

# REAL ESTATE

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## Board can include item in its reserve budget

**Q.** By non-mandatory reserves I refer to other than roof replacement, painting or resurfacing. As I understand FS 718, there must be a deferred maintenance of an item



**Richard White**

that is valued at \$10,000 in order to meet the threshold set by the state. Is that correct? Some members of the board think you can have a reserve for any thing regardless of the amount of deferred maintenance. S.T. — Clearwater

**A.** Items that are valued more than the amount of \$10,000 must be included in the reserve budget. However, if the board feels the need to include an item that has a lower value, they can include it in the reserves.

**Q.** I have recently become president of our condominium association. I am not retired and work a full-time job so I do not have time to really devote the effort needed to manage the association. We lack money to get things done by professionals. We do not carry directors and officers insurance because of the cost. As you can realize, we have been mismanaged and under-funded for years. To be quite frank, I do not have the extra funds along with

many of our residents for an increase in our fees. S.C. — Hudson

**A.** You are not going to like my answer but your personal finances along with other owners' finances should not be a concern when it comes to the association's budget and fees. The association must be maintained and properly operated and that means an increase in your budget. Who will be responsible to pay the legal costs without proper director's insurance (D&O) if one of your owners sues? I would not serve one day as a director without D&O insurance coverage. You must immediately obtain proper insurance coverage. You must immediately reevaluate your financial position and your budget. You have no choice except to implement a special assessment or increase your budget or both. Failure to correctly finance your association could result in a loss of equity or even the loss of your unit.

**Q.** I was surprised by your answer about delinquent accounts being uncollected. How can you say that the other owners have to pay? Was there something missing in your answer? Q.W. — St. Petersburg

**A.** I am sorry that you are confused by my answer. First, I always recommend that the board have a strict collections policy and the guidance of an attorney. I encourage them to act fast and lien delinquent

properties followed in 30 days with foreclosure action. The problem is that sometimes owners are not in a position to pay. They are not paying their mortgage or other debts and thereby the mortgage company and other lenders will also start lien and foreclosure action. Unfortunately for the association, the bank usually is in first priority and will close out the association causing the association to lose in the collection process. This means that any fees, interest and legal costs are lost by the association and considered bad debt and written off the books. Because of this bad debt, the other owners must pay the difference.

**Q.** We never have 20 percent of the homeowners (by attendance or proxy) attend our annual meetings. Therefore, to try to change the election of the board members is impossible. They just keep voting themselves back in office without the homeowners being able to do anything. Is there anything we can do about this? B.K. — Miami

**A.** You must start an effort to get out and meet your neighbors. Walk the streets and knock on the doors. If you set a goal to meet 10 neighbors an evening, you can meet 70 a week, almost 300 a month. Ask them to sign a proxy for the meeting and I bet you can get your quorum and control

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