach would be for the association to arrange to change all the windows in the building, maintaining a consistent appearance throughout. A group purchase of this sort would be much less expensive per unit than individual purchases.

To accomplish this, the association would borrow the money, possibly as a bank loan secured by the building assets. The loan would be repaid through an increase in assessments. The assessments would be repaid over time by a decrease in energy costs.

Because the new windows would be much more energy efficient, EWEB would provide energy rebates covering part of the cost. EWEB projections indicate that after the rebate the costs of replacing the windows compared to energy costs to heat and cool the building would break even within two to three years.

Conclusion

These are important issues that will impact the Towers long term. I encourage you to talk with your board members and neighbors, to think seriously about the future of your investment. The Towers is an excellent, well built property. What can be done to increase property values and enhance its livability?

On a personal note, my father (who lives in my condominium at the Towers) has gotten quite elderly and we recently moved him to an assisted living home. For personal reasons Gerry and I have decided to sell our unit at the Towers. I will continue to act as a member of your board while qualified to do so but have no stake in the decisions made for the longer term future. My advice as an investor and business owner is that you approve a dues increase, that you approve hiring professional management, and that you approve the replacement of the windows throughout the building.

Douglas Cochrane, President of the Board

Advisory Ballot
Willamette Towers Association of Unit Owners
January 2002

Which method do you favor to balance the budget for 2002?

- Increase unit assessments
- Discontinue cable television service
- Charge unit owners separate fees for cable television service

Do you favor having the board continue researching professional management for the association?

- Yes
- No

Do you favor having the board continue research into replacing all windows on the building with energy efficient double-paned vinyl windows?

- Yes
- No

Please return your ballot to Dianna or drop it in the assessment by February 4, 2002.
Thank you.

[At the December 19, 2001, meeting, Douglas Cochrane named a sub-committee made up of Douglas Cochrane, Joanne Gulsvig, and me to review the issue of property management. I attended a meeting of that sub-committee with three representatives of Bennett Management Co. on January 7, 2002. Board members Carol McCarthy and David Goth also attended. I asked for and received permission at the December 19 meeting to attend the board budget meeting, also scheduled for January 7. I attended that meeting; Douglas, Carol, Joanne, and David were present. Douglas distributed to board members a preliminary draft of a memo and advisory ballot at the January 14 meeting. Later, I left a message on Douglas's machine saying that I would like to include a paper offering some other views to go with the mailing of the memo. On January 23, Douglas sent a copy of his revised memo to all listed on the Topica Web page, including me. Also in that email, Douglas acknowledged that I had called and wrote that he had "no objection" to including my paper with the mailing, but that if other board members did, they should inform him by January 25. I received no notice of objection from the board.--Bobbye Sorrels]

INFORMATION AND VIEWS ON SOME CURRENT WILLAMETTE TOWERS TOPICS:
PROPERTY MANAGEMENT, BUDGET, CABLE TV, WINDOWS, AND CARPETING
Bobbye Sorrels, January 25, 2002

Along with the rest of the economy, Willamette Towers Condominium (WT) faces some short-term financial discomfort. A flat market has allowed two commercial tenants to afford to buy their own facilities and move from WT, which has led to the loss of about \$1,500/month (\$18,000/year) from lease income. That same flat economy is making it difficult to find renters for the two lease units. Interest rates are down steeply, which will cause a sharp reduction in interest income. Thus, income is down at the same time that expenses are up for utilities (particularly electricity) and maintenance.

Advisory Ballot--Because of the current financial situation and for related reasons presented in brackets and expanded in subsequent sections, I will vote as follows on Douglas's advisory ballot:

"Which method do you favor to balance the budget for 2002?"

"Increase unit assessments" [The three options listed are not the only budget-balancing options available, but this is the one of the three offered that I believe will serve most owners best. For television viewers, paying the \$18/month average cost is much less expensive than having to subscribe individually at about \$47/month for the same service. Of course, an inequity exists for the non-TV users, but inequities also exist in other parts of the assessment process. The option to "charge unit owners separate fees for cable television service" is essentially not even an option because it would require a separate, unwieldy structure for administration (maintaining bookkeeping records on who is subscribing each month and payments received from easily 80 or more people, keeping the cable connected and disconnected as subscriptions dictate, having to have a collection agent for delinquencies in payments, etc.). In addition, the reduction of expenses by the cable's cost of \$19,800 would not be enough to make up \$25,621 needed to balance the budget, so the board would have to raise assessments anyway.]

"Do you favor having the board continue researching professional management for the association?"

"No" [It is reasonable to approve doing research. However, I think the goal of researching professional management is too narrow. I would vote yes on the question if it had asked whether I favor having the board conduct research to determine how best and least expensively to provide management support for the association. That way a committee could consider the Bennett professional management model as only one of the possible options that might achieve that end.]

"Do you favor having the board continue research into replacing all windows on the building with energy efficient double-paned vinyl windows?"

"Yes" [It is reasonable to approve doing research. However, in the case of window replacement, the burden of the work falls on contractors who are putting in a great deal of time to make estimates on a project that, as currently proposed, possibly is not even feasible.]

Cable Television--Of the issues named, the only pressing one is the completion of a budget for 2002 (already past due). The advisory ballot suggests that the key budget issue is a decision about cable TV. However, the issues are numerous and complex, and most of them require review and decision-making.

Before discussing the budget, however, the cable TV issue deserves more attention. Yes, paying for cable through assessments is unfair to those who do not use TV. Unfortunately, however, some inequities do exist in the sort of averaging used for determining assessments. Two examples will illustrate: (1) Because common-expense factors are based roughly on floor space, a two-bedroom unit with 790 square feet should pay about half the assessment of a penthouse unit with nearly 1,500 square feet. Yet the correct application of the factors currently has the two-bedroom unit paying \$130/month, and the penthouse unit paying \$145/month. That is only 12% more for the larger one. (2) Because water heating is one of the most expensive things WT pays for through its electricity bill, another inequity exists between costs for hot water when comparing different units' assessments and occupancy rates. A single occupant of a studio with an assessment of \$64/month gets to use the same amount or even more hot water than the single occupant of a two-bedroom unit paying \$130/month. The two-bedroom occupant is paying twice as much for hot water as is the studio occupant.

Budget--The one budget session that I sat in on started with a previously well-developed budget draft, but one that showed a \$16,291 shortfall even before providing for contributions to reserves. Revisions yielded a draft (the most recent as far as I know) from which Douglas drew the data for the budget references in his memo. Some of the major features of that draft, along with my bracketed comments, are:

- (1) The projected income from commercial leases assumes that the two currently vacant lease units will become occupied for six months of 2002. [This assumption seems realistic.]
- (2) The budget for consultants is \$1,000. [This is probably a reasonable limitation to make during a financial bind. Eventually, however, this category likely will need to increase, particularly if the board concludes that it needs consultants to help it carry out its work.]
- (3) The 2002 budget contains no expenditures for security. The board will cancel the Collins Security parking-structure drive-throughs (\$195/month or \$2,340/year). [I agree that it is difficult to know whether the drive-throughs deter vandalism and theft.]
- (4) The budgeted janitorial contract expenditure includes an increase of 5% (as requested by Sandra Hansen Janitorial) from \$18,600/year to \$19,530/year (for labor and the cleaning supplies that an independent contractor must supply). [Looking objectively and realistically at costs, \$19,530/year is a great deal to pay for part-time janitorial services and associated cleaning supplies. In answer to my direct question, one Bennett representative agreed outright with that opinion, and another said it would depend on other factors such as cost of cleaning supplies. If for 20 hours/week and supplies, \$19,350 is the equivalent of full time at \$39,060/year. For 25 hours a week it is the equivalent of full time at \$31,248/year. For 20 hours/week, even \$18,600 is the equivalent of \$37,200/year. Some other services' estimates show they would do the work for much less. At the very least, the board could save \$930/year by not granting the 5% increase. Sandra Hansen Janitorial effectively received a \$2,000/year increase in 2000 when it stopped cleaning the carpets--a service valued at about \$2,000/year--yet continued to receive the same pay, \$18,600/year. WT had to begin paying \$2,000 for carpet cleaning on top of the \$18,600.]
- (5) Window washing continues at twice a year at \$4,200/year. [Doing window washing once a year would save some money, perhaps \$1,500. It would not cut the cost in half, however. The window washers would charge more than \$2,100 for one visit a year because they have to remove twice the grime with the one washing. They also recommend twice-a-year washing to preserve the glass.]
- (6) The budget sets the general-repair expense at \$5,000. [That figure is too low, based on previous history. This category lumps together all the maintenance and repair accounts that the budget and financial statements do not name specifically. Budget-makers often treat this line item as a miscellaneous category and end up leaving it too low in order to force a balance. This tack works only as long as the unappropriated reserves stay large enough to absorb the over-budget expenditures made in the category.]
- (7) The budget draft now includes \$15,000 for contributions to appropriated reserves. However, the draft does not yet include the distribution of the \$15,000 into the specific reserve accounts. [The \$15,000 will not cover the requirements dictated by the reserve studies performed by previous boards. In the past, annual contributions to appropriated reserves were significantly higher (\$23,500 in 2001, \$24,340 in 2000, \$20,400 in 1999, \$24,000 in 1998). However, because the 2001 board at first was considering the option of making no reserve contributions in 2002, I was pleased that the board accepted my recommendation that the contributions be at least \$15,000. Future budgets will need to increase the amount to meet requirements of reserve studies. I urge that the \$15,000 be distributed in the 2002 budget to increase the reserves for the roof, exterior painting and repair, plumbing, and water heater.]
- (8) The earliest possible effective date for the 2002 budget is March 1, 2002. [The draft is already out of date because it includes a possible increase in assessments and changes in expenses that cannot be made retroactive to January 1, 2002. Should the board revise the budget to account for this or leave it the same, assuming that lease units will fill early or that unappropriated reserves will cover the difference?]

A number of people have asked me, so I will report what the budget draft would have meant for assessments if the board had implemented it on January 1, 2002. My calculations show that if the budget draft had stayed the same, including a \$19,800 expenditure for cable TV, the following assessment schedule would have yielded the necessary residential income to support the budget:

<u>Tentative Budget-Draft-Based Assessment Schedule</u>	<u>Increase</u>
\$ 77--Studio units (04 on floors 2-12)	\$13 (20.3%)
110--One-bedroom units (05/06 on floors 2-12 and 1303)	19 (20.9%)*
157--Two-bedroom units (01/02/03/07/08 on floors 2-12)	27 (20.8%)*
187--Penthouse units (1301/1301/1304)	31 (21.4%)*

*Percentage increases differ because assessments of rounding to the whole dollar.

For TV users the dollar increases are not as high as or are only a little higher than the additional amounts users would pay for individual subscriptions for equal service (\$47-\$18 = \$29).

Property Management--Wisely, past managers of WT (the various boards of directors) have done a good job of maintaining the building, while at the same time saving up to assure that moneys are available in reserves for maintenance and improvement. The word "managers" in the preceding sentence is key here. The boards have been property managers through the years, and they have managed well. Boards will need to continue to do so, whatever form of paid help the association provides to support them in their work. Even the Bennett model has its employees

providing some advice to board members and association committees, but not doing the work themselves (except for additional fees).

The work of the board creates a burden for members, but certainly less of a burden now that the association is paying aides to do much of the day-in, day-out work once done by board members. The situation can improve even more, but the Bennett model is not the only option available to achieve that improvement. In reality, I believe the Bennett model would actually leave board members with more work to do because the model does not recognize all of the tasks that are necessary to keep WT functioning.

Responses to my October questionnaire from 45 WT owners (just one owner short of half), showed 100% opposition by the 43 owners who answered the question about the advisability of engaging professional management. The primary reason seemed to be the high cost. However, a number of WT owners, some of whom have lived under professional management and some of whom are in the real estate business, also suggested that professional management is impersonal, unresponsive to individual problems, unavailable when needed, and stubborn about what it wants as opposed to what residents want, has opportunities to misuse funds, and will not provide better management.

I do not oppose professional property management generally or the Bennett model specifically as any matter of principle. However, I know that other approaches exist in and out of the professional management world, and I believe the board should take a look at all of them before making a decision.

For example, more than two years ago when I was on the board, it was trying to find a way to cover the work that Wanda Twomey did before her resignation. I suggested looking at property management. (As it turned out, that board did not want to pursue professional property management, basically for the reasons named. Instead, the board created the position of assistant to the board and filled it. That has worked out well.) In 1999 I even talked with a small property-management firm and learned that it offers a "smorgasbord" of services and can tailor a system to the needs of a property. I have talked with that same company again this year, and I have also talked to still another firm with the same capacity to adapt to the particular needs of WT. Both would welcome meeting with the board.

WT is already pretty sophisticated in the ways of management, but may need help in some areas. Therefore, for example, if boards would feel more comfortable with having an outside agency select and supervise personnel, the two smaller professional-management companies said they can provide that service without having to provide any others. Both indicated they can provide consultations at an hourly rate when needed without having a standby monthly fee. WT can have a site manager (probably defined differently than Bennett does) without having professional management of any kind. WT can continue its current system, but revise job descriptions and get more help with the daily requirements and use consultants and attorneys to help deal with any particularly sticky problems. . . .

The advisory ballot question deals with recommending more research. However, Douglas does present in his memo a summary of some figures and his interpretation of the Bennett proposal. I believe that those who conduct the research should know that significantly different views of the Bennett proposal exist. Not only do some of the figures and descriptions in Douglas's memo show some misinterpretation of known data, but an age-old communication problem becomes apparent. That problem occurs when people who are present for exactly the same oral and written communication end up hearing and seeing different things. That is certainly the case for Douglas and me in understanding parts of the Bennett proposal. When future boards study WT management, they need to take account of those differences.

Clarifications.--Here are a few clarifications for some of the WT data as interpreted by Douglas:

Douglas: WT pays Eric Peterman to do "light bookkeeping." Clarification: WT does not pay Eric to do any bookkeeping, not even "light bookkeeping," such as picking up assessment checks. Bottom Line pays Eric to do bookkeeping, including "light bookkeeping" for WT. WT pays Eric to provide non-bookkeeping office/secretarial and computer services, to pick up laundry coins, to check CD rates, to maintain lists of investments, etc. WT pays only Bottom Line for bookkeeping.

Douglas: WT pays Bottom Line \$4,230/year to do the bookkeeping for WT. Clarification: WT pays Bottom Line \$280/month (\$3,360/year) plus \$145/year for payroll and W2 forms, for a total of \$3,505/year. Also included in the \$4,230 in the line item titled "Accounting" is \$725 paid to CPA Charles Kress for tax preparation and simple review of books, thus the confusion. WT would also have to pay this extra amount even if Bennett took over the bookkeeping.

Douglas: Bennett can find a full-time site manager to do the work of the janitorial service, the assistant to the board, and the office aide, one-half of the yard work, and "light bookkeeping" for \$21,600/year (his January 14, 2002, memo) or for \$28,060/year (his December 17, 2001, memo). Clarification: I do not believe one person can do all that work for a WT expenditure of either \$21,600/year or \$28,060/year (a figure that needs its own clarification). I have described and can describe again why I reached this conclusion, but I am running out of space here. I have appended to this document a full page scrolling together in small type many of the tasks currently performed by the assistant to the board (Diana), the office aide (Eric), and the board members. The Douglas/Bennett description of the job of site manager would have her/him do these tasks in addition to the others named.

Douglas: Bennett would charge \$18,768/year plus hourly charges for extras. Clarification: Bennett would charge \$18,768/year plus 5% of commercial lease income (about \$1,000/year when lease units are all occupied) plus hourly charges for extras. It would also require commitment to a one-year contract.

Again, I am running out of space and time to elaborate my reasons and line up the figures, but I will be happy to provide the arguments to support my conclusions. I conclude that any savings effected by Bennett would be offset by the additional costs of the Bennett model. These costs include the charges for Bennett extras, the costs of purchasing

janitorial and lawn equipment and supplies, the taxes on such equipment, etc. (I do not include the expenses of setting up and equipping an office, purchasing a computer, etc., as a differential. I believe WT needs to set up an office in the Office/Lounge anyway, whether for a site manager or an assistant, and whether WT has engaged professional management or not.) Therefore, I believe the data support the conclusion that WT would end up paying Bennett \$18,768 or \$19,768/year on top of other costs, excluding the \$3,505/year paid to Bottom Line.

Windows--The idea of conducting research for building improvement is good. However, during research into the topic of replacing the windows in the building, please consider these facts and questions:

(1) Does WT have to replace the windows or would it just be a nice and more energy-efficient thing to do? Only a few windows in the building are in danger of falling out, and installation of a simple plastic part will repair them. (Certainly, WT should vigorously require repair of any dangerous windows.)

(2) Aluminum frames may not be state of the art or ideal, but neither are many of the other elements of the building. Yes, aluminum does condense and vinyl does not, but the aluminum frames are still good. Does not vinyl/plastic break more easily and have a shorter life than aluminum?

(3) As defined in the Declaration, association members own their windows. Thus, owners now have to pay for their own window repairs and replacement. A suggestion to amend the Declaration to make the windows the property of the association would require that at least 69 (75%) of the owners approve. If the ownership shifts to the association, liability for faulty windows would shift, too. If the association does not approve the change to association ownership of windows, individual owners would have the right to refuse to participate. I even looked at the Oregon Statutes and found that they list windows as the owners', not the association's, responsibility. (The statutes do not seem to prohibit association ownership, however.) Does WT need an attorney's opinion about the advisability of changing ownership?

(4) If the association approves shifting ownership to the association, 69 (75%) of the owners would then have to approve the project, which would be a capital improvement costing more than \$2,500.

(5) Can WT owners afford the cost of replacing all the windows and window frames in the building, including the interest any loan would entail? I am not sure exactly how the preliminary numbers from Mercer Industries and Lane County Glass configure, but it appears that it would cost about \$630,000 for the building. However, is the \$88,500 for replacing the windows on the 13th floor included in the \$606,915 listed for "units" or is it in addition to that figure? If it is an addition to the \$606,915, the total would go up to \$719,915. If WT can even get a loan, interest at even 5% would be nearly \$36,000 for the first year. The estimate of \$6,670 average per unit does not take account of differing numbers of windows in the various units. Does the average cost of \$680/window cover the column of three framed windows, including the window that opens, or does each part cost \$680? Even if EWEB rebates the estimated 30%, the total to repay, using a cost of \$720,000, would still be more than \$500,000, plus interest.

(6) The building has 91 owners paying property taxes based on 91 separate tax statements. Thus, even if the owners vote to turn the windows over to the association and approve the expenditure, can WT really borrow against the building? Would all 91 have to sign papers? Should someone check with lenders?

(7) How would the board allocate the costs? According to the formula in the Declaration? According to the number of windows in the unit? Would it assess the 13th floor differently than the other floors because of its especially expensive store-front windows? If assessed by the number of windows, would a unit with 16 windows owe \$7,616 (after EWEB's 30%) plus interest, and then make its own unique payment each month, while a unit with fewer windows would pay less on its own unique schedule?

(8) Would the assessment take the form of a special assessment for repayment as an additional payment each month? Without considering the number of windows, the average payment per unit for the first year on a rounded \$500,000 plus interest (\$25,000 the first year), with payments spread over three years, would be about \$175/month in addition to the regular assessment. If paid off in five years, the first-year payments would average about \$115/month. (Of course, the board would probably use an amortization table to figure the unique payment schedule for each unit.)

(9) How can savings in energy pay off the outlay in 3-5 years if loan payments average \$115-\$175/month and electricity bills now average at most \$80-\$90/month?

(10) Would the owners have to pay for the expenses associated with the process of tearing out and installing new windows; for example, removal and replacement of air conditioners, mirrors, draperies, and blinds, repair of any plaster damage, etc.? Would we want the wear and tear on new hall carpets?

(11) Could WT analyze how much a mixture of required-color vinyl frames and aluminum frames would change the look of the building? If the mixture would not change it significantly, owners could change windows within their own monetary and time constraints. Yes, the cost would probably be higher.

Carpeting--Yippee--we get new carpet! It was such a pleasure to be able to work out and recommend a revision of reserve allocations budgeted for 2001 by the 2000 board so that sufficient funds could become available now. As the minutes show, I had first recommended distributing the \$18,000 that was originally budgeted for the parking structure among all the appropriated reserve accounts. After hearing Marilyn Augusta's presentation (and thanks to the board for bringing her in), which included recommendations for recarpeting throughout, refurbishing the elevators, and leaving the foyer as it is, it was easy to favor to the board's wish to put all the \$18,000 into the carpeting reserve instead. As an association member, I would also like to say thanks to owner John Agnew for finding, recommending to the board, and following through on the crack-filling process for the parking structure. I know I speak for previous boards, too, when I say how pleased we are that we had been able to save up \$20,119.30 in the Carpeting and Interior Painting & Repair reserves through 2000. With the addition of the \$18,000 from the 2001 budget developed by the

2000 board, the total becomes \$38,119.30, an amount that will cover the approved improvements and still leave a little seed money in the affected reserve accounts. That's great!

Can one site manager do all the janitorial work, half of the yard work, some "light bookkeeping," and these and other tasks now performed by the Board Assistant (Diana), the Office Aide (Eric), and, sometimes, the board members?

Lock/unlock doors of office/lounge and first-floor bathrooms....Develop and post board meeting notices and agendas...Carry or arrange for a substitute to carry pager at all times....Return calls promptly and take appropriate action...Prepare and mail notice of annual meetings, proxy forms, etc....Coordinate preparation for and clean up following meetings....Type up budget and schedule of reserves developed by board.... Complete personal property return by March 1....Maintain schedule of expiration/renewal dates for contracts, leases, assumed-business name registration, insurance coverage, etc....In January prepare action lists for year for general and maintenance activities, including the schedule developed in preceding item....Keep updated: (a) Entraguard programming and directory, (b) lists of owners, addresses, mortgages, property managers, unit numbers, residents, phone numbers, owners, Entraguard codes, locker numbers, parking-space numbers, mail-box names and mail-box stickers for mail carrier, locker users, investments, arranged by maturation date....Research CD rates....Make locker assignments according to board policy and place WT lock on locker when user moves out....Maintain and distribute information packets to new owners, residents, and property managers if not already provided....Take and prepare minutes of board meetings.... Prepare and distribute copies of minutes or newsletters to owners/property managers and/or tenants, with financial statements to owners only....Maintain building keys and locked key box with at least two copies of each key.... Maintain sufficient supply of and distribute outside door and bathroom/laundry/locker room keys, applying deposit and purchase schedule, issue receipts, deliver money to bookkeeper....Order, distribute, and maintain listing of numbers of new keys when board decides to rekey locks....Maintain records and files, including those for building, grounds, contracts (janitorial, grounds, cable company, elevator contract, four rental leases), permits for boiler and elevator, maintenance and repairs, copies of bylaws, etc....Keep building plans in good shape and secure....Help develop and maintain building manual....Provide board with copies of all needed materials; e.g., budgets, financial statements, lists of owners, minutes, etc....Perform computer entry and printouts as needed for letters, minutes, reports, lists, etc....Maintain and improve computer skills....Post boiler permits in Boiler Room and photocopies of elevator permits on bulletin board in office/lounge.... Maintain bulletin boards....Attend board meetings and association meetings.... Open bank accounts, including CD's, and maintain appropriate signature cards and forms....Provide occupancy-rate, proof-of-insurance, and other information to realtors and lending institutions as needed by potential buyers of units in WT....Maintain WT office supplies....As directed by board, contact and oversee property manager for finding renter when any of the four lease units is vacant....Empty coins from washers and dryers and deposit....Oversee move-in and move-out procedures, including provision of and instructions to use elevator key....Schedule regular maintenance and inspection....Oversee contractors for new projects....Notify owners/residents of bylaws provisions when necessary.... Attempt to protect common areas from damage....Report problems or help residents with problems about procedures and assist as needed....Monitor guest parking and leave notices about towing....Clear parking structure for maintenance when needed....Keep building supplied with paper towels, garbage bags, toilet paper, light bulbs, fluorescent tubes, etc....Contact and schedule repair people, bundling tasks when possible...Be available to oversee contractors for repair/maintenance jobs seven days a week....Shop to purchase articles for the building at the best possible prices.... Be contact for emergency services when needed and be present to help when notified.... Confer with contractors and get bids for jobs....Confer with EWEB Energy Management for potential energy-saving projects....Assist board members with or taking on miscellaneous jobs....Clean graffiti, paint over graffiti, or call police to paint over with primer....Clean up messes in common area that occur when janitor not available....Post signs or notices to inform residents of upcoming window washing, water shut-off, problems, and inquiries, often on each door....Notify problem residents when infractions continue to occur after repeated attempts to stop unwanted behavior....Find contractors to replace/design vandalized/stolen building articles....Notify board of resident/owner complaints or conflict....Put shopping carts away when left in halls; call to have excess carts returned to stores periodically....Set timer on sprinkler system....Make and sometimes laminate no-smoking signs and signs for laundry room and garbage rooms....Monitor all sprinkler sections to be sure nobody has turned off part of the "loop"....Notify owners of rentals or property managers of problems with renters....Spread salt/sand or shovel snow when necessary to keep parking structure ramps clear....Write issue summaries....Head or participate on committees for various improvements.... Contact building inspectors when needed....Be sure building projects in units have a building permit when needed and meet bylaws provisions....Inform residents of water shut-off, etc....Schedule, supervise, regular inspections....Check laundry room for out-of-order machines; call repair service when needed....Order and monitor installation of equipment when board determines need....Set thermostat in office/lounge when needed.... Follow policy if fire sprinkler system goes off....Call elevator company for service during regular hours when one elevator is not working; call any time both elevators are not working (unless it is a power outage)....Oversee and keep up on rules of recycling....Distribute financial statements to board....Check inside units about residents' complaints about WT water problems, and report accordingly....Get permissions from and access to terraces on 2nd and 13th floors when limited-common-element maintenance or repair is to be done....Keep parking structure drains clean....Check and reset breakers when common-area lights or appliances are out....Check building and grounds periodically to identify needed service, cleaning, or maintenance....

1313 LINCOLN STREET. EUGENE. OREGON 97401

WILLAMETTE
TOWERS
CONDOMINIUM

ASSOCIATION ANNUAL ELECTION MEETING

PURPOSE: To elect members to the Board of Directors

PLACE: Willamette Towers Condominium {Lounge}
1313 Lincoln Street, Eugene, Oregon 97401

DATE: **Monday, February 18, 2002, at 7:00 p.m.**

QUALIFICATION FOR VOTING:

A member of the Association in good standing, one who has paid all dues and assessments.

Plan to attend this important meeting. **If you cannot attend, please give or send your proxy to an Association member who is planning to attend.** A quorum, 50% of the Unit Owners {Association members} must be present or represented by proxy to conduct the election. If you are interested in having your name placed on the ballot, please leave your name and phone number with a note of your intent in the assessment box or mail it. Nominations received by February 10 will appear on a ballot, although nominations can also be made from the floor. To nominate a person from the floor, his or her consent must be secured before the nomination is made.

PROXY

I(We), _____, member(s) in good standing, Owner(s)
of Unit Number(s) _____, do appoint _____,
member in good standing, to vote my(our) interest at the February 18, 2002 Annual Election Meeting of
the Association.

Signed: _____ Date: _____

Signed: _____ Date: _____