

***The Hundred and One Most Asked Questions:***

*By Richard White, © 2008*

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I have been writing a syndicated column for ten years on condominium and homeowner association operations and management. I was asked what the most common asked questions from my column are. Fortunately, I have all questions tagged and indexed. My research from the years 2003 to 2007 indicates that the following 85 questions were most asked in the specific subjects. In addition, I am including 16 of the most misunderstood operational and management responsibilities I call 'myths, mistakes, confused situation, and ignorance'. It has been said that the board of directors have three basic duties: that of administrative, financial, and property management. In reference to management, all associations need management but that does not mean professional management as many association self manage with the duties preformed by the directors and officers. Professional management must be licensed in Florida (community association manager, the CAM license) and assists the board in those duties contracted, assigned, approved, and/or by policies approved by the board. Managers assist and make recommendations to the board of directors in the operations of the association. When reading these questions, keep in mind that managers are taught that the three most difficult problems are pets, parking, and children, and that water leaks create the biggest problems. But association management is really 80% people problems. Please review the following subject displaying the Questions and Answers (Q&A) and marked with '☑' and you will find some of the above subjects. *Richard White*

- ☑ **RESERVES:** *Briefly, the State Of Florida requires that condominium boards of directors establish adequate reserves and they recommend that homeowner associations (HOA) create reserves as part of the budget each year.*

1. As a board member, we are considering having a general contingency reserve rather than having individual accounts. What steps would we need to go through to make this change? ST- Clearwater

*The Condominium Act requires that the board establish an adequate reserve budget for painting, paving, and roofing. They must also reserve for any additional entity that has a replacement value of over \$10,000. The members can vote, each year, at a member's meeting to change the reserves. Homeowner associations do not have the same reserve requirements and the board could create a contingency reserve budget account.*

2. I am a Director of our HOA who is running into some difficulty in defining the purpose and permissible uses of Reserve fund monies. We are adhering to a Reserve Study and have created a large fund. Our finances are in very good condition and our budget looks good. For the acquisition of a capital asset (street lighting) can we pay for this from the reserve fund? Are we in a straight jacket in that the fund can only be used for assets defined in the study or do we have some discretion in its use? MK- Clearwater

*If you were a condominium, any use of the reserve funds for other usages than the line item for which it was collected would require a vote of the members. Homeowner associations may not be so restrictive if your documents allow other controls for disbursements. In most cases, it will require a vote of the members to move funds from the reserve line items to pay for other usages. It appears that you are installing new street lights rather than a replacement of the system. As such this brings in a new circumstance in that to approve a capital improvement; you will need the approval of the owners. When such a motion is*

*presented to the member for approval, it should include instructions as to where the funds to pay for the capital improvement will come.*

3. This is my first year as President of our small condominium. Our building has never had reserves in the budget; however, after having a special assessment for roofing last year members indicated we should start reserves. I have put \$5,000 into our less than fully funded reserve account and allocated that amount among painting, paving, roofing and elevator. Having proposed this, am I correct that the board can reallocate funding by board vote. For example, apply that amount this year toward pressure washing the building? If that is not possible, would it not be better to amend the budget at the budget hearing and place the \$5,000 into contingency. Is it possible to so amend during a budget hearing? I am not sure where to look in the condo law, so I am hoping you can give me some help. HA- Clearwater

*The Statutes are extremely clear on reserves. FS 718.112 (2)(f) discusses the budget and reserves. It is not an option. The board of directors must approve an adequate budget each year. The budget must include three items- roofing, pavement resurfacing, and painting. In addition, any component with a replacement value of more than \$10,000 must also be included. The board may include any other item that the Board believes is necessary for the operations such as the pressure cleaning. Reserve funds cannot be transferred from one account to another by board vote, it takes an approval by the members in a members meeting. The members do not vote to approve reserves but they may at a properly members meeting vote to reduce or eliminate the reserves. That meeting must take place each year to change the reserves. The board has only one option and that is to approve a proper reserve budget. If the members do not have a meeting with a quorum and a proper vote, the reserves must be collected. The State offers a great book on budgets and reserves. Send your request to Bureau of Condominiums, Attn: Printed Materials, 1940 North Monroe Street, Tallahassee, FL 32399-1004. Ask for the book- Budgets & Reserve Schedules Made Easy.*

4. We are a condominium association that was turned over from the developer six years ago. At the time of transition the developer provided the first board with recommended reserves. The amount provided for roof replacement reserve was for one roof but we have ten buildings in the association. Instead of multiplying by 10 the one roof figure was used for establishing the amount that need to be accumulated for the reserve. We have had the same property manager since inception. We had an appraisal performed this past summer to determine current replacement costs for insurance purposes. We requested that a separate figure be provided for the roof. Imagine our surprise when we discovered that the figure was ten times what we had been using. The property manager also manages very similar communities in our development and we thought we would reap the benefits of his knowledge in advising our board on our budget requirements. The other community most similar to ours had established the correct reserve. No one spotted the discrepancy in our roof reserve account until just now. As a result we have to significantly increase our annual assessments to the home owners. What is the property manager's responsibility in this manner and does he have any liability for the unpaid reserves for the last 6 years? PA- Naples

*The key word in your question is responsibility. The manager has no responsibility as that is the board's obligation. The manager has fiduciary duties to follow the policies of the board. If the board relied on the manager to prepare the budget without verifying the figures then it is the board's error. The board is responsible to prepare proper and adequate reserves and proper budgets. They alone have the responsibility. They do have the right to rely on the manager to assist but they should check the figures. You acted correctly having an appraisal and reviewing the past figures for errors. You have found a major mistake but now is the time to correct the error. You should verify why the mistake was made and try not to make it again. Maybe the manager should have advised the board of the error but sometimes the job becomes a jungle of trees and the errors are hard to find. The fact is that the budget should be recalculated or recast each year. This way the reserves and operational budget become more accurate.*

5. Some board members want to use the pool reserves for paying for chemicals, replacing light bulbs, and heating. Please clarify the correct use of reserves. WE, Naples

*Try to think of expenses, repairs, and expendables that are performed less than a year as normal expenses. These normally come from the annual operating budget. When replacements and repairs occur less often than a year, they could be considered reserve*

*expenditures. The chemicals are usually added every few days and therefore would come from the annual expense budget. Lights may last more than a year and maybe considered a reserve item. But, keep in mind that the reserve budget should include the funds to pay for the replacements. On the same subject, fuel heating oil, gas or electricity to heat the pool are payable more often and should come from the annual expense budget. If the heater needs repair or replacement, it could be considered a reserve expense. This does not preclude an annual item from being added to the annual expense budget for the coming year and not be in the reserves. An example could be the replacement of the pool furniture that was not included in the reserves. The item should be included in next year's expense budget. If it occurs once a year or more often, it should be included in the annual expense budget.*

6. I am a condominium property owner and a member of the Board of Directors. In March 2003 you wrote and I quote, the state is extremely intense on having reserves and has approved statutes that require reserve budgets for condominiums. Unfortunately, my community since its inception in the early 70's has operated without reserves. The community is old and in need of significant repair/replacement on most of its buildings. These expenses will have to be paid by special assessments unless there is some way to require the establishment of reserve funds. Can you please provide references as to where I may research the statutes you refer? GB-Naples

*If your association never collected reserves, it is a little too late to begin reading section FS 718.112 that requires that the directors approve a reserve budget each year. Past boards had the responsibility to establish proper reserves. If they failed, you could sue the past boards but that will not solve your problems of the insufficient funds for the needed repairs. The Statutes allows the member to vote out the reserves and if that happened, then the members can only blame them selves and must now pay. There is no quick fix to raising money for needed repairs. Special assess the members and fix the problems. Next year, add the required reserve amount to your budget.*

7. I reside in a condominium under developer control. The association does not have reserves established because the developer waives funding the reserve each year. Is there any time limitation controlling these actions? SM-Naples

*I must answer this question by suggesting that you direct the question to the developer. Please have the developer get advice from his attorney and CPA about their rights and duties. Reserves are extremely important and can come back to haunt the developer if certain financial operations are not establish and properly operated. It is possible to have the owners fund a reserve account and, as the developer, not pay the funding.*

8. Our mobile home cooperative association annual operating budget includes a line item in the Reserve portion entitled Common Area Reserve. There is no formula used for the budgeted amount. Also, the common surplus is being transferred to this account at the end of the financial year. The Common Area Reserve account balance is carried over from year to year and is being used for unrestricted, discretionary spending. Are these actions permissible? CB- Lakeland

*The cooperative act, FS 719.103, provides the same reserve requirements as condominiums. The Statute requires that the board establish an adequate reserve budget each year. That the budget includes three basic items: roofing, painting, and paving, plus any item with a value or deferred maintenance that exceeds \$10,000. It appears that your board has not complied with the requirements listed in the Statutes. Reserves cannot be used for any expense other than for the item for which the reserve accounts were established. Common surplus can be rolled into the reserve account by a decision of the board. I suggest that your board review the Statute and start to calculate the proper reserves for the next budget.*

9. Does Florida law specify that the reserved fund be put in the budget? Like roof and painting. PE- Palm Harbor

*Condominium and cooperative statutes are very specific about reserves. FS 718.112 and FS 719.106 state that reserves must be included in the budget. The board does not have a choice but must calculate adequate reserves for roofing, painting, and paving*

*plus additional high value items. Only the members can vote out the reserves each year. While homeowner associations do not have the strict reserve statute requirements, they have a responsibility to prepare an adequate budget that should include reserves similar to condominiums. The simple answer to your question is yes.*

10. Our association has reserve accounts of about \$400,000. The association has four units that we rent. They are in extremely poor shape and need repairs. Is it permissible for the board to borrow funds from the reserve accounts to refurbish these units?  
GD- Naples

*Reserve accounts must remain in the account and only be used for the expense for which the funds were collected. In order to use the reserves for a project other than that for which the reserves were collected, the board will need the approval of the members. The board cannot borrow against the fund. The only ways to fund expenses is to budget for the expense, special assess for the expense, or borrow from a qualified lender.*

11. I live in an older condominium association, about 20 years old that has had a history of grossly under funding reserves. The current board had a professional reserve study that indicates an under funded reserve that exceeds two million dollars. Many of the reserve items are approaching the end of their useful life. I can see many areas starting to deteriorate due to a lack of maintenance because of inadequate funding. Painting schedules for example have moved from five to seven and now ten years. It appears that past boards failed to prepare proper reserve budgets. Do we have the right to take legal action against the past boards? It appears that our only way to recover is to special assess the members. JR-Sebring

*Yes, past boards are responsible for their actions and just because they have been replaced by new directors, does not end their accountability for their actions that they took while being a director. However, legal action against past boards is not the best action at this time unless you determine gross neglect, fraud, or some criminal actions. Keeping fees low is not doing members an act of kindness. Boards need to understand that their actions of failing to provide reserves for the impending needs actually will hurt more in the future. I once knew a member who stood each year at the budget meeting and had the same speech each year not to have reserves. Well the time came to special assess and he stood up to say he did not have the money and wanted to pay over time. The interesting thing is that if the board had only a small amount in reserves each year, less than adequate, the association would have accumulated over one million in reserves in less than 20 years. Reserves are critical to having a better operated association and life with fewer headaches. It raises the value of the property and increases buyer's interest. It would be in your best interest to forget the past and look to the future and rebuild the reserves.*

12. Our condominium manager prepares the reserves each year and increases the amounts by a 3% inflation factor. We have very few line item reserves and a deferred maintenance line item which is a catch all. Our total reserve is approximately \$250,000. I am concerned because we had an engineer look at our building after many of our units were flooded during the hurricane season of 2004. Our board has refused to believe the engineer's report that our facade has been partially to blame for water intrusion along with unit owner windows. The cost of repairs under the engineer's report requires approximately \$4000 per unit assessment to fix the water intrusion problem. I am concerned that our condominium manager keeps the reserves artificially low to please some unit owners, and that the building is not properly reserved. Does any organization have guidelines for reserves?  
CH-Bradenton

*The manager does not have the responsible to approve the budget as that is one of the duties of the board of directors. While the manager may prepare a draft of the budget, the board is totally responsible for the final approved budget. FS 718.112 requires the board of directors, not the manager, to approve a budget each year that includes reserve accounts for roofing, paving, and painting and other item for which deferred maintenance expense or replacement cost exceeds \$10,000. It is the board of directors that has this responsibility and not the manager. A reserve study should be completed to analyze the cost and life duration of each component. While the board has the responsibility to fully fund reserves, the members may at a properly called members meeting be able to reduce the reserves. This is not recommended as it will cause financial problems with forthcoming repairs. The State has an excellent book on reserves. It is called Budgets and Reserve Schedules Made Easy. Send a \$5 check to Bureau*

*of Condominiums, Attn: Printed Material, 1940 North Monroe Street, Tallahassee, FL 32399. Remember that the board has the final responsibility to fully fund reserves each year. If they are not fully funded, the future repairs must be funded by special assessments.*

*13. We are a small condominium association. Some of our board members want to raise our maintenance fees to direct more money into the reserves. They claim our property resale value will increase by having huge amounts of moneys in the reserves. We have managed our money quite well in the five years we have been in control of our condominium association. We have replaced the roof and repainted our buildings, all with money put into the reserves. This year we will repave the driveway and repair the pool with reserve funds. After these major projects are completed, our reserves will grow again quickly and some of us feel it will simply become a savings account for owners down the road. Will a huge reserve fund significantly raise the resale value of our homes? AD- Lakeland*

*Reserves can affect your property values; however, it is not necessary to collect more than necessary. The statutes are extremely clear in how to establish proper reserves. They must be calculated each year and for specific items. They are estimated for future expenses beyond a year. No person can accurately predict future expenses but they can predict what they may be and by recalculation and each year, you can adjust collections. The state has an excellent book on reserves. Contact the Division and ask for "Budgets and Reserves Made Easy". Send a request with your name and address to The Division of FL Land Sales Condominiums and Mobile Homes, Attn: Printed Materials, 1940 North Monroe St., Tallahassee, FL 32399.*

*14. I am on the board for a small, relatively new condominium association. We are trying to build our capital reserves for future building repairs. Could we require an owner to pay a transfer fee or capital contribution to the association when a unit is sold? It seems that other associations are doing this in our area. We are already imposing assessments and quarterly fee increases due to the dramatic increase in insurance premiums. Any suggestions on how we might raise funds for future building projects? DH-Naples*

*You need to establish adequate reserves as required by statutes. FS 718.112 defines the duty of the board to create a reserve budget to include future funds for roofing, paving, painting and any other high value item. A formula is to estimate the future cost to repair or replace an item and then estimate the years of useful life. You can seek guidance from a professional company that creates reserve estimates or do it yourself by asking questions of professionals such as your manager. The state has written a detailed book on the subject. Send \$5 to Bureau of Condominiums, Attn: Printed Materials, 1940 North Monroe St., Tallahassee, FL 32399 and ask for the book Budgets & Reserves Made easy. I would not even begin to think about collecting capital contributions to fund the reserve account. You may not have the right to collect such funds. Unless you have an extremely high turnover, the amount collected will not even begin to cover the necessary amount. I like to define the budget in three parts, each a separate budget. They are the expense budget, the reserve budget, and the income budget. Each must be calculated with stand-alone calculations and independent of each other with the exception of the income budget, which must collect funds necessary to support the two other budgets.*

*15. I am treasurer of a small homeowner association. The HOA owns a landscaped, lighted entryway and pays electric, pond treatment and lawn maintenance fees. There is no clubhouse or recreational facilities. The Board just approved the 2007 budget, which included \$3000 for the reserve fund that presently has \$13,000. There are no current uses slated for this fund. A reasonable question raised by a homeowner was how much money should our reserve fund contain. The board could not answer. Can you provide some guide lines? JW- Palm Harbor*

*Each year or every other year, a reserve study should be made to determine the amount needed. In your case, take the total of the repairs or replacements that would be needed in future years less the amount presently in the reserve account. Determine the useful life in years to determine the amount you need to collect each year. Never use a percentage or total amount and just plug in the figure to the budget. With the small common areas and properties, it would be easy to gather the information. Larger associations may need to engage professionals to prepare a reserve study.*

- ☑ **BUDGETS:** *Each year an adequate budget must be created by the boards of directors and then approved by the boards of directors at properly noticed board meetings. The budget must be based on expected expenses for the next twelve months.*

16. In a recent column, you referred to three budgets; the expense, the income and the reserve budgets. Why do you speak of these as separate entities? I would think they are all combined. TE- Clearwater

*Think of the budget as chapters in a book. Each chapter has standalone information but they are connected at the spine and the plot. When the board, budget committee, or the manager calculates each budget, the information and figures should not be influenced by the other chapters, budgets. They should approach the development of each budget independently because each serves different purposes. The first budget should be the expense budget. It must truthfully estimate the expenses for the coming year. It should not try to balance for a specific maintenance fee. To estimate the expense budget by the income figure will provide a biased expense budget. Once a true estimate of expense for the coming year has been completed, the second budget, the reserves should be calculated. The reserve budget is calculated with specific formulas and should not be influenced by fees or expenses. The income budget takes the two figures needed to balance the expenses and the reserves and calculates the fees and other incomes. Once the three chapters are complete, they should be combined and the bottom figures should balance. Expense budget plus the reserves less the income should equal zero dollars. Think of the annual budget as containing three independent parts.*

17. I will be serving on our condominium's budget committee for the first time. I have read the state's brochure on this subject but still have questions that I hope you will answer. Our condominium documents, bylaws, and rules are silent on these issues. Our budget year starts in January, is proposed by an outgoing Board, and is adopted at the annual owners meeting in February when a new Board is elected. This automatically reduces the time to begin to work on items in the budget until March, usually later. A month or two later, two-thirds of the owners have returned up north. Does the new Board have to re-approve line items in the adopted budget before work or expenditures can be done? Is it proper for the budget committee to decide what work needs to be done, including improvements and/or enhancements, or for another committee to make those recommendations for budget committee consideration? It apparently has been custom for the treasurer and committee chair of buildings and grounds to have authority to spend up to \$500 without Board approval. Where does this right come from? WE- Ft. Lauderdale

*It is time for most associations and condominiums to start on budget preparations for next year. In most situations, the members do not vote on the budget as it should be approved by the board of directors. Your board has the responsibility for the operations and maintenance of the common areas and the association. If they do not have the power to approve budgets and assessments, then they lack the capability to fulfill the responsibility to the members for the operations. The condominium process should start by reviewing FS 718.112 and FS 718.504. HOA have fewer requirements but the process should follow similar guidelines. The budget committee should review the past year's financial report and expenditures and estimate similar expenses that could occur during the coming year. If you have committees or divisions that have expenditures, they must submit a request for funds. The budget committee should seek information on special projects that will be scheduled for next year. All contracts and services must be reviewed for increases scheduled for next year. Insurance deductibles must be considered along with any other special expenses along with the reserves. The committee must hold open noticed meetings and finalize a proposed budget. Once the form is completed and in the final proposed form, the proposed budget should be presented to the outgoing board. At a board meeting, the board should approve the proposed budget to be circulated to the members along with the notice of the board meeting to approve the budget. At the next board meeting, the directors should approve the budget at the scheduled meeting. That means that the outgoing board leaves a legacy for the new board. As you can see, along with the many meetings, the process to prepare the next year's budget will take several months. The budget committee meeting should have started in August and the first proposed budget approved to be circulated in October and the final approval by late November. Many documents require a 30-day notice to the members announcing an increase in fees. By following this schedule, the notice will comply with the time period to allow completion and approval of the budget for the next year.*

18. Your response to a writer regarding a new board re-approving a budget approved by the former board, leads me to ask another question regarding this budget. Does the new board have the authority to repeal this budget and develop and approve a new budget for the year that this board will be in charge? Your response states that the new board does not need to re-approve their inherited budget, but does not state whether the new board may disapprove and act to change the formerly approved budget.  
LR- Inverness

*On November 2, Florida registered voters voted on repealing the Florida High Speed Rail amendment that was approved in past years. Anything approved by past administrations can be changed or reversed by future administrations or in the case of the High Speed rail, the registered voters. The budget is a tool, an estimate, which can be modified at anytime. Yes, new boards can modify or change budgets but I would add that they should use caution if they plan to change the collection fees.*

19. If we have 3 directors, less than a quorum, at a committee budget meeting, must the committee meeting be open to the members even if there is no quorum? There is not a quorum of directors present. AM- St. Petersburg

*Committee meeting does not usually require a meeting notice or be open to the members. However, it is a good practice to notice the members and allow them to attend. There is one exception that does require notice and be open to the members. That is any committee that meets to discuss financial or budget matters or has the authorization to make final decisions. If the committee is planning to discuss financial matters or the budget or make a final decision, it must be treated the same as a board meeting. It requires a 48-hour notice and must be open to the members. There are several sections of FS 718.112 that discuss budget meetings and committee meetings.*

20. Recently we received a statement saying that our monthly maintenance fee would now be \$225 per month. Previously it had been \$150. We did not receive by mail or phone call any indication that this monthly increase was coming. In the State of Florida, is not there a limit that a maintenance fee can increase? Also, is there a requirement to give adequate notice and explanation? JD- Ft. Pierce

*The board has the responsibility each year to prepare a budget. The budget meetings must be noticed and open to the members. Since it is the board's responsibility, they have the duty to approve the budget regardless of increase in fees. There is no limit on the budget increase. Understand that the board has the duty to maintain the common areas and operate the association. Many times, they do not have the ability to keep the expenses the same. An example would be insurance costs that have skyrocketed because of the recent storm losses. Think of the budget in two sections, the reserves and the expense budget. Reserves may have been under funded or used during to make repairs and need to be replaced. Expense budget may include several line items that will be repaired this year. The statutes say that if your expense budget increases over 115%, the members can call a special members meeting to approve a new budget to decrease the fees. I do not recommend this because some areas will not be maintained or repaired due to limited funds.*

21. Our condominium budget for 2006 was \$176,000. We did not get our insurance premium until February and it was \$ 22,000 higher than we budgeted. A poll/survey of owners decided to not raise maintenance, but to special assess the shortage this year. Is our 2006 budget still considered \$176,000 or is it now \$198,000? I feel it should be considered \$198,000 as we had to assess for the insurance increase. I am concerned owners may feel the \$176,000 is the budget when figuring the 115% maximum increase before owners can appeal. We will definitely exceed that for the 2007 budget if we use \$176,000 as our budget basis for 2006. We expect our 2007 insurance to increase next year. PP- Ft. Lauderdale

*The budget is a tool. It is a guide based on an estimate of expenses. The budget does not change just because you receive an expense that was not calculated. You need to understand that the board under-estimated an expense. The feelings of the owners should not be part of the decisions by the board when it comes to a decision of re-calculating the budget or approving a special*

*assessment. The board has a fiduciary duty to assess the members to meet the expenses. Do not let the 115% be part of your decision to establish an adequate budget next year. You estimate the expenses to the best of your ability and let the increase apply where needed. Let the owners present an alternate budget if they feel your budget is too high.*

22. This past summer it was necessary to have a few condominium board meetings concerning assessments. Meetings notices were posted on a bulletin board to notify the residents. The question is, should all the owners be notified by mail or e-mail about the meeting? Our condominium has most of the owners away for the summer. These meetings concerned all homeowners and some feel everyone should have been notified and given the opportunity to participate. Is there a Florida law that states all homeowners need to be notified of Board meetings? MC- Ft. Meyers

*If the board or a committee discusses the budget, assessment, or some financial activity that will impact on the owners; a 14-day notice must be posted and delivered to each owner. FS 718.112 addresses this requirement. When you have so many absentee owners, it would be advisable to send a mailing notice of the meetings. That mailing would include the meeting notice and agenda with any information to support the agenda. Normally, the board is responsible to approve any assessment or budget not the members. While the members should have a brief period to talk on the agenda item, the board will take the final vote. An absent owner that would like to address an agenda item and will not be at the meeting can send a letter addressed to the board. It will be at the board's discretion to read or make comments on any letters or communications they receive. However, each director should study such letters before the meeting. Properly implemented, email or electronic transmission may be used rather than regular mail for the notice.*

23. I am president of a homeowners association, which has a three-man board of directors. This is my first year as a director. We are just beginning our annual budget review process. Since this is my first time experiencing our association's budget review, I plan to attend the budget and finance committee meetings to learn more about the budget and the processes used to determine how the reserve and operating funds and the annual assessments are calculated. I also believe my other board member, with only a few months of board experience, should also attend so she may learn more about the process. I am familiar with the statute requirement that a meeting of the board of directors occurs whenever a quorum of the board gathers to conduct association business. If the directors are present at the committee meeting, but does not participate in the dialog, is this considered conducting association business? GH- Tampa

*Any time a committee meets to discuss the budget; the members should be noticed of the committee meeting. Since the budget will be discussed, it would be considered business. Just keep in mind that a committee meeting should be reported at the next board meeting in the reports section. That report given by a committee member would be considered minutes of the committee meeting. The report could be as simple as: 'The budget committee met Wednesday at 2 PM. The first draft was completed and we will meet next Wednesday to review the draft reserves. We expect to have two more meetings before the recommended budget is presented to the board'.*

24. In November 2006 our insurance will be with Citizens which requires annual premium payments. Our board never knew what to expect a year ago so now we are faced with a 100% premium increase. Since our premium is due in November and our fiscal year is February 1, our solution is a special assessment to pay the November 2006 premium. Further, our agent has told us that the November 2007 premium could jump another 25%. In putting together our new budget for the year beginning Feb 2007, some directors think we have to fully fund the entire premium plus the estimated 25% increase. Other directors think we can minimally fund the premium and special assess again in November 2007 if needed. The theory here is we do not know what the premium will be in 2007 and as of today; Citizens can not even give us a firm number for next month! Our association has always used a partially funded budget since the association was formed 26 years ago. My question is, do we legally have to fund an estimated premium or can we partially fund as we have always done? DR- Tampa

*A budget is an estimate of expected expenses. Since your insurance agent has provided information of the expected increase, use that figure. Unless you have a very special membership, it is much easier for them to pay a small amount each month rather than*

*a large single amount in the future. Putting it in the budget will in fact save you money. To pass a special assessment and collect the funds, you will need special notices for the meeting and extra accounting and collections for the special assessment. It is not a problem if you do not have the expected increase. You will have a surplus and the following year's budget can be reduced or the surplus can be rolled into the reserves, pay for other expenses, or be refunded to the members.*

25. You have said in your column that the Board is responsible for the budget, which seems to be generally understood. It is implied in our condominium documents that only association members have the power to pass general assessments to provide funding for the budget. This leads me to ask how a budget can be implemented without funding provided by an association general assessment. The association must pass special assessments for specified amounts yet only the Board passes the major general assessments. I realize that Budgets may not be increased by 15% without members' approval but it still requires funding to pay for any part of the Budget. This may be a sort of Catch 22. JM- Naples

*There are several issues involved with your question. The first is that the board has the responsibility to establish a proper budget and assess the members to fund the budget. I like to divide the budget into three parts: the reserve budget, the expense budget, and the income budget. The reserves plus expenses must equal the income. The board must create an adequate reserve budget to meet future expenses. They must create an expense budget to meet next year's expenses. With the board, not the members, approving these two budgets, the members are obligated to pay the fees scheduled in the documents to fully fund the income budget. Members have the responsibility to pay their fees; however, they may have two options. If the members call for a vote in a properly called members meeting, they can vote to reduce or eliminate the reserves. This is a members' option. The second option arises if the expense budget, not the reserves, is increased 115%; then the members can present an alternate expense budget and approve it at a properly called members meeting. The thing is that if the members reduce the budget, the board may not be able to maintain the common areas and complete day-to-day business. If they fall short in the funds necessary, the board can then pass a special assessment.*