

LakeRidge Falls

4200 LakeRidge Blvd.
Sarasota, FL 34243

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Here are the more important stories we had this past and upcoming weeks:

Association Budget Process – During the last Board of Directors meeting, the issue of budget and how projects are being funded came to light. I know that the issue of budgeting is so boring that it can be used to put babies to sleep, but the issue is of great importance and therefore deserves some explanation. I am not an attorney nor an accountant and therefore would like to discuss more the rationale behind the process used to build a budget than the legal or professional requirements. Please note that this is a very general explanation that is done in super simple terms. So, please stay with me, don't fall asleep, and let's start.

LakeRidge Falls Community Association Inc is a not-for-profit corporation. Common sense then is that the Association is not an organization for for-profit purposes. The importance of this notion is the difference in the budgeting process between these two types of corporations. In general, for-profit corporations build their budgets based on their **profitability** while not-for-profit corporations build their budgets based on their **expenses**.

In the for-profit world, the budget is prepared based on the expected revenues. That is, how much money is expected to come in, i.e. revenues, determine how much money will be spent and/or invest. Think about it in the same way we prepare our household budget. We first figure out how much money we bring in, for example from annual salaries, and only then decide how much to spend and/or invest that year. A person who makes \$50k a year, for example, will purchase a car based on what they can afford. It is unlikely, therefore, that this person will consider leasing a vehicle that costs \$100k over \$20k. Right?!

In not-for-profit corporations, the notion is reversed. The budget is drafted, generally speaking, based on the expected expenses. Based on the expense figures, a not-for-profit organization can allocate the resources it needs to operate. Let's use an imaginary homeowner association by the name of ABCD as an example. ABCD Homeowner Association is an association of 10 households. The Association is responsible for one expense: landscaping. Their annual contract with their even more imaginary landscape provider, La La Landscape, is \$12k. Because their yearly expenses are \$12k, then ABCD needs to raise \$12k. In this imaginary world, the only source of income for ABCD is its membership. This means ABCD sets its monthly association dues at \$100:

$$\text{\$12k expenses} / \text{10 homeowners} / \text{12 months} = \text{\$100}$$

With this in mind, however, any given homeowner association, in the real world, has more than one expense. It has several. To better understand and organize them, these expense items are grouped into two groups: Operating and Reserve. In really super simple terms and without going into legal definitions:

Operating: are funds that are used for day-to-day expenses. They are pretty much like checking accounts. The funds in these accounts are used to pay for set contract expenses such as the landscape company contact and non-contractual expenses such as the clubhouse's toilet tree products.

Reserve: are funds that are only used for capital expenditures and deferred maintenance. They are like savings account established for a specific purpose. Using super simple terms, deferred maintenance is fixing or replacing an existing

asset after it breaks. For example, fixing or replacing a pool heater. A capital expenditure, on the other hand, is upgrading an asset or purchasing a brand new asset, which didn't exist before. For example, building a pickleball court.

The bottom line of this entire Webster Directory of Boredom by Oded, a homeowner association that does not identify all of its expenses during the budgeting process is asking for trouble. After all, common sense is not to spend money you don't have/collect. Of course, there will be situations in which a homeowner association will incur expenses over things never planned for. It is reality. However, a homeowner association can't issue bonds to raised capital like a for-profit organization nor can it get a second job as any personal individual can do.

In the homeowner association not-for-profit world there are not many other choices but to cut services and/or increase assessments, significantly, if it continually spends funds outside its general operations budget. In other words, special assessments.

The good, actually great, news is that the Budget Committee is composed of many experienced members of the community who combined bring hundreds of years of professional experience to the table. Because of them and the various Board of Directors, LakeRidge Falls enjoys a sound financial situation for many years now. Please note that the Budget Committee and I are always available to answer any question. It is a boring topic, but an important one.

Waterfall – Another issue that was brought up during last week's Board of Directors' meeting was the issue of the waterfall. Here is a short recap of one long story. Back in April of last year, the waterfall overflowed causing a portion of the soil underneath the south part of the waterfall basin to erode. Due to the extent of the erosion, a structural engineering company, Karins Engineering, was hired. Based on the engineering report's specifications and recommendations, F. Ronald LaCivita, a local concrete company, was hired in July to address the matter. West Bay Landscape, the Association's landscape services provider, and Smiley Pool Services, the Association's pool and waterfall maintenance company, followed with other repairs which were warranted due to this incident.

A month passed and we discovered that one of the waterfall pumps was leaking. ProPump & Controls, a well-known pumping systems company, submitted thereafter a proposal to replace a seal but unfortunately was unable to address the matter until September. As they took the pump apart to do the job, ProPump technicians discovered that the 20 some year old pump/motor showed significant signs of wear and tear, as can be seen in the picture below. At this point, the technicians advised that replacing the seal will not do much good considering the condition of the pump/motor. Therefore, and to avoid further damage to the system, the waterfall was turned off.



Because of the continuous issues with the waterfall and costs associated with it, the Roads & Grounds (R&G) Committee recommended, and thereafter the Board of Directors accepted, to consider all aspects of the waterfall maintenance and potentially converting it into a different feature. Unable to agree on a solution, the issue was tabled. Since then, however, both the Board of Directors and the R&G Committee have changed.

Determined to address this matter sooner rather than later, the newly elected R&G Committee decided to “keep the waterfall operational.” To reach this goal, the committee elected a team composed of Mr. Ron Dampier, Mr. Dave Friedman, Mr. Rod Hayden, Mr. Paul Hoffman, Mr. Harold Sabot, and Mr. Carl Stover, all of whom are committee members, to spear the efforts. The group worked tirelessly and continuously looking at many aspects of the waterfall. Based on their truly hard and dedicated work, the R&G Committee presented to the Board of Directors during its last week’s meeting a comprehensive report that included a few recommendations. Acting on some of the recommendations made in it, the Board of Directors accepted a proposal by Water Equipment Technologies (WET) for replacing the waterfall’s leaking pump/motor. Following the acceptance of the proposal, the part was ordered and we were told it would take between 3 to 4 weeks before it will arrive.

Also during this meeting, the Board made a few more decisions that are related to this matter. However, they will be discussed during upcoming Weekly Reports.

Thank You Ms. Nancy Seely – Following closely on the issue of the waterfall was a long and valuable member of the community, Ms. Nancy Seely. With the community’s best interest at heart, Ms. Seely approached the Board of Directors offering what many would consider a very generous donation. Reviewing the matter during last week’s meeting, the Board of Directors accepted the generous donation by Ms. Seely and decided it would be put towards the repair of the waterfall. I would like to take a moment, as I am sure all in the community will, and from the bottom of my heart thank Ms. Seely for a wonderful and amazing gesture. Thank You!

Have a healthy and safe weekend.

Sincerely,

Oded Neeman - CAM

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