



Services, Inc.

# BRISTOL MANAGEMENT NEWSLETTER

Fall 2005

## HURRICANE IMPACTS ASSOCIATION 2006 BUDGET

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Last year, the four hurricanes were extremely hard on everyone. Budgets are right around the corner, and the pressure to hold assessments down is stronger than ever.

The reality is insurance rates will rise substantially. After last year, while handling hurricane related claims, we learned all of the tricks that the insurance companies use in order to not pay the claims. We also learned that large deductibles hurt the owners in a time of loss, not to mention, all of the items that simply were not covered. The President of the Community Association Institute (CAI), Mike Bottcher, who is also an Insurance Broker, spoke at Bristol's August Manager's meeting. He said the insurance market for commercial property is getting smaller and smaller, and many carriers are just not writing policies for the State of Florida. Now with Katrina, it is going to become much worse, no matter what, because all of the big underwriters are going to have big losses. Mr. Bottcher recommended budgeting about a 25% increase in property insurance.

In addition, with gas prices still going up, the cost for landscaping is going to have to go up. Fertilizer is a petroleum-based product, and it has almost doubled in cost. All of the equipment that the landscapers

use is gas driven, i.e. mowers, weed-eaters and trimmers. And finally, labor is out of sight (\$6.00 to \$8.00 per hour last year). Even the undocumented laborers on Center Street want \$10.00 per hour, eight (8) hour minimum before they will jump into the back of a truck. Therefore, getting bids is still very tough, and many Associations delay preventative maintenance projects because they simply cannot find a contractor who can do the job, or cannot afford it due to all of the expenses from the hurricane damage.

Electric, water and sewer will also be going up because of the cost of doing business, and it simply cannot be controlled. Auditing costs are going up because of new legislation and new requirements for auditors because of some of the Enron / World Com scandal, which is good, but costs money.

Management is going up because there simply is not the supply of Managers after the hurricanes. Many experienced Managers got out of the business after the hurricanes, and getting new people to take the test to be a licensed Manager takes around six months, which is a big commitment, so they are demanding more money. We try to raise them from within our organization, but some of our Administrative Assistants have

decided they don't want the stress and long hours, even after they get their Property Management license.

Most Board members have a lot of empathy for their fellow owners, so the last thing they want is to increase the assessments, yet, they really need to use good business judgment. Run it like a business, but make it feel like a community. Bristol is making a conscious effort to get the information to the Board early so they can understand it, but once you do, you will know that the Board has very little control over the budget. Since the interest rates are going up, this unbelievable appreciation of property will slow down, and there will be even more pressure to maintain the property.

### ASSOCIATION TIPS:

- **Be a Good Homeowner;**  
Review your Documents.
- **Be a Good Neighbor;**  
If there is a problem, talk about it.  
Direct conversation is more effective than sending a letter.
- **Be a Good Board Member;**  
Serve because you care, not because you have a hidden agenda.
- **Be a Good Leader;**  
Do what is right, not what is popular.
- **Have a Productive Meeting;**  
Act professional – don't let the meeting turn into a Social Event.

## CONFLICT OF INTEREST OR GOOD BUSINESS

More and more Association Management Companies are getting into Ancillary Services i.e. (landscaping, pest control, pool service). There is nothing unethical about this. However, it can, and often does, lead to problems for both the Management Company and the Associations involved if handled poorly. Landscaping, for instance, is usually the biggest expense for most Associations. If an Association awards the landscape contract to the Management Company, the members of the Association may suspect they got the contract based on cronyism rather than merit, not to mention the appearance of a conflict of interest for the Management Company. Some Management Companies doing full service will perform the Management Services at a loss with the idea that they will make it up on the Ancillary Services, and pay a bonus to the Managers to sell the Association the different Ancillary Services.

If the Board of Directors does choose to award a contract for other services, the Management Company should inform all of the owners, and that the Board made the decision on merit with the understanding that both the Board and the Management Company have a fiduciary to do what is best for the Association. Violating this responsibility can lead to conflict and lawsuits.

**Ways to Avoid Problems:** Make sure the Management Company divulges all Ancillary Services and any financial arrangements it has with any company doing work for the Association. Have in the contract that the Association

must be advised of the Management Company's involvement in any Ancillary Services currently and in the future.

**Request for Proposals:** RFP is the formal procedure to insure that the contract is awarded based on merit. An RFP details what work needs to be done, and asks contractors to submit a bid by a set date, but when the Management Company is bidding on a contract in an Association it manages, it can be very tricky. If the Management Company is to be involved in preparing the RFP, members may claim that they had an unfair advantage over the other bidders, and they already knew the amount in the budget. Yet, preparing and obtaining fair bids is one of management's main tasks. Therefore, to make fair decisions, the Board should prepare the RFP if the Management Company wishes to bid. All bids should be returned sealed to the Board and opened at an open Board Meeting. Many Boards require the Management Company to submit their bid first.

With Associations becoming increasingly political with a touch of paranoia, it is important the Board and Management Company avoid even a hint of conflict of interest or self-dealing.

## BUDGETING

If you have not started to prepare your 2006 Budget, you are behind schedule. By now, you should have checked all your reserve numbers as required by Florida Statute 718. Most Associations have a history of what their operational / maintenance expenses have been. The Board of Directors or management

company should have received prices on any capital improvement projects proposed for next year. With real estate prices up, investing in maintenance of the common property is one of the best ways to protect property values in today's market.

The proposed budget is the preliminary draft of the community financial plan. The development of accounts and expense classifications for the proposed budget are based on the community's financial history. Accounts are to be separated into categories of general operation and into at least three (3) mandatory reserves (paving, painting and roofing). The proposed budget cannot anticipate reserves will be waived by the membership. Only a majority of the homeowners at the Budget Meeting may remove or modify the reserve provision. Notice of the Budget Meeting must be given to each owner at least 14 days before the meeting is held or otherwise stated in the Documents.

If a budget is increased 15% over last year, not including reserves or capital expenditures, the budget may be recalled by the homeowners. If 10% sign a petition, then within 30 days (10 day notice) another meeting must be held with an alternative budget. It should be noted that I have never seen this successfully accomplished. If a narrative is included with the budget explaining each line item and the reason for increases, solves most, not all, complaints.

The new requirement that all contracts over \$5,000 be bid out annually, unless the contract has a 30 day termination clause or professional contractors, means that the Association should have bid specs on each job performed by the Association for the unit owner. The

Board has a fiduciary to ensure it is getting the best job for the price, this does not necessarily mean the lowest price. Boards that fail to do this are leaving themselves subject to possible lawsuits from homeowners.

In addition, there are five (5) different types of years that should be taken into consideration when preparing a budget:

- **Calendar Year**
- **Contract Year**
- **Fiscal Year**
- **Budget Year**
- **Electoral Year**

The purpose of the budget is twofold. First, it is an informational tool, which allows interested parties to gain knowledge as to the disposition of revenues. Secondly, it is a management tool used as the basis for systematic control. The budget process begins with understanding the needs, desires and costs associated with the satisfaction of those needs and desires.

## **STORAGE**

About ten years ago, Bristol rented a 3,500 sq. ft. warehouse for storage and a place to do maintenance work. We also allowed the Associations to store their records and other items at no charge. Now, there is no room to do maintenance, and we cannot get any more boxes in the warehouse. Each year records are purged that are over seven (7) years old. However, we are still running out of room and may have to rent another warehouse.

In an effort to help Bristol pay for the cost of storing association records, I am requesting any Association who wishes to store their records in our warehouse to pay a storage fee of \$120.00 per year.

Please include this storage fee in your budget or make arrangements to store your records on site.

## **ESTOPPELS & PUD'S**

Bristol Management has automated all Estoppels and PUD's. With the real estate market as hot as I have ever seen it, the demand on Estoppels (the legal instrument that defines to the attorney and/or the title company how much money is due to the Association i.e. "assessments" or "capital contribution" has been overwhelming. Bristol signs off on Estoppels and certifies that the amount is correct. This service is for the owner who is attempting to sell their home.

PUD forms are lengthy applications from mortgage companies who are attempting to get approval for financing a unit or home for a buyer. The PUD forms ask about reserves, rentals, insurance and amenities. The mortgage companies have finally agreed on a standardized form which Ginny Mae, Freddie Mac and the V.A. have also approved.

However, most title companies have a history of waiting until the last minute to request this information, and expect Bristol to drop everything for their closing. The problem is we handle over a 100 closings a month, so we have developed a relationship with a company and now all Estoppels and PUD forms are available over the internet. You can access the information 24 hours a day 7 days a week to insure the closing goes smoothly. Bristol still receives the requests for information via email, and we have one final opportunity to review the information for final approval.

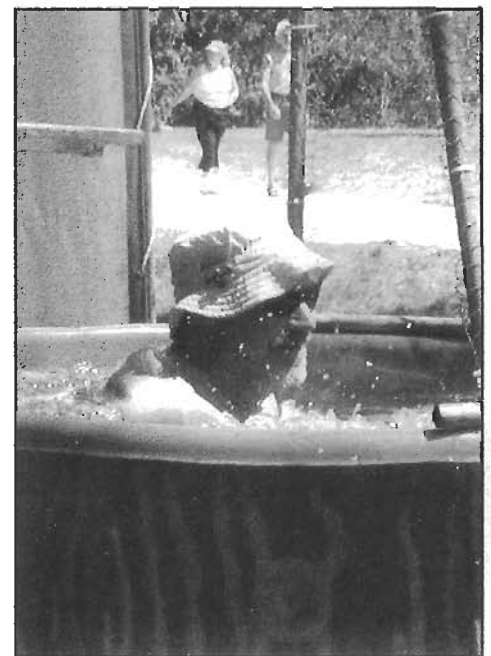
## **MARKET YOUR HOME ON BRISTOL'S WEBSITE**

With the Real Estate Market being as hot as it is, many owners have decided to sell their home and take advantage of

the incredible appreciation in property value. In many of our communities, owners cannot put up a "For Sale" sign, pursuant to the Covenants and Restrictions, and have decided not to list their home with a Real Estate Agent and feel they can save money selling it on their own.

"For Sale by Owner" (FSBO) may be a good way for owners to sell their homes themselves, and many of the phone calls we receive are from people and realtors who are looking for homes in a particular community. Therefore, we are opening our Web Site for owners to have another way to market their home.

Bristol's Web Site has a lot of contact "Hits" from owners, Real Estate Agents and Title Companies trying to process a Real Estate transaction. We believe this is a natural synergy to allow residents the opportunity to advertise their home on our Web Site for a fee of \$250.00, yet ensure the property values are maximized for everyone's benefit.



*Steve Inglis in the dunk tank at September's 2005 Bristol Bash*

# BRISTOL MANAGEMENT SERVICES, INC.

## BRISTOL SEMINARS

*Coffee, Beverages &  
Pastries will be served.  
Please RSVP*

**Saturday November 12, 2005**

Tradition Port St. Lucie Community Center

8 - 9 am • **George Bush, Esq.** • *Rules Enforcement, Fines Collecting & Good Business Judgement*

9 - 10 am • **Mark Brechbill, CPA & Ann Mehling** • *Financials, Preparing Budgets, Reserves and Year-end Report*

10 - 11 am • **Todd Hutchinson** • *Insurance: Market Condition, Products, Assoc., Deductibles and more*

11 - 12 noon • **Steve Inglis, PCAM** • *Association Management*

**Saturday November 19, 2005**

Island @ Abacoa/Jupiter Clubhouse

8 - 9 am • **Gary Fields, Esq.** • *Rules Enforcement, Fines Collecting & Good Business Judgement*

9 - 10 am • **Bob Rives, CPA** • *Financials, Preparing Budgets, Reserves and Year-end Report*

10 - 11 am • **John Frazer** • *Insurance: Current Market Condition, Products, Assoc., Deductibles and more*

11 - 12 noon • **Steve Inglis, PCAM** • *Association Management*

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*Bristol Management's Newsletter is published periodically as a tool to communicate with Board Members and friends regarding association issues and Bristol news of interest. Publisher assumes no liability for any information contained in this newsletter.*

*Maintaining Communities in "Bristol" Condition*

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