

Common Interest

The Official Publication of CAI-Connecticut

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Sovereign Citizens
What You Should Know

Information Reporting

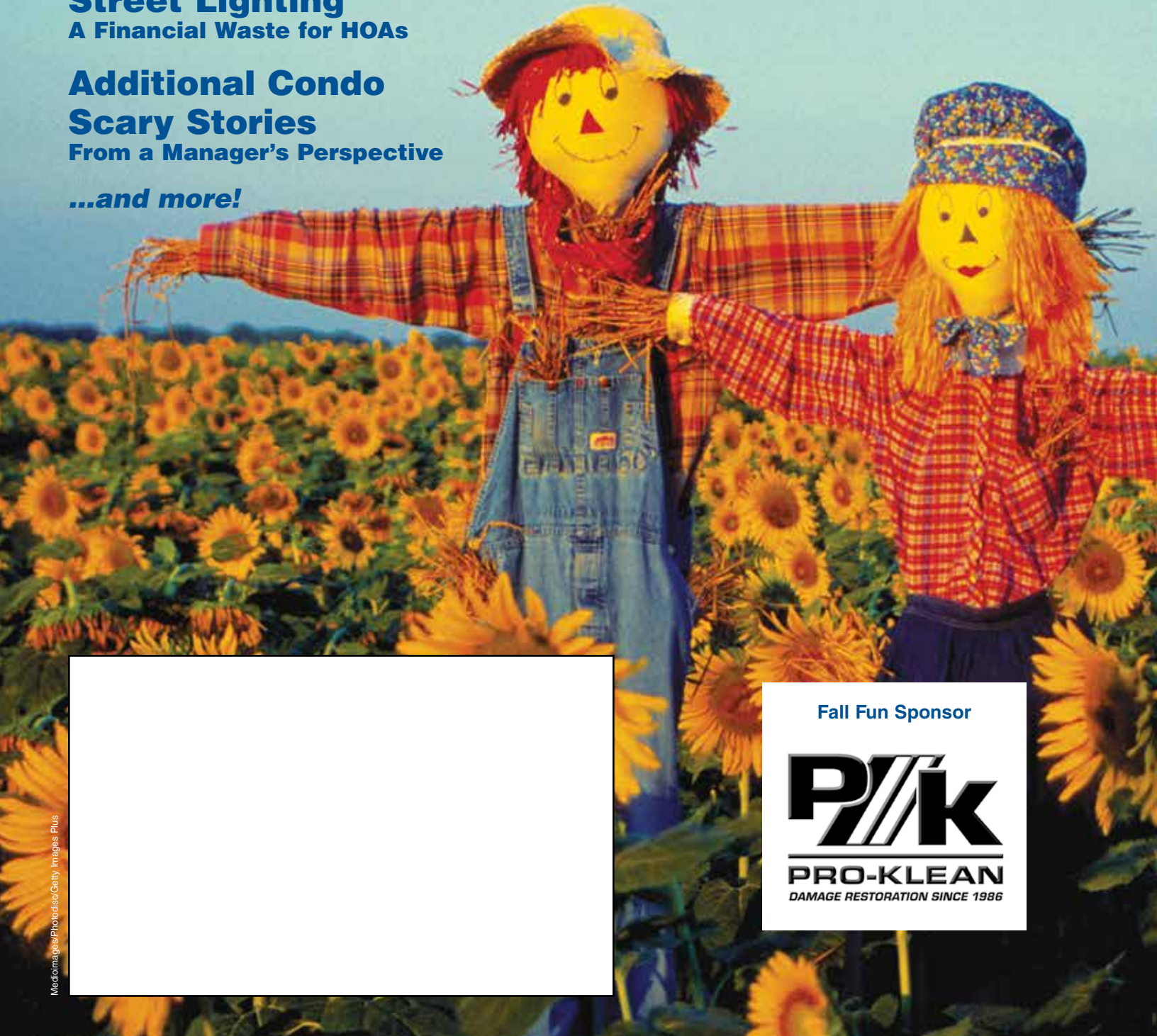
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A Financial Waste for HOAs

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Scary Stories**
From a Manager's Perspective

...and more!



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Who Is CAI?

The Connecticut Chapter is one of 63 Community Associations Institute chapters worldwide. CAI-CT serves the educational, business, and networking needs of community associations throughout Connecticut. Our members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to associations. The Connecticut Chapter has over 1,200 members including over 240 property managers, over 150 businesses, and over 800 community association volunteers representing over 80,000 homeowners.



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To submit an article for publication in *Common Interest* contact Kim McClain at (860) 633-5692 or e-mail: kim@caict.org.

President's Message



Charles Ryan, Esq., EBP

“...it’s important for each association to ensure it has complied with the Corporate Transparency Act.”

I’m pleased to report that our recent Legal Symposium on October 24, 2024, was a tremendous success. The event was well attended, with exceptional speakers who presented on a wide range of topics impacting our communities. For those who were unable to join us, the symposium is available on-demand at www.caict.org. I encourage everyone to take advantage of this resource.

As we approach the end of 2024, it’s important for each association to ensure it has complied with the Corporate Transparency Act. While CAI has filed for an injunction to temporarily stay the requirement of filing, associations should be prepared to file. This is particularly important for those utilizing third-party services to assist with filing, as there may be delays if there is a last-minute rush. (Please note that one of the sessions from our Legal Symposium was on this topic and can be viewed on demand.)

I also want to take a moment to acknowledge the impact of Hurricanes Helene and Milton. Many of us have neighbors, friends, family, and loved ones who have been directly affected. Our thoughts are with everyone impacted by the Hurricanes.

Thank you to everyone for your continued dedication and commitment to our communities across Connecticut. ■



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From the Chapter Executive Director

“Bravery is the capacity to perform properly even when scared half to death.”

~ Omar N. Bradley



Kim McClain

Courtesy CAI-CT

Given it's Halloween season, we're focusing this issue on things that are scary in common interest communities. Yet, most of us know from experience that many (but not all) of those scary situations can be prevented. Our authors offer insights and suggestions about how you can handle challenging situations to minimize the scary stuff from happening.

We provide timely topics in our magazine and for our programs to empower our members to make informed decisions and adopt best practices in their communities. We see in this issue alone, a wide array of problems that can have a devastating impact on communities. For example, does your community have a disaster plan in the event of a fire or flood? Who are you going to call and in what order? Do you incorporate aggressive measures to keep your funds safe? Are you using those funds to ensure you are maintaining your property so that your community residents are safe? How do you handle owners who literally believe that the rules don't apply to them? There is so much to unpack here!

There are also no doubt some scary conversations that need to happen. If common charges have been kept low for years, how are those fees going to cover the large increases in insurance premiums largely due to extraordinary disasters beyond your community's control? Can your association afford to tackle all the maintenance projects that have possibly become very serious? Is your board preparing to have those tough conversations? Your experienced service providers are there to help you deliver the message about the frightening realities. Don't hesitate to tap them to attend your meetings to help explain what steps need to be taken to keep your association from experiencing nightmares. ■

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Homeowners *Column...*



Eric R. Judge, EBP

My Recurring Scary Story — *If it Were Only a Nightmare Instead*

By Eric R. Judge, EBP

Not Once, But.....

On November 5, 2016, I received a call from Alex. He said “Eric, the building where your condo is located is on fire! I said what? He responded that it is on the news now.” I jumped into my car with my heart racing as I completed the usual 15-minute drive from my home to the rental in almost half the time.

I thought that I must be asleep and dreaming, but I was completely awake, and it was daytime. I was sweating profusely as I was hoping that no one was hurt. While on my way there I got a call from Matthew who was also telling me about the fire. He let me know that his nephew had gotten out of my unit with his wife safely.

Once I got there, I saw lots of people outside on the lawn. Matthew approached me and told me that a lady in the downstairs corner condo unit was smoking, fell asleep and awoke to fire and smoke in her unit. She ran out of her condo unit. Unfortunately, she left her oxygen tank inside. The fire ignited the tank, there was a whoof sound, the fire raged up and across the upper level of the condo building.

I stood there happy that no one was injured, and that the fire department and paramedics only needed to apply an oxygen mask to the lady who was responsible for the fire. It was a sad sight and it seemed unreal.

I started thinking of the hard work that I recently done resurfacing the hardwood floors myself. It was my first time redoing hardwood floors and it came out looking absolutely beautiful not just to my liking, but to my tenants as well. The rebuild would take approximately 2 and half years due to changing codes, upgrades required by the utility companies and the insurance company requiring certain payments to be paid only after the condominium association paid for them first.

Unfortunately, this wasn't my first fire experience, my long tenure as a landlord and real estate investor has been singed with three such experiences. On March 10, 2016, a condo unit in West Hartford in the same building in which I owned a condo caught fire in the middle of the night. My unit did not suffer any direct damage. As bad luck would have it, the town fire and health departments declared that the asbestos in the building ceilings had been compromised, and as a result the entire building would have to be closed to all inhabitants while the asbestos was removed.



“...a lady in the downstairs corner condo unit was smoking, fell asleep and awoke to fire and smoke in her unit.”

mlehightraveller/E+/Getty Images Plus

My last fire experience was January 2, 2020, when one of my condos in North Carolina would be set ablaze. The only difference from the other two times would be that this time it would be my tenant who was at fault. They started the fire by failing to inform the property manager that the dryer was making weird noises a few days earlier and by not discontinuing its use.

The fire department came and doused the four units in that building to contain the fire. All four units in the building were fire damaged and severely water damaged. It would take almost a year and a half to rebuild the building. The only good news was that no one was injured.

Bad Luck

How could I be so unlucky? I have asked myself that question so many times. In fact, I have asked fellow members of a landlord association to which I belonged at the time. Interestingly enough, there were those who had experienced one. However, no one could beat my three occurrences. What makes that fact more interesting is that a few members owned a vastly greater number of rentals than me.

Please Tell Me That It's Not Happening Again

In March of this year in the middle of the day, I received a text from a condo association board member saying that the fire alarm in one of the buildings was going off and that the South Windsor fire department had arrived. I became tense and I instantly could feel my

heart beating very fast as the nightmares (or, daymares) of yester year quickly flashed before me.

Then I received a text message from one of my tenants to call him as soon as I could! It turns out that my tenants had overcooked their dinner and the fire alarm in the building was triggered. I let the other board members know what had transpired and we all were relieved!

The Third Time Was Not a Charm

Well, it's October and most people are excited about Halloween. Many people may be surprised to know that The National Fire Prevention Week also takes place in October. I am dedicating this Scary Story to that celebration as having adequate insurance coverage allowed me to keep all of my properties while I navigated the many complexities that come with rebuilding after a fire.

This Scary Story is a public service announcement, and no property insurance vendors are allowed to use my stories without paying me a royalty fee (psst, see me privately and we will work something out 😊). To everyone else, remember these stories really happened. I only wish that they were a nightmare instead. My point in sharing my stories is to remind everyone to check their property insurance coverages and my hope is that you will not need to use them because you experienced a fire, never mind three. ■

Eric R. Judge, EBP is a board member of multiple community associations, a real estate investor and a financial advisor in Glastonbury, CT. Eric also serves on the CAI-CT Board of Directors and is a member of our Fall Fun Committee.



Statutory Snippet

What if there is a serious health risk that the condo association or a fellow condo owner won't pay to fix?

You should explore, with your condo association, whether there is a reason why the problem has not been fixed. If the problem is the fault or responsibility of a fellow condo owner, the condo association can take legal action against the unit owner. They also have the authority to levy a lien and institute penalties against condo owners to try to force them to pay to fix the problem.

Does your condo association have the funds to fix the problem? Is it possible that condo owners' dues have not kept up with costs to resolve the problem? Would you and fellow condo owners be willing to increase condo fees to pay for the fix?

Discuss your concerns with your board members. If that does not work, be sure to discuss it with fellow unit owners. You should report this health concern to your local Health Department and you may wish to consider taking legal action against the condo association board.

Source: CT Department of Consumer Protection – Condominium FAQs.

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Victoria Beach Condominium Association

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Greenwich Towers Condominium Association
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Legally Speaking...



Adam Cohen, Esq.

Sovereign Citizens: What Your Association Should Know

By Adam J. Cohen, Esq.

Maybe you've already heard of them. They call themselves "sovereign citizens," "state nationals," "freemen," "private persons," "constitutionalists," or "natural people." What do they believe, and why should homeowners' associations care?

The central tenet of the sovereign citizen ideology is that nearly all government is illegitimate and has no authority over them, or that they can exempt themselves from that authority simply by saying so. The details vary by adherent and are usually incomprehensible, but most will say that the federal government was illegally taken over by a corporation in the 1700s or 1800s which has improperly altered the Constitution and created a "strawman" identity for every American at birth. People can separate themselves from that strawman with certain paperwork, becoming a "free" person no longer subject to the restraints on that artificial legal identity. That process, called "expatriation," involves the creation of official-looking forms and notices which they post up or file in the local land records.

They believe that doing this makes them exempt from most laws and taxes, as well as immune to arrest and court jurisdiction. For example, they deny any obligation to maintain driver's licenses or motor vehicle registrations, telling police officers who pull them over that they are engaging in constitutionally-protected "travel" rather than artificially-regulated "driving." They believe that nearly all laws are contractual, such that no one can make them do or pay for anything without their explicit agreement. Many believe the government has monetized their "strawman" identity by creating an account containing hundreds of thousands of dollars which they can "charge" to simply by telling a creditor to retrieve that (imaginary) money.

Sovereign citizens hobble together legal arguments from various sources, mostly consisting of misinterpretations of early American documents, admiralty, common law, legal dictionaries, the Bible, and the Uniform Commercial Code. They often write lengthy diatribes filled with legalese to protest anyone who asks them to do anything they do not want to do. If forced to sign a legal document or even use a social security number or zip code, they will often add "TDC" — standing for "under threat, duress, and coercion." They regularly get into trouble with legal authorities when they refuse to pay taxes, ignore laws and regulations, forge legal documents, or steal services such as postage and utilities. One famous example is actor Wesley Snipes, who fought federal tax evasion charges in 2006 by claiming sovereign citizenship (and was sentenced to three years in prison).



"They believe that nearly all laws are contractual, such that no one can make them do or pay for anything without their explicit agreement."

The sovereign citizen movement has its roots in 1970s anti-government, conspiracist, white supremacist, and pseudo-legal ideologies. It spread more rapidly with the advent of the internet and, more recently, the rise of Trumpism and opposition to pandemic mandates. Its adherents are generally unaffiliated with each other, but they often share information and strategies. To understand the scope of the movement in the United States, it has been estimated that sovereign citizens and related anti-tax conspiracists have caused one billion dollars in public losses between 1990 and 2013, and probably double that amount since.

Although it's easy to laugh at their beliefs, tragically, many of these people have been duped into them, over because they are already dealing with desperate legal problems or mental illness. Some, known as "gurus," profit by selling them forms and literature. But they can also be extremely disruptive and even dangerous. The FBI considers sovereign citizens to be a domestic terrorist threat; Oklahoma City bombing co-conspirator Terry Nichols and many QAnon and militia members are adherents. They often engage in "paper terrorism" against their creditors — sending them realistic-looking legal docu-

ments that purport to put them on “trial” or subject them to “orders” or even a “death penalty.” They have been known to record fraudulent “liens” against other people’s property which are not discovered until the owner tries to sell or refinance, and removing those liens can be difficult. When sued, they represent themselves rather than hiring lawyers and flood the litigation with hundreds of pages of dense, nonsensical legal arguments while ignoring court rulings and procedures. Make no mistake: they always lose in court, but the process is protracted, expensive, and absolutely exasperating.

Sovereign citizens can create a lot of trouble for the homeowners’ associations they live in. They will routinely violate rules, refuse to pay common charges, harass board members who cross them, and drive up litigation costs when sued for enforcement. They may tell boards to deduct their common charges from their strawman account, submit a fake “bill of exchange” purporting to charge that nonexistent account, or post signs claiming that anyone who speaks to them agrees to pay fixed prices per minute of their time. I am currently involved in a bank’s foreclosure against a unit owner who files lengthy briefs and appeals explaining not only why all mortgages are illegal, but that he is completely beyond the reach of all laws for a variety of impressive-sounding legal reasons. I once had a gentleman send me a very official-looking “Common Law Grand Jury Notice” purporting to stop me from auctioning his property, complete with a raised seal and bearing the name of a real-life judge, because a “court of the people” had decided he was “exempt.” (He was floored when I told him at

the auction that my client and I only recognized the authority of real courts rather than imaginary ones.)

You can identify sovereign citizens by their use of certain buzzwords: “sovereign,” “El-Bey,” “exempt,” “the People,” “private,” “Republic,” “Moorish,” and others. They often use strange punctuation or capitalization in their names, supposedly to distinguish themselves from their government strawman. They use symbols on their postings and correspondence which include altered American flags and bald eagle insignias, fingerprints in lieu of signatures, fake postal code and other government emblems, varying

“They will routinely violate rules, refuse to pay common charges, harass board members who cross them, and drive up litigation costs when sued for enforcement.”

colors of ink, and numerous citations to statutes. When you encounter a resident like this, stay professional and follow your usual procedures, but limit unnecessary communication. Check the land records for unauthorized “liens” against your home. And of course, get the association’s attorney involved early. ■

Adam J. Cohen is an attorney with the Law Firm of Pullman & Comley, LLC headquartered in Bridgeport, Connecticut. As the Chair of its Community Associations Section, he represents and gives seminars to condominiums, tax districts, and other communities in matters ranging from amendments of governing documents to internal and commercial disputes.

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FinanciallySpeaking...



Daniel Levine, CPA

Information Reporting

By Daniel Levine, MBA, CPA

This month's article theme will be scary stories and believe it or not accounting can have its fair share of these. At the start of the year, we looked at the issue of information reporting as it relates to the IRS Form 1099 Misc & 1099 NEC. Well, during the last few months, I've had a few clients that have dealt with the ramifications of this reporting being done incorrectly and is a good fit for this issue's theme.

A Small Refresher

Before we begin on the specifics of the ramifications being faced, first a quick refresher on what the purpose of a Form 1099 is. These are forms generated annually by the association to report to its vendors, the federal government, and the state government what they were paid for services. Certain vendors must have payments reported a certain way and not all vendors will require a Form 1099 sent to them, however, generally the purpose of this reporting is so the Internal Revenue Service can cross check what the association reported against what the vendor reports in income and see if there is a discrepancy. If there is, the IRS could decide to investigate further.

The association doesn't pay any tax when preparing Form 1099's it's simply reporting information. However, there are certain cases where the association's responsibility could be greater than just reporting payments and the ramifications of noncompliance could be a large bill from the IRS. The need to engage in that greater responsibility is determined when the association obtains a Form W9 from their vendor which provides the vendor's information that is required to complete the Form 1099 process.

When the Association is Responsible for More than just Reporting

The main potential exposure to preparing Form 1099 is two-fold, the first is preparing and filing them on time each year, the second is whether the vendor's information is accurate. This article won't be focusing on the first as that penalty would be expected. No, this article is going to look at what happens if the vendor didn't provide a W9, gave the wrong tax ID, etc.

In those cases, the association is required to begin what is known as backup withholding. This is a flat 24% of tax withheld by the association from the vendor payment. This withheld tax is then remitted to the government on Form 945 and listed on the annual Form 1099 when prepared so the vendor is aware of what has been withheld.



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“...that is when the horror story kicks in. If backup holding was required but not done, then the association could be liable for the tax itself along with any interest and penalty...”

The issue here becomes what if the payments weren't made, and that is when the horror story kicks in. If backup holding was required but not done, then the association could be liable for the tax itself along with any interest and penalty from not remitting the tax when it was supposed to. For example Landscaper A provides services to the association and invoices \$1,000. The association doesn't obtain a W9 and pays the \$1,000 to the vendor. The IRS finds out that the W9 was incorrect and sends notice to the association that it wants the backup withholding due of \$240 (24% of the \$1,000) and adds additional interest and penalty. The association will be on the hook for this, not the vendor. So, to satisfy the notice the association will have to pay \$240 and interest and penalty.

Instead, the association should have paid the vendor \$760 and remitted the \$240 to the IRS which the vendor could claim as tax withheld when they file their return. Now this example is for a minor cost. Imagine Landscaping is \$100,000 for the season and backup withholding was needed. That is now a \$24,000 bill the association must deal with. The penalties involved here could be the following:

- 1) Failure to file penalties for no Form 945 being filed.

- 2) Failure to make a proper federal tax deposit for not remitting the withholding.
- 3) Failure to pay for not paying the base withholding.

Depending on the time elapsed with the withholding, this can amount to almost as much as the backup withholding amount itself resulting in now an almost \$50,000 bill.

But how would the IRS know about the missing W9? Well, there are few ways that the IRS may determine the association should have made a filing but did not.

The first would be the IRS has told the vendor that backup withholding is required on their payments. This can be for a variety of reasons but is usually when the vendor has not complied with tax rules themselves. In these cases, the vendor is on the IRS' radar and when a 1099 is issued with no withholding they can immediately request the backup withholding. In this case the vendor will need to indicate that backup withholding is required when they complete a Form W9. If they did not, then the association may have a case to avoid the above issues. However, if no W9 is on file for that year, then getting out of these penalties and taxes may be very difficult.

The other way this may be caught is that the association itself may have tried its best to comply with the rules without doing so correctly. This case may occur when the association knows it has to prepare a Form 1099 but doesn't have the requisite information like the tax

[Continues on page 12.]



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FINANCIALLY SPEAKING...from page 11.

identification number. In this case the association mails a 1099 missing the relevant information and this is how the IRS determines Form 945 is needed. Unfortunately the rules are that as soon as the association does not have the necessary information to comply with information reporting rules, it must begin the backup withholding and remit payments to the IRS and file Form 945 after reasonable follow ups for the information are made. As a result, the association tries to do the right thing, but sets itself up for a potential issue.



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How to avoid this issue

The easiest way to avoid this issue is for an association to enforce a strict payment policy with its vendors. This policy should reflect that no payment is made to the vendor until a completed W9 is returned. This can be challenging when something calls for emergency work to be done and a deposit is needed, but adherence to the rule will allow an association to process payments in the method prescribed by law and avoid unnecessary penalties and interest.

Another, albeit potentially limited, option is if the vendor is still used by the association. The association could look to handle any backup withholding from current payments in order to avoid the issue of paying both the vendor and the IRS for the same services. However, this may put a strain on the relationship between the vendor and the association and it is much better to avoid by being proactive.

Conclusion

While filing an annual Form 1099 to vendors may seem simple, there are potential issues that an association can encounter that can add up to a large and unexpected tax burden that is difficult to avoid. By having a proactive policy prior to any payments being made to deal with information reporting an association can prevent these issues from occurring and maintain compliance. ■

Dan Levine, MBA, CPA is a Certified Public Accountant at Tomasetti, Kulas, And Company P.C. Dan has extensive experience with tax and attestation services to condominium associations from all around Connecticut. Dan serves as the Chair of our Publications Committee and is an active participant in CAI-CT related programs and can be found presenting frequently.



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Fall Fun was Fantastic

We had a record number of attendees at our Annual Fall Fun event on September 25, 2024. Our education program was focused on important things to consider when preparing your budgets: rising insurance rates, serious maintenance issues, underfunded reserves and more. Our speakers delivered somber news about what will likely be in store for the future.

After hearing some sobering details about association finances, attendees had the opportunity to share a drink and tasty food. Lots of lively conversation filled the brewery.

Our amazing Fall Fun Committee was a great team! They organized an excellent program and even put together a fun scavenger hunt. We truly appreciate all of their excellent energy!

Fall Fun Committee

Chair — Licia Ciotti — *United Property Restoration Services*

Eric R. Judge — *Edward Jones*

Bev LaBombard — *Sandler & Hansen, LLC*

Jessica Lube — *Turner Home Improvement*

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“The venue is what makes the event.”



MORE PHOTOS ON THE NEXT PAGE...

FALL FUN...from the previous page.



“This is a look-forward to venue!”



Street Lighting — a Financial Waste for HOAs

By Leo Smith

Decent-Exposure-Photography/Stock/Getty Images Plus



Bramble Ridge Condominium Association, where I live, has 15 streetlights covering 47 units on three streets. Annually we pay Eversource \$1,720 for these 15 lights. Over a 10 year time frame, we spend over \$17,000 for these streetlights.

But it might surprise you to know there is no actual benefit to streetlights in most condominium associations as far as crashes — either vehicle to vehicle or vehicle to pedestrian. The reason is two-fold. The first factor has to do with crashes as related to speed.

As a general rule, street lighting is not necessary for crash avoidance on streets where the travel speed is 30 MPH or less. The reason: Car headlights are sufficiently powerful, and the travel speed is low enough, to ensure safety and avoid crashes without the assistance of overhead street lighting. In addition, for proper lighting the Roadway Lighting Committee (RLC) recommends that pole spacing be close enough to ensure no location on the road has an illumination level of not less than 20% of the brightest spots directly under the streetlight. Proper pole spacing avoids Light/Dark patterns in street lighting. RLC also states that if proper pole spacing is not possible, it may be safer to not light the road at all.

The utility companies lease the streetlights to the condo association, and charge a monthly fee under utility Rate 116. A condo association has the right to terminate the lease of streetlights by requesting, in writing, that the lease be terminated and that the utility company promptly remove the streetlights from service.

There is no charge from the utility company for removing leased streetlights from service. The \$15,000 to \$30,000 paid out by a condo association to a utility company for streetlights over a 10 year time frame could instead be used for other services that provide the association with an actual benefit. ■

Leo Smith has been a member of the Roadway Lighting Committee (RLC) for 12 years. RLC operates under the Illuminating Engineering Society and makes suggestions for best recommended nationwide practices involving street lighting. He has received the Illuminating Engineering Society's President's Award and the DarkSky International Lifetime Achievement Award for his efforts in reducing light pollution.

“...there is no actual benefit to streetlights in most condominium associations as far as crashes

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Joe Cifarelli

Nightmares in Connecticut

By Joe Cifarelli

Having been in the damage restoration space for the last 16 years, I've certainly seen my fair share of scary stories and even some horror shows along the way. Condominium living in Connecticut typically offers residents community, convenience, and shared responsibilities. However, it also brings risks—especially from water and fire damage. These two hazards can lead to costly repairs, insurance claims, and even legal disputes if not handled properly. Let's look at some ways to prevent water and fire damage in your condo and avoid turning your home into another one of those scary stories.

Water Damage: A Hidden Menace

Connecticut's winters and storms make water damage a persistent threat for condo owners. Burst pipes, roof leaks, and storms among other things can cause widespread damage, impacting multiple units and shared spaces.

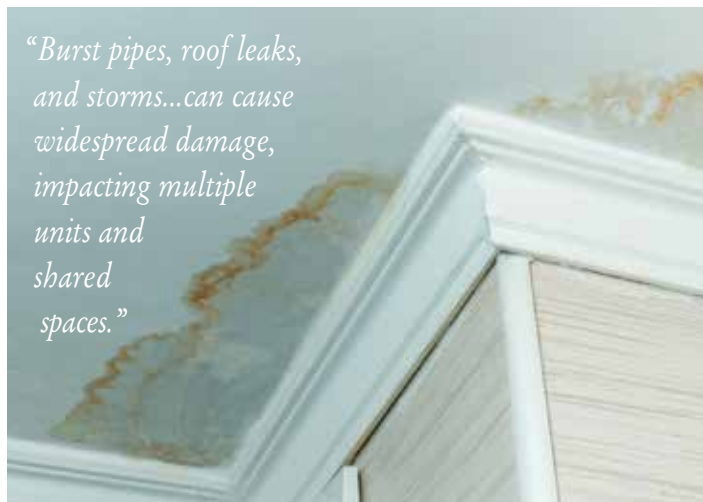
A Few Common Causes of Water Damage in Connecticut as the Season's Change

- **Burst/Leaking Pipes:** Freezing temperatures can cause pipes to burst, especially in poorly insulated areas.
- **Storms and Heavy Rain:** Storms can overwhelm roofs and drainage systems, leading to leaks and interior water damage.
- **Ice Dams:** Snow buildup on roofs can create ice dams, which prevent melting snow from draining properly, leading to leaks and water damage inside units.
- **Negligence:** Incorrect installations or failure to adhere to maintenance standards.

Preventing Water Damage

- **Regular Inspections:** Check on things. Appliances, plumbing, hoses, faucets, and fixtures.
- **Insulate Pipes:** Ensure all pipes are insulated to prevent freezing.
- **Turn Off:** Shut off exterior water lines before winter hits. If traveling for extended periods winterize.
- **Install Water Detectors:** These detectors can alert you before a small leak turns into a major issue.
- **Regular Roof and Gutter Maintenance:** Ensure that the roof and gutters are cleared of debris to prevent water overflow. Associations should regularly inspect and maintain common areas, especially before winter.
- **Know Where the Water Shut-Off Valve Is:** In an emergency, knowing where the water shut-off valve is located can prevent

"Burst pipes, roof leaks, and storms...can cause widespread damage, impacting multiple units and shared spaces."



Andrei310/Stock/Getty Images Plus

extensive damage. Every condo owner should be familiar with where the main water meter shut-off is for their unit. Do you know where yours is?

Fire Damage: A Constant Risk

While fire damage is less common than water damage, it can have far more devastating consequences. In Connecticut, with its cold winters, heating systems, older buildings, and high usage of fireplaces, fire hazards are always present.

Common Causes of Fire Damage in Connecticut Condos

- **Heating Systems:** Space heaters and malfunctioning heating systems are often culprits during Connecticut's winters.
- **Electrical Fires:** Older buildings may have outdated wiring that can spark fires.
- **Dryer Fires:** Lint buildup in dryer vents is a major fire hazard if not cleaned regularly.
- **Cooking Accidents:** Kitchen fires, particularly from grease, are one of the leading causes of condo fires.
- **Fireplace and Chimney Issues:** Poorly maintained chimneys can become a fire risk if not cleaned regularly.
- **Candles:** They smell great, but unattended or placed too close to curtains can be a major risk.

Preventing Fire Damage

- **Inspect and Maintain Heating Systems:** Space heaters should be used with caution, kept away from flammable materials, and never left unattended.

- **Inspect Electrical Systems:** Older condo buildings are prone to electrical fires due to outdated wiring. Regular electrical inspections can potentially identify issues, and upgrading as needed is a proactive step to prevent electrical fires. Don't overload outlets and circuits. Be sure to use UL listed devices.
- **Install and Maintain Smoke Alarms:** Ensure that your condo has functioning smoke alarms in key areas like kitchens and bedrooms. Alarms should be tested monthly, and batteries should be replaced regularly. Fire sprinklers, if installed, should also be checked.
- **Dryer Vent Cleaning:** Condo owners should clean their vents after every use, and the association should mandate regular maintenance for dryers.

By implementing these preventive measures, you can significantly lower the chances of facing a condo disaster. It's essential to regularly review your insurance policy and your condo association's bylaws to fully understand your coverage and responsibilities. In Connecticut, the risks of water and fire damage are heightened by harsh winters, aging infrastructure, and frequent storms, making preparedness even more critical. ■

Joe Cifarelli is the Business Development Manager at PRO-KLEAN, tailoring services to condominium communities and property managers. An active participant in CAI-CT and having served on various committees. Joe is focused on helping condo associations maintain safe, well-prepared communities by delivering top-tier property damage restoration services throughout Connecticut.



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Manager's Column...



Rich Wechter, CMCA

Being Practical, Part XCVI

Additional Condo Scary Stories From A Manager's Perspective

By Rich Wechter, CMCA

In this column we tackle various topics of interest to association boards of directors with the intent of imparting practical advice. This issue's column is offered as part of the theme of this issue: Condo Scary Stories and provides additional scary stories to the ones last commented on over five years ago by this author.

Once again, to avoid discouraging future property managers from entering this field and unit owners from serving on their respective boards, we will refrain from drafting a "War and Peace" style article with nothing but scary stories. Instead, we are simply noting three additional scary stories that will demonstrate how difficult our world of condos really is. We will then offer a few suggestions to prevent these scary stories from ever being more than a bad nightmare.

Scary Story #1 - The Disappearing Board

To once again paraphrase the late Rod Serling, imagine a world where you go to sleep one night as a member of a complete Board of Directors and then wake up the next morning to find yourself either all alone or with less than a full complement of fellow board members. This nightmare is a too frequent a reality. Pressure from fellow board members, unit owners, tenants, and vendors, and the weight of issues and/or pressure from personal or business matters are all strong candidates for resignations by board members from their respective boards. The trend line is going up in this regard and the requirement to comply with the Corporate Transparency Act is just another nail in the coffin. Community Associations are, for the most part, having difficulty in keeping members of their respective boards from throwing in the towel and leaving their respective communities with less than full boards. This trend includes long standing formerly stable boards and new boards having replaced older boards either thru attrition or, in some cases, by removal or at the ballot box. The level of frustration amongst board members appears to be rising significantly with no realistic expectation that the situation will improve over the short or long term. This is truly a scary story.

How to Avoid Scary Story #1

We offer the following suggestions to avoid the "Disappearing Board":

- Communicate with one another. You must continue talking out issues and conflicts.
- Avoid keeping everything inside you. Silence does not lead to anything good.
- Try to spread out specific responsibilities fairly and intelligently. No board member should be unduly burdened by board business.



"Inflation...has resulted in most community associations taking a hit in their bank accounts, both operating and reserve."

Neypress/Stock/Getty Images Plus

- Work with your managing agent and management team to help you in your role as a board member and an officer. They are professionals and should be able to support you in such a fashion that you will not become one of the disappearing board members.
- Engage in team building activities to build a team driven board rather than an individual driven board.
- Never make life on the board personal. You can disagree with one another without making anyone on the board feel threatened, demeaned or insignificant.
- Every member of the board is equal. They may have different viewpoints and level of involvement, but they all have one vote. The President is one of many board members.
- Once a decision is made, the decision of the board must be respected, especially by board members who opposed a particular decision.
- Do not waste the time of board members. This is not their primary job. Respect their time, space and life.
- Make decisions and move on. You cannot convince all board members on all issues. They can disagree with the majority on issues.

Scary Story #2 - The Diminishing Association Bank Accounts

Inflation, while lower than in recent years, has resulted in most community associations taking a hit in their bank accounts, both

operating and reserve. Budget expectations for expenses have been generally lower than reality. Labor and materials continue to rise and those associations that do not have ample reserves and/or extra money in their operating accounts are having deficits each year. Old is old and never gets younger. Unit owners, while receiving the message that expenses are going up higher than expected, still balk and object to higher common charges and special assessments to reduce or stop the diminishing bank accounts of their respective association. Board members thus run into the eternal dilemma of unit owners who demand that repairs, maintenance and replacements be made in a timely and complete manner while balking at paying for that increase in expenses.

How to Avoid Scary Story #2

We offer the following suggestions to avoid this scary story:

- Board members need to be prepared for such increases. You cannot put your heads in the sand and ignore reality. Do not understate expenses for the next fiscal year when you know that any such estimation of expenses is not attainable.
- Take all actions as board members to educate unit owners on why the increase in expenses is being realized and what needs to be done in response thereto.
- Prioritize what has to be replaced/repaired/maintained, etc. Board members must know and act responsibly with respect to “wants” versus “needs.”

[Continues on page 22.]

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MANAGER'S COLUMN...from page 21.

- Add to the reserve account(s) each year no matter what.
- Work really hard at reducing operating expenses. Challenge every line item and look for reasonable cost savings measures.

Scary Story #3 - Property Managers and Management Companies Crushed by Issues

In over thirty-one years in the world of community associations, I have to admit that community associations face far more issues than ever before. Technology, while useful and beneficial to most of us, has its own drawbacks and problems for community associations. The average agenda of a board meeting in 2024 is far longer than what we generally had back in 1993. This fact alone leads in some cases to virtual paralysis of boards and in some cases, property managers who don't know where to begin to attack all of these issues.

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How to Avoid Scary Story #3

We offer the following suggestions to avoid this scary story:

- Board and their property managers need to create the most effective To Do List structure humanly possible. You can include everything under the sun, but you must create a priority system that is both realistic and effective.
- Accept the fact that you will never reach or resolve every item on your To Do List. There will always be another item to handle, another call to make, another letter to write.
- Let all those who may have matters that you cannot reach know that their issue has not been forgotten or ignored, but, rather, is on a waiting list for a future time.

Conclusion

As previously noted, we could fill this entire issue of Common Interest with scary stories in painstaking detail. However, we believe that these three scary stories present clear and real situations that boards and property managers face all the time and that the suggestions set forth in this article will hopefully reduce the occurrence of these scary stories. While we cannot guarantee the elimination of these conditions, we hope that this article will aid property managers and boards in coping with them. ■

Rich Wechter, CMCA is Senior Vice President at Westford Real Estate Management, LLC. Rich is a member of the Legislative Action Committee, Golf Committee and Publication Committee and is also a member of the Legal Symposium Task Force.

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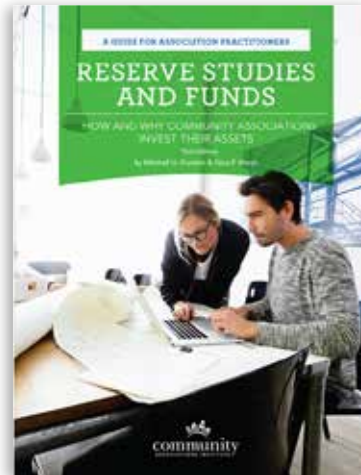
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Melissa Yocum

TECHNICAL EXPLANATIONS:

Reserve Funds: *Don't Be Scared to Use Them!*

By Melissa Yocum

It begins with piggy banks. As children, birthday money, allowance, and loose coins from the floor of dad's car were placed for safekeeping in the small slit on top of a ceramic animal until it was time to smash it open, meaning enough had been saved to buy the coveted toy or electronic. As teenagers, bank accounts held the wages from after-school jobs, some saved for a car or college, and some used at the mall on weekends because mom no longer fell for the "I really need \$20" act. In college, saving money was often put on the backburner, as getting through with as little debt as possible was what mattered. As adults with retirement accounts, investments, and savings accounts serving different purposes, it seems that saving money was much simpler with one goal and one piggy bank. However, at the end of each life phase or savings goal, the money is used for its intended purpose.

Reserve funds are no different — they are saved to be spent. In the simplest terms, reserve funds are used to replace the reserve components in a community association. These funds, made up of the monthly dues paid by each unit owner, fund the replacement of components that the association owns, such as roofs or amenities, or the non-routine maintenance of components, such as re-paving streets. These components' upkeep or replacement are generally expensive, which is why reserves are built up over many years. However, because maintenance or replacement schedules are predictable, reserve funds should not be looked at as a rainy-day fund — they are meant to be saved and spent on a timeline.

Reserves, like any other savings fund, often have too little money at any given time, leading to issues such as special assessments or deferred maintenance. But unlike retirement accounts, which benefit from having as much cushion as possible, it is possible that reserve funds contain too much money. It is understandable for board members to see reserve funds as any old savings account, not wanting to spend the money and just aiming to watch it grow. However, this is not their purpose.

While a healthy reserve balance is obviously desirable, 100 percent funded reserves are not generally necessary nor an indicator of health. The truth is, the amount an HOA should have in reserves differs year to year, and there isn't a specific percentage at which reserves need to be consistently funded. Targeting an arbitrary balance relative to the fully funded balance does not offer a complete picture of overall financial health. While maintaining a 100 percent funded balance is generally a safe strategy, it typically results in over-funded reserves as it is incredibly rare that all projects would need to be completed at the same time.

"...an association does not necessarily need to have funds in reserves for all its expenditures at the same time, because each reserve component has a different lifecycle."



Vanz Studio/Stock/Getty Images Plus

Let us take it back to the piggy bank. To be fully funded, or 100 percent funded, you would need to have enough money for the new toy, a car, college, a house, retirement, and all of life's other major expenses before breaking it open. First, there would simply not be enough room in the piggy bank for that amount of money. Second, you would eventually be doing yourself a disfavor. If you waited until you had enough money for everything before spending anything, you would be 60 years old and have never owned a toy or car, been to college, or bought a house. That money would still be sitting in the piggy bank, useless and waiting.

Similarly, an association does not necessarily need to have funds in reserves for all its expenditures at the same time, because each reserve component has a different lifecycle. It would be incredibly uncommon for every reserve component to need replacement simultaneously. Instead, associations need to look at the cash flow. Expenses should be covered over time through stable and adequate reserve contributions that consider these lifecycles.

If reserve funds were meant to sit in an account forever, communities would suffer. Potholes would expand, shingles would fall, and structures would deteriorate. Your community is a living, breathing entity that ebbs and flows, and your reserve funds should be too — don't be scared to use them! ■

Melissa Yocum is a Senior Account Manager with Reserve Advisors.

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ENVIRONMENTAL TIP

Leave the Leaves

Instead of stripping the landscape of all its leaves, it is suggested to remove only the diseased leaves so the plants, soil, etc. stay healthy. Leaving some leaves is important because:

- Leaves can be used as mulch and help winterize the plants.
- Leaves support the caterpillars that turn into butterflies and moths.
- Leaves break down and feed the soil by providing micro-organisms

For those who still wish to neaten the landscape, there may be an opportunity to strike a balance. Allow enough leaves and plants to remain to provide for the ecosystem and remove enough leaves to keep it somewhat neat.



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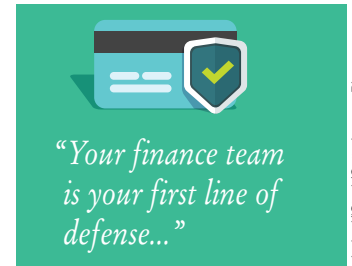
Best Practices to Combat Payment Fraud

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Community association management companies are under siege from high-tech con artists determined to rip them off. From phishing schemes and business email compromise attacks to account takeovers and vendor impersonation, fraudsters have become more brazen and sophisticated.

Mailbox keys purchased on the dark web or stolen from postal carriers have made it easy for bad actors to steal checks sent through the mail. Artificial intelligence and social engineering enable fraudsters to create convincing bank account change requests while malicious software hidden in email links or attachments can provide unfettered access to an organization's finance systems.

Falling victim to payment fraud can have big financial consequences for a community association management company, ranging from lost funds, investigation and recovery expenses, and potential legal and regulatory penalties to operation disruptions. It's no wonder that 5% of the typical company's revenues are lost each year to payment fraud and errors, according to the Association of Certified Fraud Examiners. Payment fraud also can damage a community association management company's reputation and brand image and weaken supplier trust.



"Your finance team is your first line of defense..."

Vladweil/Stock/Getty Images Plus

There are steps you can take to mitigate your risk of cyberattacks and payment fraud:

- 1. Don't skimp on employee education.** Your finance team is your first line of defense against bad actors. Keep staff updated on the latest payment fraud schemes and how to spot them. Remind staff to be leery of links and attachments in emails. Ensure that staff follow your organization's procedures for verifying bank account change requests. Train staff on the telltale signs that a bank account change request may be phony, including an offcenter logo, dates that are not in U.S. format, and inconsistent grammar and punctuation.
- 2. Leverage automation.** User access permissions, systematic invoice approval workflows, complete audit logging, data encryption, advanced data encryption, and other controls built into modern in-voice-to-pay platforms mitigate the risk of payment fraud. Real-time reconciliation of invoices with enterprise systems helps identify issues faster, reducing losses.
- 3. Pay suppliers with virtual cards.** Virtual cards are the most secure way to pay suppliers. Unlike physical cards, virtual cards cannot be misplaced. A unique number is generated for each card, and they are vendor specific. Virtual cards offer configurable time and spending limits. They can only be used once, and their data is encrypted.

The risk of payment fraud is high. But these strategies can mitigate your risk of financial losses. ■

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