

NOTICE TO OWNERS

2015 MAINTENANCE FEES

November 30, 2014

The Board of Directors has approved the 2015 Operating Budget for MTCC #600. Maintenance Fees **will remain unchanged** for the coming year.

The 2015 rates will therefore be the same as 2014 as follows:

Commercial Unit	\$1,135.00 per month
Residential Units	\$995.00 per month

Setting the 2015 Maintenance Fee

Because of the special assessment required to cover the shortfall in the reserve fund for the current elevator project, the Board's goal was to minimize the increase in next year's fee. The approved budget has no increase in total expenditures. The Board believes it is an achievable budget; however, it contains no excess allowances. The components of the expenditures are discussed in the section below.

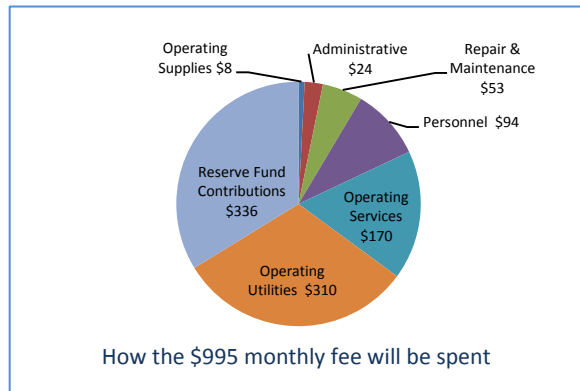
The table at the right shows the historical increase in fees over the last nine years. Although there has been variability in the increases over the years, the effective compounded annual increase is less than 2.5% over the period.

YEAR	MONTHLY FEE	INCREASE	
		\$	%
2006	\$795.00		
2007	\$850.00	\$55.00	6.9%
2008	\$885.00	\$35.00	4.1%
2009	\$895.00	\$10.00	1.1%
2010	\$895.00	None	0.0%
2011	\$955.00	\$60.00	6.7%
2012	\$980.00	\$25.00	2.6%
2013	\$990.00	\$10.00	1.0%
2014	995.00	\$ 5.00	0.5%
2015	\$995.00	None	0.0%

It is important to understand that the monthly fee is not being held artificially low this year. While it is true that there are not large cushions for significant unexpected increases in costs, there are allowances for variations from estimates.

The Board is certain this is the last year we will be able to keep the fee under the \$1,000 per month mark.

Components of the 2015 Fee



A significant portion of the maintenance fees, approximately one-third, goes towards the contribution to the Reserve Fund. As required by the tri-annual Reserve Fund Study prepared in November 2012, the contribution for 2015 is up 4% from 2014 – from \$213,470 to \$222,009.

Comparing the 2015 budgeted operating expenditures to the 2014 budget, you will see the total is down slightly. However, we have budgeted an overall 12% increase in expenditures for 2015 over what we

anticipate in 2014. Details of the budget items are discussed below.

2014 Anticipated Expenditures versus 2014 Budget

We are currently anticipating being over our 2014 budget by approximately \$1,100, dependent on the final utility bills for the year. However, this is including over \$56,000 in improvements to the recreation centre and the second floor terrace that were outside the scope of the reserve fund replacement. When the Board approved these expenditures, it was anticipated the funding would be from the operating surplus we held at the end of 2013. Since savings in operating costs this year allowed us to absorb these costs within the current year budget surplus, we were able to pay for these improvements leaving the surplus carried forward virtually untouched.

Before taking these improvements into account, there were net savings against budget of approximately \$55,000.

The more significant variances against budget are as follows:

- Professional fees are lower than expected. As this is primarily an allowance for unplanned requirements, it is difficult to accurately budget.
- Personnel costs are over budget because of the use of an external cleaner for the new recreation centre.
- Elevator costs are lower because of an allowance for unexpected repairs which were not required.

- Electricity costs are higher than budgeted because of higher than anticipated usage, and a slightly higher cost for the electricity than anticipated.
- Plumbing repairs are much lower than budgeted, primarily because actual costs usually relate to unexpected repairs. During the year, no significant repairs were required. Prior to the Riser project undertaken a few years ago, there were regular repairs required to fix pinhole leaks in the risers. The investment in this project has led to savings in these repairs.
- Similarly, general repairs and miscellaneous for both the exterior and the interior of the building are allowances for unplanned items, or for discretionary improvements. No significant items were undertaken during the year.

One important reason that we experience operating cost savings over time is that when we invest in major repair projects like the Risers and Elevators, we save in maintenance and repair costs in subsequent years.

Budget for 2015

Total operating expenditures of \$437,471 for 2015 are budgeted at 12% above the expected final expenditures for 2014 of \$391,021. However, the 2015 budget is actually slightly lower than the 2014 budget of \$447,810.

The components of the budget are as follows:

- Administrative costs are budgeted in line with last year's budget. Although no legal costs were incurred during 2014, a modest budget of \$1,500 is being maintained to cover unexpected items.
- Personnel costs (which also include office communication) are budgeted to increase over 2015, primarily because of the additional allowance for a part-time cleaner. In 2014 we made a significant investment in the new recreation centre, and we are planning on using an outside cleaner for a few hours each week to ensure that dedicated attention is given to the upkeep of the area.
- In operating services, most items are being budgeted to allow for modest inflationary increases. However, a significant decrease is being budgeted in elevators because the new maintenance contract associated with the refurbished elevators (to be worked on in the first half of 2015) will be roughly half of the current contract. Further, additional repairs required by changes in legislation are not expected to be significant in the coming year. The investment in upgrading the elevators will lead to direct cost savings in the coming years.
- Operating supplies are being budgeted slightly above 2014. However, this is a small part of the overall operating costs.
- Utilities costs are a significant portion of the operating costs at 31% of the total, yet are the most volatile and difficult to budget. Water, sewer and garbage collection are budgeted at a 5% increase.

For both electricity and gas, the budget is based on usage that is the highest experienced over the last three years, at current rates for gas, and slightly higher electricity rates. Our gas cost has decreased over the last several months because of lower oil prices, which are generally believed to be relatively stable over the near future. Electricity costs have been relatively stable, but a small increase has been built in. Although there are no big cushions built into the utilities budget, we expect to remain close to budget barring a substantial increase in our usage and the supply cost.

Utilities costs are a significant portion of the operating costs at 31% of the total, yet are the most volatile and difficult to budget.

- The repairs and maintenance budget has decreased substantially from the 2014 budget to be more in line with actual experience over the last two years. The items budgeted in this section are largely allowances for items that are unexpected. However, the budget is still nearly \$15,000 higher than what was spent in 2014. In addition, in the past, this area was used to budget planned improvements, such as the lobby upgrade in 2013. However, such items will now be segregated for greater clarity in reporting of those costs.
- There is a new line in the statements for Additions and Improvements that are outside of straight replacement cost that form the reserve fund. As mentioned above, the actual costs of \$56,590 were made for new items in the recreations centre and second floor terrace. (For example, the second treadmill, the stair climber and elliptical trainer were additions to the equipment, and not replacements.) There is no budget figure in 2014 against these costs because it was anticipated the funds would come from prior years' surpluses. In 2015, in order to keep the maintenance fee unchanged, no such items are being budgeted. However, if savings are seen in other areas, small improvement projects may be considered.
- The reserve fund contribution is set at a 4% increase over 2014, as required by the reserve fund study performed in November 2012. The next study will be performed in the fall of 2015.

Overall, the budget is prepared to ensure that not only known expenditures are budgeted but that there is also a reasonable allowance for unexpected occurrences. However, although the budget is reasonable and attainable, there are no significant cushions for very large unexpected events.

A detailed description of our Operating Budget is attached, showing each item of the 2014 Forecast and 2015 Budget.

Payment of Maintenance Fees

Please provide post-dated cheques for the year dated the 1st of each month commencing January 1, 2015, payable to MTCC #600 and deliver them to the Office – Suite 2C, no later than Wednesday, December 17th, 2014.

For those of you who are on the Pre-Authorized Payment Program (which is the majority of the building), no action is required.

If you wish to be on the Pre-Authorized Payment Program, please place a void cheque in an envelope to the attention of Alan Gracan, and place it in the office mail box before the December 17th deadline in order to start on January 1st. However, you can switch to the automatic program at any time.

A handwritten signature in blue ink, appearing to read 'Alan Gracan', is displayed on a light gray rectangular background.

Alan Gracan, CPA, CA
Secretary-Treasurer
On Behalf of The Board of Directors, MTCC 600

Alan Gracan
Phone – (416) 591-0651
Email – alan.gracan@sympatico.ca

MTCC 600
2015 Operating Budget

	2014			2015		
	Annual Forecast	Annual Budget	Variance Fav/(Unfav)	Next Year Budget	Var to This Year Forecast	Var to This Year Budget
INCOME						
Maintenance Fees	\$658,380	\$658,380	\$0	\$658,380	\$0	\$0
FOB / Security Card Fees	200	200	0	200	0	0
Status Certificate Fees	100	200	100	200	-100	0
Moving Fees	254	300	46	300	-46	0
Lease Income	400	400	0	400	0	0
Interest on Fees	0	0	0	0	0	0
Other Income	650	1,800	1,150	0	650	1,800
TOTAL INCOME	\$659,984	\$661,280	\$1,296	\$659,480	\$504	\$1,800
OEPRATING EXPENDITURES						
Administrative						
Audit	\$4,520	\$4,400	-\$120	\$4,746	-\$226	-\$346
Bank Charges	\$1,013	\$1,100	\$87	\$1,100	-\$87	\$0
Legal	\$0	\$1,500	\$1,500	\$1,500	-\$1,500	\$0
Office	\$3,925	\$4,500	\$575	\$3,750	\$175	\$750
Professional Fees	\$5,214	\$5,000	-\$214	\$5,000	\$214	\$0
Total Administrative	\$14,671	\$16,500	\$1,829	\$16,096	-\$1,425	\$404
Personnel						
Regular Wages	\$41,480	\$41,400	-\$80	\$42,840	-\$1,360	-\$1,440
Weekend Relief	\$3,720	\$4,160	\$440	\$4,160	-\$440	\$0
EI Expense	\$2,106	\$1,280	-\$826	\$1,300	\$806	-\$20
CPP Expense	\$2,719	\$2,425	-\$294	\$2,480	\$239	-\$55
WSIB	\$1,624	\$1,600	-\$24	\$1,870	-\$246	-\$270
Third Party Relief Wages	\$4,400	\$3,000	-\$1,400	\$7,160	-\$2,760	-\$4,160
EHT Expense	\$0	\$0	\$0	\$0	\$0	\$0
Telephone / Internet	\$2,483	\$2,300	-\$183	\$2,600	-\$117	-\$300
Total Personnel	\$58,532	\$56,165	-\$2,367	\$62,410	-\$3,878	-\$6,245
Operating Services						
Cleaning Services (Exterior)	\$3,096	\$6,000	\$2,904	\$3,400	-\$304	\$2,600
Cleaning Services (Interior)	\$4,592	\$1,400	-\$3,192	\$5,350	-\$758	-\$3,950
Compactor	\$509	\$2,000	\$1,492	\$2,000	-\$1,492	\$0
Elevators	\$22,994	\$28,650	\$5,656	\$13,240	\$9,754	\$15,410
Fire Safety	\$8,831	\$8,700	-\$131	\$10,600	-\$1,769	-\$1,900
Grounds	\$1,315	\$2,000	\$685	\$2,000	-\$685	\$0
HVAC	\$33,921	\$34,200	\$279	\$34,600	-\$679	-\$400
Insurance	\$16,776	\$16,945	\$169	\$18,500	-\$1,724	-\$1,555
Laundry	\$0	\$0	\$0	\$0	\$0	\$0
Pest Control	\$635	\$800	\$165	\$800	-\$165	\$0
Property Taxes	\$2,863	\$3,000	\$137	\$3,100	-\$237	-\$100
Security	\$19,076	\$18,000	-\$1,076	\$19,000	\$76	-\$1,000
Total Operating Services	\$114,607	\$121,695	\$7,088	\$112,590	\$2,017	\$9,105

2015 Operating Budget*Continued*

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	Annual Forecast	Annual Budget	Variance Fav/(Unfav)	Next Year Budget	Var to This Year Forecast	Var to This Year Budget
Operating Supplies						
Cleaning Supplies	\$1,325	\$2,000	\$675	\$1,600	-\$275	\$400
Grounds Supplies	\$1,243	\$1,500	\$257	\$1,500	-\$257	\$0
Lighting Supplies	\$367	\$500	\$133	\$500	-\$133	\$0
Recreational Supplies	\$1,084	\$1,000	-\$84	\$2,000	-\$916	-\$1,000
Total Operating Supplies	\$4,020	\$5,000	\$980	\$5,600	-\$1,580	-\$600
Utilities						
Cable TV	\$34,615	\$34,550	-\$65	\$36,580	-\$1,965	-\$2,030
Diesel Fuel and Equipment	\$1,278	\$2,000	\$722	\$2,100	-\$822	-\$100
Electricity	\$78,152	\$73,000	-\$5,152	\$82,000	-\$3,848	-\$9,000
Gas	\$39,637	\$40,000	\$363	\$48,000	-\$8,363	-\$8,000
Water & Sewer	\$35,337	\$35,900	\$563	\$37,095	-\$1,758	-\$1,195
Total Utilities	\$189,019	\$185,450	-\$3,569	\$205,775	-\$16,756	-\$20,325
Repairs & Maintenance						
Electrical Repair	\$294	\$2,000	\$1,706	\$2,000	-\$1,706	\$0
Mechanical Repair	\$283	\$1,000	\$718	\$1,000	-\$718	\$0
Plumbing Repair	\$1,754	\$15,000	\$13,246	\$13,000	-\$11,246	\$2,000
Recreational Repair	\$1,818	\$1,000	-\$818	\$1,000	\$818	\$0
General & Misc. (Exterior)	\$6,024	\$14,000	\$7,976	\$9,000	-\$2,976	\$5,000
Repair & Misc. (Interior)	\$0	\$30,000	\$30,000	\$9,000	-\$9,000	\$21,000
Total Repairs & Maintenance	\$10,172	\$63,000	\$52,828	\$35,000	-\$24,828	\$28,000
TOTAL OPERATING COSTS	\$391,021	\$447,810	\$56,789	\$437,471	-\$46,450	\$10,339
OPERATING SURPLUS	\$268,962	\$213,470	-\$55,492	\$222,009	\$46,953	-\$8,539
Additions and Improvements	\$56,590	\$0	-\$56,590	\$0	\$56,590	\$0
Reserve Fund Contributions						
Current Year Contribution	\$213,468	\$213,470	\$2	\$222,009	-\$8,541	-\$8,539
Special Reserve Fund Contribution	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserve Fund Contributions	\$213,468	\$213,470	\$2	\$222,009	-\$8,541	-\$8,539
NET OPERATING INCOME (LOSS)	-\$1,096	\$0	\$1,096	\$0	-\$1,096	-\$0