Kilbourn
TOWER

923 East Kilbourn Avenue
Milwaukee, Wisconsin 53202

February 17, 2026

To: Unit Owners

Re: Summary Discussion 2025 Financial Statements

The financial statements for 2025 are now final and are available in full on BuildingLink. This memorandum provides a summary discussion of the results.

Receipts

Total receipts for 2025 were **$1,736,688**, reflecting a **1.9% increase** in the general assessment compared to 2024. In addition, the Association benefited from favorable interest rates on reserve funds held in Flourish Cash (FDIC insured up to $7.5 million), Vanguard Federal and Treasury Money Market Funds, and various certificates of deposit with laddered maturities.

Additional sources of income included guest suite fees, parking stall rentals, and maintenance parts and services provided to unit owners.

	2021 Actual[2]	2022 Actual[2]	2023 Actual[2]	2024 Actual[2]	2025 Actual	2025 Budget[1]	Budget Variance
RECEIPTS							
General Assessment	1,450,000	1,501,007	1,543,002	1,595,001	1,625,000	1,625,000	0
Investment Income	10,678	14,181	55,313	76,345	87,979	90,000	(2,021)
Guest & Gathering	14,315	17,325	11,638	16,301	19,088	15,000	4,088
Other Taxable	1,329	1,014	1,127	1,422	3,095	1,000	2,095
Other Non-Taxable	3,279	2,501	1,167	856	1,526	1,500	26
Total Income	**$1,479,601**	**$1,536,028**	**$1,612,246**	**$1,689,926**	**$1,736,688**	**$1,732,500**	**$4,188**

Operating Expenses

Total operating expenses for 2025 were **$1,292,145**, representing a **1.2% decrease** from 2024 and remaining within **1% of budget**. For context, operating expenses in 2024 included a one-time cost of **$77,175** related to the purchase and installation of the Butterfly and KeyCafe security systems.

Key projects and transactions are summarized below.

Fire and Life Safety activities were a major operational focus in 2025. Related expenses totaled approximately **$117K**, or about **$39K over budget** for the year. Major items included:

- The five-year sprinkler system inspection, budgeted at **$33.8K** including anticipated deficiencies, with actual costs totaling **$37.4K**
- Required 20-year sprinkler head testing identified during the year, at a cost of **$27.6K**
- Following the 2024 elevator claim, the City approved a variance petition to remove sprinkler heads in the elevator control room; related investigation, petition, and removal work totaled **$5K**
- Additional inspection deficiencies (**$9.3K**) and pipe repairs (**$8.4K**)

Other notable budget variances included:

- **Landscaping** expenses exceeded budget due to improvements made to exterior planters.
- **Building Interior** repairs and improvements exceeded budget due to membrane installation and floor coating in the pump room.
- **Steam** costs were significantly over budget because of an unseasonably cold start and end to the year, increasing the total number of heating days compared to 2023–2024.

These overages were partially offset by several expense categories that did not require full contingency funding, including **HVAC**, **Building Exterior**, and **Professional Fees**.

In addition, mid-year the Association received favorable news that the insurance carriers involved in the 2023 elevator claim reached a mediated settlement, resulting in the reimbursement of its **$25K deductible**.

	2021 Actual[2]	2022 Actual[2]	2023 Actual[2]	2024 Actual[2]	2025 Actual	2025 Budget[1]	Budget Variance
OUTLAYS							
Janitorial Services	64,481	61,866	54,496	52,530	55,281	58,800	(3,519)
Window Washing	44,165	43,950	45,665	46,666	50,470	50,200	270
HVAC	83,456	54,273	55,906	55,373	43,532	67,800	(24,268)
Trash Removal	5,157	5,288	5,367	5,460	5,733	5,700	33
Plumbing Repairs	4,499	7,360	1,645	1,986	4,990	6,400	(1,410)
Elevator Repairs	43,137	31,189	34,440	33,506	33,448	33,200	248
Landscaping	16,130	17,969	26,244	18,930	20,932	16,000	4,932
Fire and Life Safety	23,929	29,581	27,375	26,539	116,852	78,000	38,852
Snow Removal	8,843	8,610	8,947	9,391	9,325	9,200	125
Building Interior	33,810	24,106	18,241	33,676	54,131	42,500	11,631
Building Exterior	10,686	7,510	33,967	30,116	19,266	41,700	(22,434)
Electricity	148,782	126,144	137,412	149,316	140,496	156,500	(16,004)
Water & Sewer	48,818	36,677	32,948	34,537	41,620	36,000	5,620
Gas	1,480	2,075	1,166	1,335	1,152	1,500	(348)
Steam	141,340	147,690	127,090	117,910	157,297	128,000	29,297
Management Fees	44,001	43,666	44,881	46,769	49,350	49,600	(250)
Management Salaries	150,732	172,738	183,777	178,252	190,889	198,500	(7,611)
Security Staff	212,283	220,816	236,565	236,947	193,175	192,600	575
Security Technology				77,175		-	-
Telephone	14,179	11,543	11,601	11,507	10,807	11,800	(993)
Professional Fees	12,501	5,615	2,188	2,083	7,777	12,700	(4,923)
City of Milwaukee	20,517	21,872	22,829	21,967	24,004	23,000	1,004
Administrative	11,178	9,729	7,722	12,058	8,976	11,300	(2,324)
Income Taxes (2)	1,000	-	2,000	12,650	10,250	8,200	2,050
Insurance Premiums	69,013	56,437	71,749	66,402	67,393	68,000	(607)
Insurance Proceeds	(49,593)	-			(25,000)	(25,000)	-
Insured Losses	54,435	8,287	25,000	25,232	-	-	-
Operating Expense	**1,218,958**	**1,154,990**	**1,219,220**	**1,308,313**	**1,292,145**	**1,282,200**	**9,945**
Net Operating Income	**$260,643**	**$381,038**	**$393,026**	**$381,613**	**$444,543**	**$450,300**	**($5,757)**

Non-Operating Items

In accordance with the approved 2025 budget, $315,000 from general assessments was contributed to the replacement reserve fund.

Due to several significant transactions during the year, and for tax planning purposes, the Association's tax advisor recommended amendments to the 2024 and 2025 budgets as follows:

- A $10,000 adjustment to reduce 2024 tax liability
- An additional $25,000 reserve contribution from the insurance reimbursement in 2025
- $90,000 of interest income for 2025 to be shown as a budgeted line item, thereby making actual interest income deductible for tax purposes

It is expected that these changes will reduce the Association's income tax liability by approximately $5,000.

Transfers from reserves to fund capital expenditures totaled $112,800, as discussed below.

	2021 Actual[2]	2022 Actual[2]	2023 Actual[2]	2024 Actual[2]	2025 Actual	2025 Budget[1]	Budget Variance
NON-OPERATING ITEMS							
Special Assessment	-	-	-	-	-	-	-
Reserve Projects	(1,077,413)	249,426	76,872	9,549	112,800	99,480	13,320
Other Non-Operating	-		-				-
Reserve Fund Contribution	234,000	260,000	281,000	315,000	350,000	360,300	(10,300)
Reserve Fund Contribution-Int Income					87,979	90,000	(2,021)
Reserve Transfer-Income Surplus		60,000	40,000	35,000			-
Reserve Transfer-Projects	1,077,413	(249,426)	(76,872)	(9,549)	(112,800)	(99,480)	(13,320)
Non-Operating Items	**$234,000**	**$320,000**	**$321,000**	**$350,000**	**$437,979**	**$450,300**	**($12,321)**
Net Income	**26,643**	**61,038**	**72,026**	**31,613**	**6,565**	-	**6,565**

(1) Budget Amended November 2025
(2) Restated Prior Year Income Tax to Operating Expense for Consistent Presentation

Reserve Accounts

Kilbourn Tower maintains two reserve accounts: the **Operating Reserve Fund** and the **Replacement Reserve Fund**.

Association documents require the operating reserve fund to maintain a minimum balance equal to twice the monthly general assessment, which totaled **$270,833** in 2025. This reserve provides flexibility to address modest operating overruns without the need for special assessments.

The operating reserve balance at the beginning of 2025 was **$400,067**. As part of the 2025 planning process, the Board approved a transfer of **$21,000** of the excess to the replacement reserve fund, resulting in a year-end balance of **$379,067**. Retaining a balance modestly above the minimum provides additional protection against operating volatility.

The replacement reserve fund is intended to repair and replace major building components as identified in the reserve study. The Board updated the reserve study in 2025, and it is available on BuildingLink. The study serves as a key planning tool for determining annual reserve contributions and the timing of major capital projects. The only reserve expenditure in 2025 was **$112,800** for the chiller rebuild. This was an expense budgeted in 2024 but incurred in 2025 due to when the work could be scheduled. The items budgeted for 2025 were identified in the reserve study; however, based on current equipment condition, their timing could be deferred.

The Board's objective is to maintain replacement reserve balances sufficient to meet both near-term and long-term needs identified in the study, thereby minimizing the likelihood of special assessments whenever possible. See below for detailed reserve activity.

TOTAL RESERVE BUDGET	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2025 Budget[1]	Budget Variance
Operating Reserve Beginning Bal	**$445,067**	**$445,067**	**$505,067**	**$435,067**	**$400,067**	**$400,067**	**$0**
Reserve Fund Contribution	-	-				-	-
Transfer '23 Budget Surplus				35,000			-
Reserve Transfer	-	60,000	(70,000)	(70,000)	(21,000)	(21,000)	-
Operating Reserve Ending Bal *	**$445,067**	**$505,067**	**$435,067**	**$400,067**	**$379,067**	**$379,067**	**$0**
Replacement Reserve Beginning Bal	**$1,538,287**	**$705,552**	**$730,307**	**$1,099,748**	**$1,551,544**	**$1,428,488**	**$123,056**
Reserve Fund Contribution	234,000	260,000	281,000	315,000	315,000	315,000	-
Transfer from Operating Fund			50,000	70,000	21,000	21,000	-
Transfer '22 Budget Surplus			60,000				-
Transfer 2025 Budget Amendment					25,000	-	25,000
Transfer 2024 Budget Amendment					10,000	-	10,000
Special Assessment							-
Reserve Transfer							
Renovation Project	(958,773)						-
Granite Panel Renovation	(14,372)						-
East Façade Repairs		(35,570)					-
Cooling Towers - Rebuild		(85,856)					-
BAS	(70,000)	(128,000)					-
Garage LED Lighting	(11,028)						-
Pumps - Heating & Chilled Water	(23,241)						-
Balcony Repaint			(53,240)				-
Chillers - Rebuild				-	(112,800)		(112,800)
Air Handling Unit - First and Second Floor Common (rebuild)			(23,632)				-
Pumps - Sump (1 of 5 every 4 years)						(18,847)	18,847
Variable Frequency Drives (3 of 30 every 5 years)						(9,212)	9,212
Exhaust System - Garage Sensors						(9,530)	9,530
Exercise Equipment - Cardiovascular (33% every 5 years)						(9,276)	9,276
Elevator Drives						(50,000)	50,000
Fans - Common Areas (1 of 7 every 5 years)						(2,615)	2,615
Wine Cellar and Humidor HVAC Equipment				(9,549)			-
							-
Investment Income	10,678	14,181	55,313	76,345	87,979	90,000	(2,021)
Replacement Reserve Ending Bal **	**$705,552**	**$730,307**	**$1,099,748**	**$1,551,544**	**$1,897,723**	**$1,755,008**	**$142,715**
Total Reserves	**$1,150,619**	**$1,235,374**	**$1,534,815**	**$1,951,611**	**$2,276,790**	**$2,134,075**	**$142,715**

Summary Comments

In 2025, income levels were slightly above both prior-year and budgeted amounts. Net operating expenses remained relatively flat compared to 2024 and budget expectations. It was a very active year operationally, and those activities are reflected in the financial results.

Expense overruns were largely offset by the insurance reimbursement and the absence of new insurance claims during the year.

The Board takes its fiduciary responsibilities seriously and continues to carefully balance investment in the building with cost management. We prioritize preventive maintenance, a safe and secure infrastructure, and thoughtful modernization of both aesthetics and technology. This approach has allowed the Association to moderate assessment increases over time, maintain a strong balance sheet, and avoid special assessments. Our financial strength also supports Kilbourn Tower's competitive position in the condominium market.

This philosophy remains a guiding principle of the Board, and we will continue to reassess priorities as circumstances evolve.

Please feel free to contact me or any Board member with questions or comments regarding the above.

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