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## *Community Advocacy Network Alert*



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It's that time of year again . . . and I'm not referring to chestnuts roasting on an open fire. For community associations, the passing of Thanksgiving and the fast approach of Christmas and Hanukkah mean that you are almost out of time to adopt next year's annual budget. If your board has not already approved your 2016 budget, here are a few tips to help get you through the process.

**Always include a Reserve Schedule.** In addition to operating expenses, your association's budget must contain a schedule of reserves. If the board decides to conduct an owner vote to consider a full or partial waiver of reserves, the vote package must contain a copy of the proposed budget with and without reserves. In a condominium, reserves must include paving, painting, roofing, (regardless of deferred maintenance cost) and any other item with deferred maintenance or replacement costs exceeding \$10,000. If an owner vote to waive reserves is not taken, the budget must include full reserves.

**Look For A Good Deal.** Katzman Garfinkel, the law firm that created CAN is the first and only law firm in Florida to offer community associations a **No Cost No Fee Guarantee** for delinquent account collections. Your association can pursue its delinquent accounts while **LOWERING** its budget line item for Legal Expenses. Think about how your community will benefit by not paying attorney's fees and costs for delinquent account collections in 2016! A **No Cost No Fee Guarantee** is one great way to help deal with your 2016 budget.

Will your current attorney collect your delinquent accounts with a similar guarantee? Call your attorney and you may receive the same holiday deal. [Click here](#)

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for a **No Cost No Fee Guarantee.**



**Negotiate with every vendor including your profession advisors.** Your non-profit community has a limited budget. Your current providers must be willing to work within your budget and be willing to provide out of the box offerings/strategies. We recommend you negotiate the best terms for your community. Your community has to be creative, and so should the companies that work for you. Be sure to remember that great relationships are hard to come by. So, if you enjoy a great relationship and exceptional service provided to your community from any vendor; don't jeopardize that relationship by being financially unreasonable in your negotiations.

Ask the companies that you work with what they can do to assist your community's bottom line in the upcoming year. If you don't ask on behalf of your community, you probably won't receive.

**Take the association's delinquency rate into account.** Always remember to factor your association's delinquency rate into your budget. For example, if the current delinquency rate for the association is 7%, and you do not expect a significant change in the upcoming year, then your budget should assume that 7% of your membership will not timely pay assessments. This will increase your budget slightly, but will allow your association to timely meet its financial obligations despite delinquent accounts.

**Remember....** The association's operating budget should include only regular recurring costs and expenses. Any unanticipated or extraordinary costs or expenses incurred by the association during the budget year may be addressed through an amended budget, special assessment or loan. The annual operating budget is only an estimate of the anticipated operating expenses for the coming year. Therefore, your association's budget may fall short or exceed the actual operating expenses of your association.

**Be aware of your insurance deductibles.** These deductibles will vary based on the different elements of the community and should be factored into your budget.

If a disaster or storm hits your area, you want to make sure your association is able to cover its insurance deductible, and immediate necessary repairs. This is even more important in an association that does not maintain reserve accounts.

**Year-end surplus?** Keep in mind that if your budget planning is based upon a long-term (5 year) projection, you should not have a significant surplus at year-end. However, any year-end surplus would be considered common surplus, which according to statute, may be returned to the owners or applied as a credit toward future assessments. Check your governing documents first to determine whether your documents contain a more restrictive requirement.

There may be other options for addressing year-end surplus, some which may require a vote of the owners, and may have tax consequences. In the event that your association has a significant year-end surplus, we encourage you to consult with your accountant/tax professional to determine possible options for addressing surplus funds.

**Next year start the process early.** We recommended your board begin working on your association's budget at least 3 months before the vote. This gives you plenty of time to review existing contracts and other association projects. Governing documents must be considered for time frames, notice and approval requirements.

Helping you make sense out of cents.

Yours in Community,

**Leigh Katzman, Esq.**  
**Katzman Garfinkel, Founding Partner**  
**Community Advocacy Network (CAN), President**

The Community Advocacy Network (CAN) is Florida's leading voice for the interests of 60,000 community associations statewide, leading the fight against over-regulation of private residential communities by state and local governments. Each year since its inception in 2007, CAN spearheads important State legislative reforms designed to protect and enhance Florida Community association living.

CAN continues to foster financial stability and operational integrity to all common-interest ownership communities statewide.

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Disclaimer: The information provided in this email Alert should not be considered legal advice. This Alert only provides general educational information. Your individual situation or your community's particular legal matter may not fit generalizations discussed above. Only your attorney can evaluate your specific issue and provide you appropriate legal advice.

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