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# REAL PROPERTY MANAGEMENT

## BUDGET PLANNING

JENNIFER ELSWICK, CMCA, AMS\*

**A**S WE APPROACH THE END of 2009, we must look ahead to 2010 and plan for operating expenses and capital expenses. The budget process has two components; one part is determining the cost of running the association for the year and the other is determining the annual fees as it relates to creating the budget. When determining the annual cost of running the association it is prudent to use a history of each expense item, plan for any known increases and determine the best budget number to be distributed in the month of the expense. When looking at the annual fees, we must not only cover the annual operating costs; but also,



insure that enough money is being set aside to pay for capital expenditures (both planned and unexpected).

A 20 Year Capital Budget is a plan based on history that shows what expenses will be incurred in what year, what the cost of these expenses will be and what percent of the annual fees to be needs set aside to cover these costs. The Board of Directors must consider both the Annual Operating Budget and the 20 Year

Capital Budget when determining annual fees. Always remember that a budget is a road map to get where you want to be; but there are often detours and remaining flexible insures that the community needs are met; a harmonious place to live with increasing property values.

When each owner pays their pro-rata share the expenses of the community can be met with little obstacles and concern for large increases.

## MOVIN' ON UP!

RPM is proud to announce that Lacy Martin has been promoted from Site Manager to Community Manager. Lacy has spent two years working at a variety of community sites assisting the manager in the every day activities of the Association, as well as overseeing the staff onsite.

We feel that she will be a great addition to our current group of community managers!

In her place, Angie Lowe has been promoted from onsite staff to Site Manager. Angie has worked with RPM for three years and will be working with Lacy to transition to Site Manager.

Congratulations to you both!!

# MANDATED RESERVES

KAMAN & CUSIMANO, LLC, [www.ohiocondolaw.com/articles/mandated\\_reserves.htm](http://www.ohiocondolaw.com/articles/mandated_reserves.htm)

**THE MOST SIGNIFICANT PROVISION** of Ohio's new condominium legislation is mandated reserves.

5311.081(A)(1) specifies that "unless otherwise provided in the declaration or bylaws," the board must adopt and amend budgets for revenues, expenditures, and reserves in an amount adequate to repair and replace major capital items in the normal course of operations, without the necessity of special assessments, unless the reserve requirement is waived annually by the unit owners exercising not less than a majority of the voting power of the unit owners' association.

Ohio's new condominium law is not completely retroactive. As a result, if current governing documents specifically define the required amount of reserves to be held, i.e., six months maintenance fees, then the current document provisions control.

Most governing documents indicate, however, that the board shall build up and maintain "reasonable reserves." Ohio boards have long debated the definition of "reasonable." 5311.081(A)(1) now provides a standard of care that calls on boards to budget and build reserves so as to operate "without the necessity of special assessments."

One negative connotation condominium

living has received is the tendency to special assess owners for major repair projects. Special assessments cause financial hardships, increase foreclosures, and decrease an association's reputation. Ohio legislators obviously heard the complaints of owners on the receiving end of special assessments. As a result, we have a state mandated standard of budgeting, which, at a minimum, requires communication and a vote by ownership if the standard is not going to be met. In reality, the new law is more about mandating communication with the owners about reserves than it is about mandating reserves.

It is unrealistic to expect currently existing associations to operate without special assessments. However, ten or fifteen years from now, a special assessment in a currently existing association could very well be met with a lawsuit by an owner claiming the Board breached a duty. As a result, a wise board should consider implementing the following procedure:

- Authorize the completion of a reserve study so as to detail the association's component parts, life expectancy and replacement costs. Share the results of the reserve study with the owners and budget in accordance with the reserve study.

For many associations, fully funded reserves in accordance with a reserve study are going to cause a drastic, but necessary, increase in

fees. If a board believes that fully funding the reserves will cause too drastic of an increase, it must send a letter and a ballot to each owner. The letter must disclose the amount necessary for fully funded reserves. This disclosure should mitigate any claims against the board by a future purchaser who gets hit with a large special assessment. In addition to disclosing the amount necessary to fully fund reserves, the board should indicate the lower amount the board proposes be put into reserves, and request ownership approval of the alternative, lower amount. A ballot should be included for the owner to sign and return. In the event the board fails to obtain majority approval for the lower reserve amount, the fully funded reserve must be implemented. Current bylaws dictate the date by which the board must have an approved budget for the following year. All balloting must be completed in time for the board to meet the required budget approval date.

Ohio's new law on mandated reserves is silent as to any aspects other than the budgeting. In other words, the law contains no restraints on the board's spending of the reserves. While this section of the new law is the most significant, it also could clearly cause the most litigation against associations who fail to budget and set aside reserves so as to operate "without the necessity of special assessments."



## COMMUNITY KITCHEN GIFT GIVING EVENT

**REAL  
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will continue supporting the Community Kitchen with their fifth Annual Gift Giving Event. We will be assisting a family this holiday season who is struggling to provide the basic needs for their family. Each family is provided a full holiday meal and gifts for each member. The Community Kitchen, located at 640 S. Ohio Avenue, provides meals, clothing, guidance and support for families throughout the year. With

the current financial climate, they are seeing more families in need and their sources of government support dwindle every year.

We welcome donations to enable us to provide bulk purchases for these families and add special necessities to their lives. If you are interested in providing a cash donation, please visit our office during regular business hours. We are open Monday-Friday, 8:00 a.m. to 5:00 p.m.

By providing others with joy during the holiday season, we hope our efforts provide a glimpse of hope for the future.

# FALL PROJECTS

ANDY MORANO, LANDSCAPE MANAGER

**THERE ARE SEVERAL PROJECTS THAT** can be completed this time of year to prepare for the winter and next spring. Now is the time to think about holiday light displays or gutter cleaning, before the snow flies! Here is a list of projects that owners might think about now and many of which RPM would be happy to assist / advise communities, just contact our office at (614) 766-6500.

## LAWN RENOVATION

- Sod Install
- Slice Seeding
- Over seeding

## LANDSCAPING

- Tree/Shrub Installation
- Clean out mulch beds and flower pots of dead flowers
- Move empty flower pots to garage for winter storage

## FALL COLOR INSTALLS

- Mums
- Ornamental Grasses
- Pansies
- Cabbages

## WINTER COLOR

- Plan Holiday decorations (lights/garland)
- Electrical Outlet Installation
- Check light strands for breaks/fraying and outages

## COMMUNITY BUILDING MAINTENANCE

- Gutter Cleaning
- Pool House Winterization (without heat)

## HOME MAINTENANCE

- Gutter Cleaning
- Fireplace inspection

- Change batteries in smoke and carbon dioxide detectors
- Check fire extinguishers
- Ensure pipes are well insulated
- Caulk or Weather strip windows/doors
- Store patio furniture
- Clean out dryer vents
- Winterize irrigation/spigots
- Remove and store water hose in garage
- Replace furnace filters monthly

## VEHICLE MAINTENANCE

- Check antifreeze levels and fill if necessary
- Inspect tires and replace ( if needed) before snow and ice are on the roads
- Check battery

# 30<sup>TH</sup> ANNIVERSARY CELEBRATION



**RPM** recently celebrated 30 years of providing management services to community associations in the greater central Ohio area. The celebration was measured with an open house on September 30, 2009 at the Lewis Center location.

Sharing in the celebratory event were Board

members, developers and vendor/contractors, many of whom have been management clients or have provided service to our customers for more than 10 years. Some of the community association vendors in attendance include Tom Johnson from Loveland and Brosius Law Offices, Steve Weyl from Able Roofing and Bob Coco from Choice Property Resources. This names

just a few, but all of them are valued and offer the quality of service we expect for our clients.

Real Property Management is honored to provide professional consulting, accounting and management services to community association clients in the central Ohio area. RPM's sole focus is providing exceptional customer service, management and accounting services. Together with Associa, RPM also offers complimentary services and programs specifically designed to meet the needs of today's community associations. We will continue to make strides that offer our customer, you, the best financial benefit available.

## GOING GREEN CONTINUES...ADOPT A HIGHWAY PROGRAM



Employees of RPM have volunteered to adopt a highway. We are maintaining a two mile section of highway on Route 23 just north of Powell road. The volunteers will be doing clean ups three - four times per year for a minimum of two years.

The first pickup took place on October 3 after the volunteers completed a safety training course. Nine

employees were in attendance and all departments were represented: service, accounting, community management and customer service.

We are excited to make this commitment to help the environment as well as give back to our community. Thanks to Andy Morano and Carissa Hillegas who are heading up this project.

# NEW LOOK...COMING SOON!

In RPM's continued efforts to "go green", we would like to introduce a program through Southdata, which will allow your Association statements, either monthly, quarterly or annually, to be sent to your owners via email. This program, Flexbill eStatements, will cost the Association no more than is being spent right now for mailed coupons and statements. It is easy for owners to register and use. They will simply go to the website and register. An eStatement link will arrive in their email at the next billing. They simply click the link, login and view their statement. Then, they can print and mail it in! No more need to look for the bill each month, it will be right there! Or they can pay their bill online via credit card!

Should an owner not review the eStatement as a result of a bad email address

or problem with the email, Southdata will receive notification and will send the normal statement through US Mail with a note added to their statement indicating that the owner will need to review their email address and preferences to continue receiving statements via email.

We feel that this could help with Association funds as well, as owners might pay the bill right away when the "reminder" comes of the bill, rather than having the coupon book lying around each month that has to be found. Additionally, these statements can not be delayed by the US mail on their way to the owner!

We feel it is a great option for owners and with the saturation of email usage and "going green" initiatives today believe that owners will as well.



## RPM PROFILE

Congratulations on your promotion! What are you most excited about with your new job? I am excited about working with new communities, new Boards and residents.

What do you find to be the most difficult part of the manager position? Multi-tasking my new workload and multiple communities.

What part of your job do you enjoy the most? I enjoy working with new clients, vendors and co-workers and developing relationships with them. I also enjoy turning negatives into positives!

What do you like to do for fun in your off time? I like watching the Buckeye games and tailgating, movies, spending time with friends, family and my dog Shelby.

Lacy Martin has been promoted to Community Manager. She has been with RPM for two years as a Site Manager working directly with Community Managers on the everyday projects.

Do you sing? Play an instrument? I can play the acoustic guitar, but not very well. I learned it in college when I took it as an elective.

What is your favorite tv show? I have two I don't miss. The Real Housewives (all of them) and the Biggest Loser.

Tell me something that surprises people about you? I am obsessed with old Jeeps. Why? It's a Jeep thing - you wouldn't understand!

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