



# TROY TOWERS

Board of Directors

December 2015

Shareholders of Hudson Troy Towers Apartment Corporation  
380 Mountain Road  
Union City, NJ 07087

**Re: 2016 Budget and Maintenance Charges**

Dear Fellow Shareholders:

We hope you are having an enjoyable holiday season and your 2016 gets off to a great start! We have completed the budget for 2016, and would like to share the results and revised maintenance charges with you as we discussed in our open meeting in mid-December. In brief, you will receive updated bills starting with the payment due in January 2016 – indeed you may be reading this letter as an enclosure with that statement. The amount should be the constant – except, of course, for incidentals like guest parking or certain maintenance charges – throughout 2016. We are confident this budget ensures we can cover increasing operating expenses and provide sufficient funds to continue several key capital projects at our 50+ year-old home.

The 2015 budget reflects an increase of approximately 2.8% or \$1.00 per share to \$36.92. We are reaping some savings in key categories and have made realistic to conservative estimate in other areas. Importantly, we maintain a high level of capital funding to cover the various projects large and small that are on-going to keep our building safe, efficient, comfortable, and functional for all residents. As shareholders ourselves, we of course seek to limit and put off increases whenever possible. Careful expense control continues to be a theme in this budget and there are many “behind the scenes” initiatives to control staffing costs and implement energy and operational efficiencies wherever possible. While our commercial income from roof top antennas is down from prior years we do continue to see renewal activity and some indication of interest for new antenna users.

A final comment before delving into specifics of the budget: timely payment of charges is every shareholder’s responsibility. We know anyone can experience financial hardship at times, but the continued financial health of our home and major investment falls to all of us and if some shareholders cannot make timely payments, there is no one but other shareholders to “take up the slack” as we run a budget design to break even with some small contingency for unexpected costs. While our collections activities are generally successful and our arrears are well below average for the State of New Jersey, it is our shared responsibility to each other serves to underscore the need for strong financial admissions standards. We also want to thank the overwhelming majority of shareholders who diligently pay in full and on time – every month.

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Looking at the budget, we’d like to review some high level themes:

- **Utilities.** We project a *reduction* of over 7% in our utility spend as we continue to benefit from energy prices that have retreated across the board. We are seeing favorable pricing for natural gas and electricity and have budgeted for historical energy usage although there may be further savings from what looks to be a quite moderate winter of 2015-2016. The overall reduction comes even as water and sewer charges continue to increase faster than inflation, a phenomenon driven by rate increases that have been

occurring in many jurisdictions including ours. We continue to look to identify efficiency and conservation measures to manage our utility costs.

- **Cable TV.** The bulk cable television charge will increase to \$37.50 per month, per unit. The 2015 cable TV amount was undercounted and we absorbed that increase elsewhere in the budget. The new amount for 2016 corrects the under billing from 2015 and includes a modest increase from 2015 to 2016.
- **Real Estate Taxes.** We have increased the real estate taxes item by 3% to \$1,710,000; historically this level of increase has covered changes from year to year.
- **Capital Contributions.** Our capital reserve contribution will remain at the 2015 level of \$767,500. This level of funding has helped build cash to ensure we can address small- to moderate-sized capital projects as such needs arise. Moreover, we have the resources to plan and commence the critical garage renovation project late in the first quarter of 2016. While we have the resources in our capital reserve fund balance and through this on-going contribution to fund our capital needs for most of 2016, further meetings and discussions of options for financing the remaining phases of the garage project will be forthcoming in the new year.
- **Insurance.** While in 2015 our insurance costs were projected to surge as we came off of a multi-year insurance program, we ultimately contained the increase due to reduced riser breaks and proactive handling of minor leaks. We are budgeting \$275,000 for 2016 which is a reduction of \$60,000 from 2015. We aim to resume a more normal pricing and program of insurance coverage this year when we renew in February as we've made significant headway on the risers and that project remains on schedule.
- **Personnel.** Despite inflation in salaries and benefits and increasing costs for taxes and benefits associated with our staff, we will have a budget of \$909,100, a less than 1% increase from 2015. Our management and superintendent continue to identify efficiencies which have allowed for modest wage increases for our security guard staff to ensure effective 24-hour protection.

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Suffice to say, we remain committed to find expense savings and new sources of revenue. Every contract, every tenant, and every space in our building is consistently reviewed to find ways to minimize the burden on each shareholder. We hope to be able to announce further savings and revenue initiatives in the coming year. For now, it is important to note that with this budget and our current capital reserves, we have funding to pay a significant portion of the riser project and the commencement of the garage project, both of which are so critical to quality of life and reducing costs.

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The increased and/or adjusted charges will be reflected on the bills for maintenance payments due at the start of January of 2016. Please note these changes when sending in a check or making adjustments to amounts or limits with any online or automatic bill payments.

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A copy of the 2016 budget is attached, as reviewed at the open boarding meeting of December 17, 2015. We wish all fellow shareholders a safe and healthy new year.

Sincerely,

The Directors of Hudson Troy Towers Apartment Corporation

Enclosure



136,691

SHARES

DESCRIPTION

FINAL 2016

BUDGET

FINAL 2016

PER SHARE

Fee	Fee
Per Share	Per Share
2016	2015

**INCOME**

ASSOCIATION FEES	\$1,728,955	\$12.65	\$12.65	\$11.55
REAL ESTATE TAX CHARGE	\$1,710,000	\$12.51	\$12.51	\$12.14
UTILITY INCOME	\$839,500	\$6.14	\$6.14	\$6.61
RESERVE CONTRIBION INCOME	\$767,500	\$5.62	\$5.615	\$5.615
			<b>\$36.92</b>	<b>\$35.92</b>

PARKING FEES	\$412,500	\$3.02		
COMMERCIAL RENT INCOME	\$415,713	\$3.04		
CABLE FEE INCOME	\$140,000	\$1.02		
LATE FEE INCOME	\$20,000	\$0.15		
LATE INTEREST	\$15,000	\$0.11		
LEGAL FEE INCOME	\$7,500	\$0.05		
FINE FEES	\$13,000	\$0.10		
GUEST PARKING	\$12,000	\$0.09		
STORAGE INCOME	\$10,500	\$0.08		
MISCELLANEOUS INCOME	\$10,000	\$0.07		
WORK ORDER INCOME	\$12,000	\$0.09		
PASS THRU INCOME	\$10,000	\$0.07		
WEB SITE ADVERTISING	\$900	\$0.01		
FITNESS CLASS INCOME	\$30,000	\$0.22		
ATM COMMISSION	\$2,000	\$0.01		
LAUNDRY INCOME	\$21,600	\$0.16		
POOL INCOME	\$8,000	\$0.06		
MOVE IN/MOVE OUT FEE	\$25,000	\$0.18		

<b>GROSS OPERATING INCOME</b>	<b>\$6,211,668</b>	<b>\$45.45</b>		
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**OPERATING EXPENSE****BUILDING MAINTENANCE**

ELEVATOR NON-CONTRACT	\$45,000	\$0.33		
ELEVATOR CONTRACT	\$38,520	\$0.28		
ELEVATOR INSPECTIONS	\$1,500	\$0.01		
HVAC UNITS & SUPPLIES	\$10,000	\$0.07		
WATER TREATMENT	\$8,100	\$0.06		
EXTERMINATING CONTRACT	\$4,000	\$0.03		
MAINTENANCE SUPPLIES	\$115,000	\$0.84		
FIRE PREVENTION	\$11,000	\$0.08		
GENERAL MAINT/REPAIR	\$140,500	\$1.03		
EMERGENCY REPAIRS	\$25,000	\$0.18		
BUILDING LINK	\$8,100	\$0.06		
LANDSCAPE/SPRINKLER	\$10,500	\$0.08		
HVAC MAINTENANCE CONTRACT	\$24,000	\$0.18		
POOL CONTRACT	\$13,000	\$0.10		

POOL REPAIRS/MAINT	\$13,000	\$0.10
SOCIAL ACTIVITIES	\$7,500	\$0.05
POOL SUPPLIES / EXPENSE	\$12,000	\$0.09
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<b>TOTAL BUILDING MAINTENANCE</b>	<b>\$486,720</b>	<b>\$3.56</b>

**PAYROLL**

PAYROLL TAXES	\$64,778	\$0.47
SALARY & WAGES	\$647,780	\$4.74
PAYROLL PROCESSING	\$7,500	\$0.05
WORKERS'COMPENSATION	\$42,870	\$0.31
MEDICAL/UNION/PENSION	\$132,660	\$0.97
HOLIDAY BONUSES	\$8,500	\$0.06
UNIFORMS	\$5,000	\$0.04
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<b>TOTAL PAYROLL</b>	<b>\$909,088</b>	<b>\$6.65</b>

**UTILITIES**

ELECTRIC	\$310,000	\$2.27
GAS	\$200,000	\$1.46
TELEPHONE	\$9,500	\$0.07
CABLE TV	\$140,000	\$1.02
BUILDING CABLE	\$3,000	\$0.02
WATER & SEWER	\$320,000	\$2.34
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<b>TOTAL UTILITIES</b>	<b>\$982,500</b>	<b>\$7.19</b>

**TAXES & INSURANCE**

FEDERAL TAXES	\$80,000	\$0.59
STATE TAX	\$25,000	\$0.18
REAL ESTATE TAXES	\$1,710,000	\$12.51
TELECOM REAL ESTATE TAXES	\$5,000	\$0.04
VETERAN/SENIOR TAX CREDIT	\$2,750	\$0.02
INSURANCE DEDUCTIBLE	\$25,000	\$0.18
INSURANCE	\$250,000	\$1.83
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<b>TOTAL TAXES &amp; INSURANCE</b>	<b>\$2,097,750</b>	<b>\$15.35</b>

**DEBT SERVICES**

MORTGAGE INTEREST	\$130,491	\$0.95
MORTGAGE PRINCIPAL	\$487,379	\$3.57
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<b>TOTAL DEBT SERVICES</b>	<b>\$617,870</b>	<b>\$4.52</b>

**GENERAL & ADMINISTRATIVE**

OFFICE EQUIPMENT LEASE	\$3,500	\$0.03
OFFICE EXPENSE	\$25,000	\$0.18



BANK FEES	\$240	\$0.00
LICENSE/FEES/PERMITS	\$12,000	\$0.09
ELECTION EXPENSE	\$6,000	\$0.04
BAD DEBT EXPENSE	\$36,000	\$0.26
CONTINGENCY	\$40,000	\$0.29
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<b>TOTAL GENERAL &amp; ADMINISRATIVE</b>	<b>\$122,740</b>	<b>\$0.90</b>
<b>PROFESSIONAL SERVICES</b>		
MANAGEMENT FEES	\$170,000	\$1.24
LEGAL FEES	\$40,000	\$0.29
LEGAL COLLECTIONS	\$7,500	\$0.05
AUDIT FEES	\$10,000	\$0.07
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<b>TOTAL PROFESSIONAL SERVICE</b>	<b>\$227,500</b>	<b>\$1.66</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$5,444,168</b>	<b>\$39.83</b>
<b>CAPITAL RESERVES</b>		
CAPITAL RESERVE FUNDING	\$767,500	\$5.62
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<b>TOTAL CAPITAL RESERVES</b>	<b>\$767,500</b>	<b>\$5.62</b>
<b>TOTAL 2016 BUDGET</b>	<b>\$6,211,668</b>	<b>\$45.45</b>
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