

LakeRidge Falls

4200 LakeRidge Blvd.
Sarasota, FL 34243

08-12-2022

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

Capital Contribution – If you may recall, a few weeks ago we reported that the Board of Directors revisited the issue of capital contribution. Also as reported, the Board of Directors held a workshop meeting on the issue a couple of weeks ago. For those who were unable to attend the workshop meeting, we encourage you to watch the recorded video of the meeting.

To do so, please visit the Association's newly established portal. Once logged into your account, please go to **ASSOCIATION BUSINESS**, which is located on the left side of the screen, and click on **MEETING MEETINGS**. Once you do that and to the right of the title **CAPITAL CONTRIBUTION WORKSHOP MEETING**, you will see a blue circle with a symbol of an eye in its center. Click on it. Once you do so, a new page will open. At its bottom, you will see a blue rectangle with a symbol of an eye and the wording **VIEW MEETING MINUTES FILE**. Click on it as well. At this point, a PDF page will appear with a link to the recorded meeting. Click on it to watch the meeting.

For those who don't wish to watch the meeting, we encourage you to familiarize yourself with this important issue by reading the July 14th edition of the [Weekly Report](#) and the August edition of the [Falls Forum](#).

Now, a lot was said, debated, and done on the issue of capital contribution. So much so that the more information shared seemed to make the issue more confusing. Therefore, it would be best if we attempt to present the bottom line of the matter. The following is such an attempt.

While a homeowner association's budget may sound like a scary process, in reality, it is a super straightforward procedure. Homeowner Associations' dues are mainly determined based on the expected expenses. If the expected expenses are X dollars, then:

$$X \text{ dollars of expenses} \div \text{number of homeowners} \div 12 \text{ months} = \text{monthly dues}$$

or

$$X \text{ dollars of expenses} \div \text{number of homeowners} \div 4 \text{ months} = \text{quarterly dues}$$

Let's use an easy example to emphasize this notion. ABC Association has only two expenses – landscape and security – and has no reserve funds. The landscape company's annual contract is \$200,000 and the security company's annual contract is \$150,000. This means that the expected expenses for ABC Association are \$350,000. If ABC Association has 350 homeowners, then ABC Association's quarterly dues will be:

$$\$350,000 \text{ total expenses} \div 350 \text{ homeowners} \div 4 \text{ months} = \$250 \text{ a quarter}$$

Simple, right?! Now, the reason why dues are determined based on expenses has mainly to do with the fact that homeowner associations are not-for-profit or nonprofit corporations. That is, their main purpose is not to make money, but rather to govern the HOA and maintain the community. However, this does not mean homeowner associations don't have some streams of revenue. For example, some associations charge usage fees for their amenities and/or facilities while others sell advertising in their newsletters. The good news about these streams of revenue is that they assist in offsetting some of the expenses. Let's use ABC Association as an example once again.

ABC Association has one of the most popular newsletters in the area. So popular that it generates \$28,000 in advertising sales each year. Let's see how this stream of revenue impacts the quarterly dues of ABC Association's members:

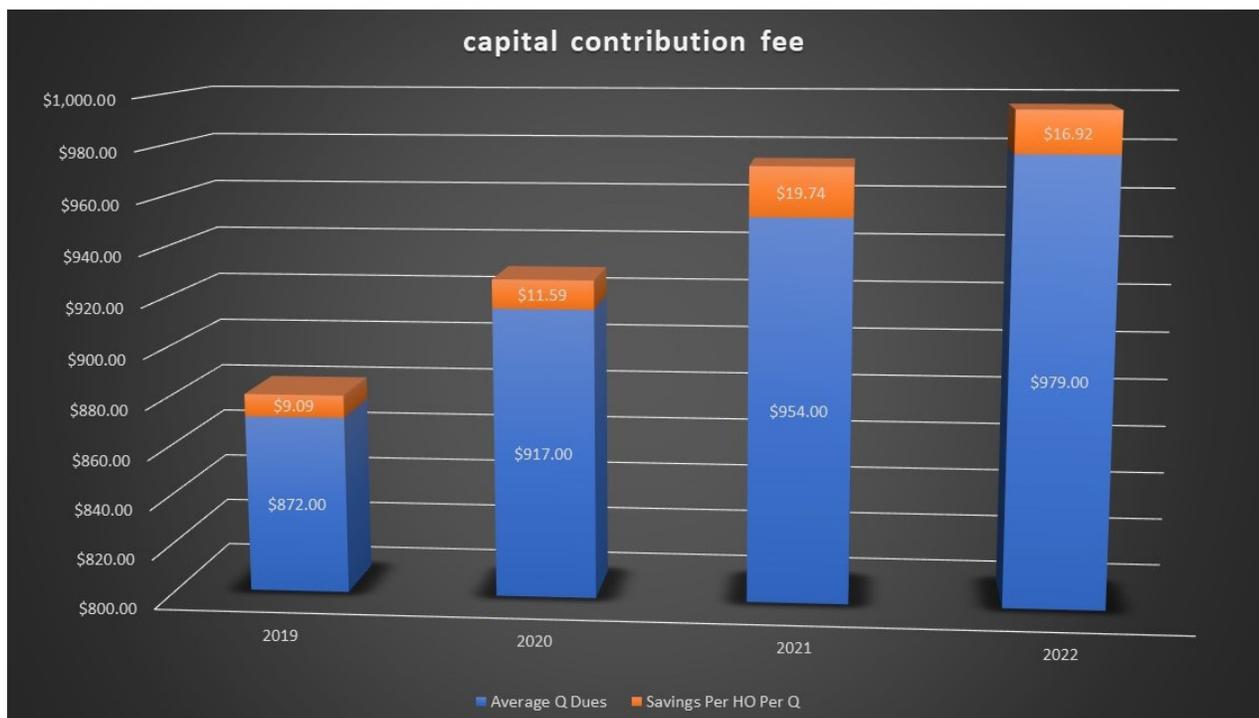
$$\$350,000 \text{ total expenses} - \$28,000 \text{ advertising income} = \$322,000 \text{ total expenses}$$

Therefore

$$\$322,000 \text{ total expenses} \div 350 \text{ homeowners} \div 4 \text{ months} = \$230 \text{ a quarter}$$

That is, members of ABC Association, in this made-up example, will pay \$20 less each quarter thanks to money the Association is generating from selling ads in its newsletter.

Now, let's use real data related to LakeRidge Falls. Look at the graph below. The blue column represents the average quarterly dues each member paid since 2019. The orange column represents the average quarterly "savings" each member had thanks to the notion that revenues assist in offsetting expenses/reducing collections. Let's use the figures from 2021 as an instance. The average quarterly dues in the community were \$954. The collection of the capital contribution that year was \$31,500. If we divide the \$31,500 by 399 members and then by 4 months, we see that capital contribution "saved" each homeowner that year almost \$20 a quarter.



Yes, there are several arguments for and against having a capital contribution fee in general and for establishing a cap on how much can be collected in particular. However, this is the **bottom line**:

Each dollar the Association brings in by collecting capital contribution fees is a dollar that does NOT come out of your pocket, i.e. LakeRidge Falls' homeowners

Good or bad, this is the reality. We hope this information is useful and as always feel free to contact us with any questions you might have regarding this subject matter.

Back Gate Fence – If everything goes according to plan, H&Y Fence, a local fencing company, will be on-site this coming Tuesday to replace the cast iron fence located at the back entrance to the community. After assessing it over several years, the Roads & Grounds Committee determined last October that the time had come to look into the possibility of replacing the fence. As can be seen in the picture below, corrosion deteriorated the metal fence. Therefore, the committee worked over a few months to research the issue, develop specifications for replacement, obtain bids from local companies, and thereafter recommended to the Board of Directors a course of action.



Acting on the recommendations, the Board of Directors approved in May the proposal by H&Y Fence for replacing the metal fence with an aluminum one. The main benefit of using aluminum is that it has a much longer life expectancy than cast iron. Therefore, the new fence, as with the gates that were replaced in 2017,

should last much longer, about 25 years as compared to 15 years, and should not corrode. Now, the downside of using aluminum material is that due to shortage the Association had to wait close to three months to get it. However, the good news is that the fence is ready to be installed and that it should not take H&Y Fence more than a few hours to complete the task. So, don't be alarmed when driving and/or walking around the back gate next week, and please keep your distance from the working crews. Thank you in advance for your attention and cooperation on this matter.

As always, have a healthy and safe weekend.

Sincerely,

Oded Neeman - CAM

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