

# apm NEWS

**A Publication of Associated Property Management - Summer 2003**

## **RESERVE FUNDS FOR COMMUNITY ASSOCIATIONS**

**By John R. Math, LCAM**

Community Associations set aside reserves for specific future expenditures. These expenditures are for major repairs and or replacements of certain common Association components. Reserves are items of expense that will not occur on a regular basis. Typical reserves are roof replacement and repair, building painting, pavement repair and replacement, elevator modernization and repair, lobby redecorating, swimming pool, tennis court, air conditioning replacement and repair, seawall replacement and repair, balcony restoration, etc.

It is also possible for Associations to fund reserves for other types of expenditures such as anticipated increases in insurance premiums and other special projects.

The main reason that reserves are budgeted is for the membership to be able to fund for the extraordinary expense on an immediate or planned basis, without having to have a special assessment for the expense. These funds are accounted for in a special reserve section of the budget and the balance sheet. Because these funds are separately accounted for, their use is restricted to their intended use, unless the membership decides to allow the Board of Directors to change their use. There are three commonly used re-

serves: Repair and Replacement Reserves, Capital Reserves and Contingency Reserves. The following defines and clarifies what each type of reserve is and how it is used:

### **Repair and Replacement Reserve:**

Repair and replacement reserves are generally for common area components that will need to be repaired or eventually replaced over a long period of time. Also, deferred maintenance items are considered as repair and replacement reserves. Deferred maintenance is by definition something that is maintained and/or repaired less frequently than yearly and results in maintaining the useful life of the component. Some components would be roofing, painting, paving.

In a budget for reserves for repairs and replacements, the budget will be accompanied by a schedule showing when the components will need to be replaced, and the cost of replacement and amounts of funds that need to be set aside each year to fund the repair or replacement.

For condominiums and cooperatives, there are state statutes and administrative codes that must be followed for the budgeting, reporting and funding of these reserves. In several instances, the state statutes require that the Board of Directors budget and adopt a fully funded budget. After that takes place, the member-

ship can then reduce or waive the funding requirement.

This funding requirement cannot be waived by the Board of Directors and the reduction and or waiving of the reserves is for that year only. Each year the Board must report and adopt a fully funded budget.

Homeowners' Associations are not required by statute to have reserve funds. Any reserve fund requirement for Homeowners' Associations would come from the Association Documents.

### **Capital Reserve:**

Capital reserves are generally used to fund special projects and improvements for community Associations. In addition, a capital expenditure is usually for an expenditure of funds for the purchase or replacement of an asset whose useful life is more than one year or results in the increase of the useful life of an asset for more than one year. Examples of capital reserves would be saving for a new clubhouse, privacy walls, landscaping projects, additional street lighting, new entry features, etc.

These types of reserves come and go depending on the needs and desires of the community Association.

### **Contingency Reserve:**

Contingency reserves are undesignated funds that are set aside for un-

**Continued on Page 2.**

**Continued from Page 1.**

anticipated expenses. Examples for future expenses might be for future increases in insurance, legal expenses for litigation, increases in operating expenses, etc. Many Associations will try to budget 1 - 3% of their total budget for contingency expenses. A contingency reserve will not meet the state requirements for funding, in that the reserves are not designated for specific uses and are not restricted.

When defining the purpose of a Reserve Fund for deferred maintenance and capital expenditures, the Board should clarify how specific or general the use should be. For example, if the Association had a reserve fund for Tennis Court Resurfacing and the Board wanted to use the funds for the replacement of the Tennis Court Lighting. The funds that are set aside for the resurfacing should not be used in that manner, as they are restricted by their definition of use.

However, if they titled the reserve fund as Tennis Court Reserve, then the funds could be used for resurfacing, lighting, fences, tennis court supplies and additions.

Reserve funds are an excellent way for Associations to help manage the deterioration and repair of common elements, meet unexpected expenses and help an Association to save for major improvements without incurring special assessments to their unit owners.

If your Association does not have reserves or annually waives their requirement, you may want to reconsider this practice, as an Association with fully funded reserves is a sign of good financial management and will help the value and marketability of your Association's units.

**NOTE APM HAS MOVED TO:  
1928 LAKE WORTH ROAD  
LAKE WORTH, FL 33461  
561-588-7210**

## Ask The Attorney

**By V. Donald Hilley, Esq.**

**Q.** *Our Board has meetings that they classify as workshop meetings. Is this proper? If they have these meetings are there notice and participation requirements? Are there minutes? What standing do these meetings have as official business?*

**A.** There is an old saying, "if it looks like a duck, and quacks like a duck -- it's a duck". That saying applies to many situations, including association board meetings. No matter what you call them (workshops, etc.), if a quorum is present and directors are talking about association business, it's a meeting. Homeowner associations are controlled in this respect by F.S., Chapter 720.303(2); while condominium associations are controlled by F.S. 718.112(2)(c). Board meeting notice requirements vary slightly based on the size of the community, but generally meetings require at least 48-hour advance notice to the membership except in an emergency. Members are permitted to participate at board meetings, but such participation may be regulated by reasonable rules established by the board.

Since any such meeting is "official business", minutes must be taken. Keep in mind that the same rules generally apply to committee meetings of homeowner associations where a final decision is being made to expend association funds or architectural decisions are being made. They also apply to committees in condominium associations when the committee meets to take final action on behalf of the board or make recommendations to the board regarding the budget. Notice is also required even when condominium as-

sociation committees meet and do not take final action on behalf of the board or make recommendations to the board regarding the budget unless those meetings are exempted from the statute by the by-laws of the association.

The only exception to meetings being open to the membership is when the board meets with its attorney with respect to proposed or pending litigation where the contents of the discussion would otherwise be governed by the attorney-client privilege.

**V. Donald Hilley is an AV rated attorney and partner in the firm of Hilley & Wyant-Cortez, P.A. which represents associations in Palm Beach and Broward counties. The firm takes pride in its personalized approach to working with associations and is located in North Palm Beach. Their telephone number is 561-627-0009. Their E-mail address is vdhillley@bellsouth.net**

## REMINDERS!

**In anticipation of the hurricane season which begins June 1, review all insurance policies to make sure they are in order. Make copies of all contracts, warranties and unit owner roster sheets for storage in a safe deposit box or other safe place.**

**Make sure all of your Board of Directors and Members Meeting agenda, minutes and notices are up-to-date and in order, stored properly with separate copies.**

**Review your association's emergency evacuation procedures with all committee persons, residents and selected professionals.**

## **APM NOW OFFERS COMMUNITY WEB SITE HOSTING**

**By Lisa A. Heide, Vice President/Marketing Director**

Associated Property Management of the Palm Beaches, Inc. (APM) offers Community Web Site hosting through our accounting software company, Tops Software (TOPS). Since the web hosting program is integrated with our TOPS Software accounting system, we are able to provide live data updates to your Owners and Board Members such as current account balances, last payment information, as well as status of work orders and current and past violation records on their home. Owners will also be able to locate and read about scheduled activities such as meetings and community events, download community documents and forms, and share their opinions on many topics with their fellow Owners.

Community Web Site hosting leads to better communication and helps to foster a greater sense of community between Owners, Board Members and the Management Company. An Owner can go to their Community Web Site with their personal login ID and password in order to gain access to the data related to the community and their home. This data is available to the Owners 24 hours a day, 7 days a week. Owners can submit address correction forms through the web site, since they will be able to see the homeowner data that APM has on file for them. This will be the most efficient way for Owners to keep their data current. In addition, Owners and other interested parties can also access the Community legal documents, rules and regulations. Any association applications and official forms can be stored on the web site and downloaded to Owners, Real Estate Brokers and other interested parties who need copies for their files and real estate transactions. This download process is much quicker and less costly for the Association than the old way, in terms of time, effort and money for copies and postage.

Community Web Sites can also provide a means to market and promote a community for resales and rentals. In addition to posting for sale and for rent properties on the web site, the site would also detail community features and amenities such as clubhouses, recreational facilities, security, maintenance, entertainment, etc. that would be attractive to prospective owners of that community. Other features of the web site are areas for the promotion of yard/garage sales. This area of the web site is accessible to both public and private portions of the site.

The community web site can also be linked to other sites of interest for the community, such as links to schools, governments, maps and other areas of local interest for your residents. There is even a Live Chat section for scheduled online events. An example might be to schedule a live chat with the manager, President or the landscaper for a certain night each month. The Owners and Residents could log on to the site and ask questions of interest. All this could be promoted every month, again on the web site.

The web site will also provide a message board whereby Owners can post general information, questions and comments to the message board. Anyone can add a topic to the message board or reply to a topic or reply to any existing message. In addition to this form of communication, the Owners would also be allowed to write in a review section of the web site, a review of books, restaurants, movies or anything of interest for the community.

Volunteer needs will be also be addressed and promoted within the site. Volunteer needs could be for food drives, bake sales, blood drives and volunteers needed. The web site can have a section for community surveys. Each survey will have a start date and end date. Those surveys will not appear on the site until the start date and will disappear from the Owner view on the end date. The program prevents duplicate voting and allows viewing of aggregated results. Finally, sections of the web site can be for classified advertising by residents and other interested people such as contractors and suppliers of services for Owners in a community. It is a handy way for residents to gain access to services that may be required.

There is a Board Member Only (also includes Committees) function to the website whereby Board Members have the only access to this area. There is a Board only Message and a Board only Chat section on the site. In addition, there is a Board only Documents and a Reports section. These areas of the web site are high security areas that only allow Board Members access to the information and features of this section, such as financial reports.

Overall, the web site program that APM is offering its

**Continued on Page 4.**

Mailing Label

C/O ASSOCIATED PROPERTY MANAGEMENT  
1928 LAKE WORTH ROAD  
LAKE WORTH, FLORIDA 33461

**APM NEWS**

**PAGE 4.**

**APM NEWS**

**Summer 2003**

**Continued From Page 4.**

clients is an effective tool that helps to build community involvement and increases communication between the Owners, Board Members and Management. The cost is minimal in terms of its usefulness and help to the overall enhancement of the community.

To view a demo site of the web program that we are offering, please go to [www.assocpropmgt.com](http://www.assocpropmgt.com) click on the communities button, then click on the community demo site button and proceed with exploring the demo site.

After your review of the demo site, please call us at 588-7210 for set-up, hosting and monthly charges associated with this most important community information tool. Thank you.

Lisa A. Heide is Vice President/Marketing Director for Associated Property Management of the Palm Beaches, Inc. She is a Licensed Community Association Manager and she can be reached at 561-588-7210 or by email at [apmmarketing@bellsouth.net](mailto:apmmarketing@bellsouth.net) at anytime.

Associated Property Management of the Palm Beaches, Inc. is a fifteen-year-old full service association management firm. APM serves more than 120 associations in Palm Beach County. If you have any questions or comments you may contact us at 1928 Lake Worth Road, Lake Worth, Florida 33461. Please call us at 561-588-7210 or you may email us at [assocpropmgt@bellsouth.net](mailto:assocpropmgt@bellsouth.net) at anytime.

**USEFUL WEBSITES FOR YOUR ASSOCIATION**

Associated Property Management  
561-588-7210 or [www.assocpropmgt.com](http://www.assocpropmgt.com)

Florida Department of State  
904-487-6000 or [www.sunbiz.org](http://www.sunbiz.org)

South Florida Water Management District  
561-686-8800 or [www.sfwmd.gov/index](http://www.sfwmd.gov/index)

Palm Beach County Property Appraiser  
561-355-3230 or [www.co.palm-beach.fl.us/papa/main/default](http://www.co.palm-beach.fl.us/papa/main/default)

Florida Division of Emergency Management  
850-413-9900 or [www.floridadisaster.org](http://www.floridadisaster.org)

Palm Beach County Div. Of Emergency Mgt.  
561-712-6400 or [www.co.palm-beach.fl.us/eoc](http://www.co.palm-beach.fl.us/eoc)