



April 1, 2011

To: Shearwater Unit Owners

Subject: Proposed FY 2012 Budgets

Shearwater will implement new operating and reserve budgets for next fiscal year on July 1, 2012. In accordance with the Shearwater By-Laws, this letter provides you with the budget information and informs you of the Board's intent to discuss and possibly vote on the proposed budget at the Annual Meeting scheduled for April 18, 2011. ***The proposed operating budget for FY 2012 contains a 10% increase in unit assessments and no increase in marina assessments.*** Your comments and concerns are welcome prior to, or at, the April 18th meeting.

Operating Budget

The operating budget and end of year forecast for this fiscal year 2011 are shown on the attached page. So far this year we have been able to keep the General Maintenance costs controllable. With careful planning and expense oversight the Operating Budget is projected to be under budget for fiscal year 2011

The proposed operating budget for next fiscal year (2012) is also shown on the attached page. In some of the categories we are anticipating a decrease. Although we are anticipating a slight decrease in the operating budget there is a need for a substantial increase in the Reserve Budget as you will see in the following pages.

Reserve Budget

As shown on the attached fiscal year 2012 Reserve Budget Plan there are once again major expenditures this coming fiscal year. These include the continued replacement of decks, railings and closet doors and replacement of the entryway awnings. The major expense for fiscal year 2012 will be the cost of painting and partial siding replacement of the buildings. As you can see we have are planning to cut back on the amount of siding suggested for replacement in FY 2012. The Reserve Study estimates that \$173,600 in siding will need to be replaced this coming year. Even with the proposed 10% increase in fees that number would be impossible to meet in FY 2012.

The coming year's forecast reserve expenditure of \$260,900 will exceed the current reserve income of \$194,703. While this situation can be accommodated once in a while, it cannot be sustained. Reserve income must, in general, exceed expenditures to build sufficient reserves for known and unknown future expenditures. For this reason, your board proposes to increase next year's reserve income from \$194,703 to \$244,488. Even with this increase the reserve expenditure will exceed the reserve income for FY 2012.

With the proposed 10% increase, unit assessments starting July 1, 2011 will be: *(please note that these figures are rounded estimates, actual monthly assessment may be slightly less or more)*

Type of Unit	# of Units	10-11 Actual	11-12 Proposed
1BR	18	\$319	\$351
2BR	29	\$400	\$440
2BR (C)	16	\$411	452
2BR (D)	9	\$428	\$470
2 BR (T)	10	\$501	\$551
3BR	3	\$583	\$641
3 BR (T)	2	\$553	\$608
3BR (D)	2	\$521	\$573
3BR (TH)	3	\$583	\$641
3BR (A)	1	\$610	\$671

Summary

The operating budget for next fiscal year (July 1, 2011- June 30, 2012) includes a 10% increase in condominium unit assessments and no increase in marina assessments.

The Board of Directors believes the proposed budget is in the best interest of the community. Comments or questions prior to the April meeting may be addressed, in writing to Regional Property Manager Heather Gummel by mail (Brodie Management, 134 Holiday Ct #308, Annapolis, MD 21401), or email (heather@brodiemgmt.com).

Sincerely,

Shearwater Condominium Board of Directors