

# Common Interest

The Official Publication of CAI-Connecticut

Vol. XVIII: Issue 6 • 2023

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## 11th Annual **LEGAL SYMPOSIUM**

**Does Leasing Units  
Impact Property  
Values?**

**Communicating  
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**Fannie Mae and Freddie Mac  
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Condo Mortgages**

**Community Associations  
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**Who Is CAI?**

The Connecticut Chapter is one of 64 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**



**Frank Pingelski, EBP**

*“Insurance companies are requiring capital improvements to be completed and every project costs more than it did the year before.”*

I’ve talked before about the importance of planning in an association. In years like this it can make a tremendous difference. The cliché of “your either planning for success or planning to fail” holds true. It’s critical as we enter the budgeting season in a year when inflation seems to be running rampant. Insurance companies are requiring capital improvements to be completed and every project costs more than it did the year before. Boards are getting hit from every direction and ones that have taken care of the necessary work over the last several years will have an easier time in the coming couple of years.

Don’t forget, registration is open for the 2023 CAI-CT Legal Symposium! There will undoubtedly be discussions on planning and handling difficult situations. This is one of my favorite events of the year and there is never a shortage of knowledge on display. I would encourage everyone reading this to sign up and attend. It will serve you well in the future. Thanks to everyone who makes these events possible and for everyone who attends and supports. We couldn’t do it without each and every one of you! ■



**Be sure to update**

your board’s member names, titles (President, Vice President, Treasurer, Secretary, and Board Member), and contact information to ensure your board members receive all the latest CAI member benefits!

**Update today:**

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## From the Chapter Executive Director

**"Not everything that is faced can be changed,  
but nothing can be changed until it is faced."**

~ James Baldwin



Kim McClain

Courtesy CAI-CT

Challenges — both big and small — are part of the rhythm of association operations. The issues may be as large as dealing with major disaster, to dealing with the owner who just can't ever seem to curb their dog. Regardless of the situation, it seems important to have the fortitude to tackle challenges rather ignore them and hope they will go away.

We are continually astounded at how few associations have a current reserve study and reserves that are sufficiently funded. When we observe on almost a daily basis the toll disasters are taking on communities near and far, it is disconcerting to know that many of our Connecticut communities will not be adequately prepared to handle disasters on a multitude of levels. More and more we are hearing the drumbeat about legislation in other areas requiring reserve studies and adequate reserve funding.

We always urge attendance at our many education programs. Information is your power. It is essential for the health of your community to take advantage of these opportunities.

Our Annual Legal Symposium is one of the best (and easiest) ways to be informed about changes in our laws, current legal trends, strategies for handling difficult owners and so much more. Once again, we are using a webinar format. This year, we have 12 (count 'em — 12!) education session options. The best part is that if you register, you will receive a recording of ALL the sessions and be able to view them again after the day of the program. Be sure not to miss out. Register today for this great program on October 26. More information can be found in this issue and on our website: [www.caict.org](http://www.caict.org).

We will look forward to seeing you soon! ■

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Register Now!  
**11TH ANNUAL  
LEGAL SYMPOSIUM**  
**October 26th**  
Online 1:00 - 6:00 pm  
Register at [www.caict.org](http://www.caict.org)



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# UPCOMING CAI-CT EVENTS

## Condo Inc. — (IN Person Event) Space is limited. Register Today!

Saturday, October 7 • 8:30 am – 2:00 pm

Oronoque Village, Stratford

We have gathered together a group of industry professionals: legal, insurance, maintenance, financial and capital planning to share their expertise. In addition, this course provides the opportunity to interact with fellow board members and share your challenges and your triumphs! Speakers: Andrea Dunn, Esq., *Bender, Anderson & Barba, P.C.*; Carrie Mott, *Bowvier Insurance*; Dan Levine, CPA, *Tomasetti, Kulas & Company, P.C.* and Russ Fernandes, *Becht Engineering, BT.*

Board Members, Managers & Unit Owners:

\$50 - CAI Members (when you sign into your profile before registering)

\$75 - Non-Members

*Bring a friend - 25% off additional attendees when you register together.*

## CEO CAM Council — Hosted on Zoom

Tuesday, October 17 • 1:00 - 2:00 pm

Qualifications to attend: you must be an individual member or the designated chief executive officer or equivalent of a management company holding a CAI membership. No more than two individuals employed by the same company may participate on the Community Association Managers Council at the same time. Pre-registration is required.

## 11th Annual Legal Symposium

Thursday, October 26 • 1:00 - 6:00 pm

On-line Webinar



Legal experts will present on a variety of current hot topics important to Connecticut Community Associations.

*(All proceeds to benefit legislative advocacy for Connecticut Community Associations.)*

Scheduling conflict? — Register anyway, and afterwards we'll email you the recording!

Earn Additional Credits — These webinar sessions will be available on-demand for 60 days following the live broadcast to those who register prior to October 26th! View sessions you missed and earn additional continuing education credits. Restrictions apply.

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## Jumpstart January — WEBINAR

Wednesday, January 25 • 12:30-2:30 pm

Hosted on Zoom



Exclusively for Managers

No need to leave your home or office. Connect through ZOOM!

Start off 2024 with some great education opportunities!

Managers:

\$30 - CAI Members (when you sign into your profile before registering)

\$55 - Non-Members

## CONDO INC. — WEBINAR SERIES

Hosted on Zoom

Saturday, January 27, February 3, February 10 • 9:00 - 11:00 am

Scheduling conflict? Register anyway, and we'll email you the recording afterward!

We have gathered together a group of industry professionals: legal, insurance, maintenance, financial and capital planning to share their expertise.

Board Members, Managers & Unit Owners:

\$50 - CAI Members (when you sign into your profile before registering)

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## 26th Annual Conference & Expo

Saturday, March 16th



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**Visit [www.caict.org](http://www.caict.org) to register  
and for updated information.**



## Legally Speaking...



Adam Cohen, Esq.

# Does Leasing Units Impact Property Values?

By Adam J. Cohen, Esq.

Many homeowners' associations become concerned when the number of units being rented out increases. Especially when short-term rentals such as those through AirBnB proliferate or investors buy up multiple units, executive boards worry that market values will be negatively impacted. Are they right? The answer is complicated.

Anecdotal evidence suggests that fairly strong majorities of condominium owners who live in their units believe that property values are negatively impacted by rentals of other units. The perception is that neither the tenant nor the landlord has much incentive to keep up with unit maintenance, and that tenants are less invested in community involvement or obeying rules. That perception can easily become reality if potential buyers offer a lower purchase price after learning that the community has a high rental rate. Short-term rentals can also lead to a more transient and less "neighborly" feeling in the community, nuisances such as parking congestion and excessive noise, and other problems. Since Connecticut homeowners' associations owe sales tax on their community purchases in inverse proportion to owner occupancy, more renters also directly increase the annual budget. On the other hand, rental restrictions can themselves deter buyers who may be interested in leasing out their units immediately or in the future, including those willing to remodel units to increase their attractiveness for the rental market.

Another consideration is that lenders also prefer communities with lower rental rates. Most banks are reluctant to give a mortgage to buy or refinance a unit in a condominium with more than 20% to 30% non-owner-occupied units, and federally-backed loans (which are about half of all mortgages) require the figure to be below 50%. Investors are statistically more likely to default on their loans and defer maintenance than owner-occupiers, which can impact the association's solvency and the bank's collateral. Since prospective buyers may have difficulty getting financing for a purchase in a condominium that exceeds these thresholds, market values of units could suffer as a result. A well-known study from the 1990s found that as owner-occupancy in an area went up, so did its average market value over a decade, by \$1,600 per percentage point.<sup>1</sup> And since homeowners' associations are subject to stricter lending controls, the impact of rental rates can be intensified over those in other types of neighborhoods.

There are surprisingly few empirical studies on whether more rentals cause lower market values in homeowners associations. The ones that exist are often unreliable due to two complicating factors:



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*“Another consideration is that lenders also prefer communities with lower rental rates.”*

the difficulty of distinguishing causation from correlation, and the difficulty of ruling out the many other factors that impact the real estate market. In that respect, a 2019 study in Florida which attempted to control for those problems is among the best research to date. Its results supported the conventional wisdom that adding more rentals to most kinds of neighborhoods does lower single-family home values, especially if the rental units are of lower quality – but surprisingly that, in condominiums as opposed to other neighborhoods, the more expensive rental units had more of this effect rather than the cheaper ones.<sup>2</sup> The researcher was not able to explain why higher-end rentals would cause neighboring units to lose measurable value.

Nationwide studies of AirBnB listings by zip code (which did not account for the factors controlled in the 2019 Florida study) have found a negative correlation on property values in some areas but a positive impact in most others, especially those that already had a high percentage of rental properties.<sup>3</sup> However, the areas with a positive correlation may have seen that impact only because a small number of AirBnB hosts were buying up and renting out multiple homes that would otherwise be bought by others including owner-occupants, artificially making housing less available and affordable in those markets.<sup>4</sup>

It's also possible that rental restrictions in an association can go too far, changing their impact on property values from positive to negative. A 2009 study in Canada found that associations which completely banned all unit leases experienced an approximately 3% reduction in property values – except one region in which the very few which did not ban rentals (leaving them as investors' only option) increased

values by 10%.<sup>5</sup> In other words, the rental restrictions in nearby communities competing for incoming purchasers also play a role in their market impact.

Overall, the available evidence suggests that moderately-restrictive leasing controls can have a positive impact on unit values depending on other market conditions and association characteristics. Associations should work closely with their attorneys – and possibly even local realtors – for advice on whether and how to control leasing to help protect their units’ market values. ■

*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.*

**END NOTES:**

- 1 <https://www.thefiscaltimes.com/Articles/2013/11/04/Do-Rentals-Really-Ruin-Neighborhood>.
- 2 <https://ihlanfeldt.com/wp-content/uploads/2019/07/Not-In-My-Neighborhood-The-Effects-of-Residential-Rentals-on-Single-Family-Home-Values.pdf>.
- 3 <https://www.realtrends.com/articles/airbnb-has-impact-on-housing-prices/> and <https://www.dutchessny.gov/Departments/Planning/docs/Effect-of-Home-Sharing-on-House-Prices-Rents-Evidence-from-Airbnb.pdf>.
- 4 <https://www.krannert.purdue.edu/news/features/home.php?research=7145>.
- 5 <https://www.aicanada.ca/article/do-restrictions-on-renting-increase-condominium-values/>.



## Statutory Snippet

### What do I do if the condo association board never meets? Or what if they meet in secret?

“Never” and “in secret” are not allowed under Connecticut law. The condo association board **must meet** at least once per year. Under amendments to COIA adopted in 2009, board members may never meet in secret, and social gatherings at which board members are present do not count as board meetings. Even if board members wish to meet by phone, (or online) which they may, access to the meeting must be made available to all unit owners. In fact, board members must **provide instructions** as to how to participate in the meeting if it is by phone or online.

*Source: Connecticut Department of consumer Protection – Condominium FAQ*

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## Here Comes the Sun - Are Condos & HOAs Ready?

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This interactive workshop will provide condo association boards, property managers, and residents with information on how they can work with local installers to develop and finance community-wide plans for installing solar energy systems.

**Workshop #1**  
Friday, October 20  
9:00 - 10:00 AM  
For Property Managers  
(CEUs Available)

**Workshop #2**  
Saturday, October 21  
9:00 - 10:00 AM  
For HOA Board Members & Unit Owners



Visit [goenergyexpo.com](http://goenergyexpo.com) for more information.



Organized By




## Financially Speaking...



Daniel Levine, CPA

# Communicating Accounting Information

By Daniel Levine, MBA, CPA

While accurately recording and controlling your accounting transactions provide a strong framework for accurate reporting, the next challenge often is utilizing financial reports to communicate relevant and actionable items contained within them to allow for effective decision making. This article will look at ways to develop the communication skills necessary to effectively report on the fiscal health of your community.

### Develop a Solid Knowledge Base

While it may sound obvious to do, developing a solid knowledge base can be hard for newcomers into the financial roles of an association. In the perfect world, an association will have access to someone who has a strong background in financial information and reporting. Having this background can allow for someone to quickly and seamlessly step into the role to interpret the association's statements and report it to the wider community. But what can an association do when they don't have access to someone with those skills?

The first option an association should consider is its own internal training and lead times. If there is a lack of individuals with a financial background, giving someone time to ease into the position can allow them to learn the details gradually. This way, when they assume the responsibility, they aren't dropped into the deep end. This can be done by rotating positions on the board and having someone start off in a position such as secretary and then move their way into the treasurer role. During that time this individual can assist the current treasurer role with projects and get familiar with the reporting. This lead time will allow someone to develop skills through experience which can then give the knowledge foundation to report the finances of the community.

If lead time is short, the association can consider the option to invest in continuing education. This can be done in a few ways as well. CAI-CT has many seminars and opportunities to develop the knowledge base needed. Additionally, most associations engage professionals for assistance in accounting and those professionals are happy to explain theory or answer questions. Conducting board training with the association's professionals is a great way to develop skills specific to your community's needs.

Lastly if the association is large enough, putting together a finance committee to help support initiatives relating to the financials and help conduct analysis can be very helpful in developing ways to com-



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*“If there is a lack of individuals with a financial background, giving someone time to ease into the position can allow them to learn the details gradually.”*

municate important components of the financial statements to the community. While some individuals may not be able to commit the time requirements for the board of directors, they may be able to help specifically on certain issues so those on the board have the knowledge needed to make decisions.

### Keep Reporting Simple

When it comes to reporting financial information to the community at large, breaking down the total sum of the information into relevant smaller parts will make it more digestible for members. By focusing decision making and addressing critical issues instead of overwhelming individuals with lots of data, most of which requires no action, an individual can more clearly communicate issues or results at large. More information for any topic can always be provided on request or after the fact, but presenting the just the top level view as part of the monthly reporting can be very helpful for clarity.

A concept that can help with this is to create a financial dashboard. Similar to a car dashboard, a financial dashboard looks to take key indicators of financial health and report those. A treasurer can create goals for these key indicators and report actuals against

*[Continues on page 10.]*

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**FINANCIALLY SPEAKING...from page 8.**

these goals to track progress. This is a simple way to distill data to drive decision making and then make sure the association stays on track.

Items that can be put into a financial dashboard are things like current account receivable balances, money market account balances, and certain expense lines like building maintenance; anything that an association can focus on as a goal for the year.

**Stay Engaged**

When serving as a volunteer, it can be tough to stay involved when real life gets in the way. With respect to reporting though, each day brings new transactions and impacts the association’s financial reports.

*“When serving as a volunteer, it can be tough to stay involved when real life gets in the way.”*

Setting a schedule and carving out time to stay involved in the details can prevent an individual from getting overwhelmed by the volume of transactions. Staying engaged will also allow a strong command of the details which in turn makes present-

ing higher level summaries much simpler. Giving yourself enough time to ask questions when statements are first prepared by the management company will allow for analysis of the statements which can help reduce or catch errors and ensure that the information is accurate. This also gives anyone reporting on the financials the lead time necessary to digest the relevant information that is contained in the statements.

**Standardize the Process**

To create efficiency in the process of financial reporting, what is analyzed and what is presented can be standardized to be similar each month. The financial dashboard can help make what is reported consistent, but that isn’t the only component that can be standardized.

Standardizing the time available to present findings can help avoid lengthy meetings in the weeds and can help ensure reporting remains concise. Standardizing what is presented can build continuity across meetings as well as build comfort in how things are presented and reported which can make it easier to present the information.

That being said, this doesn’t mean that things cannot change, and no process should truly ever be set in stone. If there are unique or large transactions occurring that are unusual this can impact what is focused on in a particular month.

**Conclusion**

Learning to interpret financial statements is the equivalent of learning a new language. What a balance sheet represents as compared to an income statement and how to use each in decision making are important things to know. Staying consistently engaged, standardizing and consolidating what is reported, while being supported by a solid foundation of principals will allow for the board or treasurer to continually keep the community informed about the important ongoings of the association’s finances. ■

*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 is an active participant in CAI-CT related programs and can be found presenting accounting best practices at these events throughout the year. Dan is also a member of our At Large Legislative Advocacy Committee and serves on the CAI-CT Board of Directors.*

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Dawn Bauman

## Fannie Mae and Freddie Mac Release Lender Bulletins for Condo Mortgages

By Dawn Bauman

Reprinted with permission from HOAresources, a website powered by Community Associations Institute (CAI) that offers information and tools for condominium and homeowners association leaders. [hoaresources.caionline.org](https://www.hoaresources.caionline.org)

Within the past few weeks, Fannie Mae and Freddie Mac released lender bulletins as a step toward making temporary requirements permanent. The temporary requirements addressed issues of structural safety in condominium and housing cooperative buildings in response to the Champlain Towers South condominium collapse.

Lender bulletins are the prescriptive requirements mortgage lenders must comply with to have their loans backed or purchased by Fannie Mae or Freddie Mac. As of 2023, the National Association of Realtors says Fannie Mae and Freddie Mac support around 70 percent of the mortgage market. This means that most conventional loans offered by private lenders end up being backed or purchased by one of the two entities. Most lenders offering mortgages to condominiums will need to comply with Fannie Mae and Freddie Mac requirements.

According to the Federal Housing Finance Agency (FHFA), the conservator of Fannie Mae and Freddie Mac, these lender bulletins are the first step toward implementing permanent lender requirements. The next steps will include stakeholder meetings with lenders, realtors, engineers, reserve professionals, attorneys, and other parties.

The recent lender bulletins purport to clarify definitions regarding critical structural repairs, deferred maintenance, reserve studies and funding, pending litigation, and more. While definitions have been added, it is clear these explanations are leading to stiffer requirements for condominium and housing cooperatives.

CAI continues to work collaboratively with the Community Home Lenders of America and the National Association of REALTORS to urge changes to the requirements before they become final and seek greater transparency in the process.

The Fannie Mae and Freddie Mac “questionnaire” that many mortgage lenders use to populate their questionnaires has not been changed or updated at this point. Below are highlights of the lender bulletins:

- Special Assessments – must be reviewed by lenders to determine the purpose of the assessment, timing of execution of the assessment, original amount, expected date of being paid in full, and whether the assessment is related to a critical repair. Buildings with special assessments will certainly be deemed ineligible.
- Inspection reports – if there is a structural or mechanical inspection report completed within the last three years, the lender must obtain a copy and review the report. If the report indicates an evacuation order, unaddressed critical repairs, or other habitability concerns, the project building/association will be deemed ineligible.
- Reserve study and funding plans – must comply with strict requirements including updates every three years. Furthermore, the reserve



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study must comment favorably on the project’s age, estimated remaining life, structural integrity, and the replacement of major components. This will be problematic for almost all condominium and cooperative buildings as a reserve study is a budgeting tool, not an inspection report that will provide comments on structural integrity.

- Projects in litigation – now include alternative dispute resolution (ADR) or litigation proceedings – unless the ADR proceeding involves only minor matters that do not affect the safety, structural soundness, functional use or habitability of the project. The expansion of this definition will have unintended consequences for buildings in litigation that are completely safe.
- Reciprocity – Freddie Mac may rely on Fannie Mae’s Condo Manager list of ineligible projects and both Fannie Mae and Freddie Mac can look to condominium associations certified by FHA. FHFA? Further, clear databases are being created to track eligibility. CAI continues to work with Fannie Mae, Freddie Mac, FHFA, and members of Congress to urge changes that will keep buildings safe for owners and maintain access to credit for condominium homebuyers/sellers.

### Find this information and much more in these links.

Freddie Mac Lender Bulletin <https://guide.freddiemac.com/app/guide/bulletin/2023-15>.

Fannie Mae Lender Bulletin <https://singlefamily.fanniemae.com/media/36376/display>

Dawn M. Bauman, CAE is the Chief Strategy Office with Community Associations Institute.

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# 11th Annual Legal Symposium

Thursday  
October 26, 2023  
12:30 - 5:30 pm

Approved for 4  
continuing ed credits.

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## 12:30 PM - VIRTUAL VENUE OPENS

Visit with fellow attendees in one of our Conversation Cafés

## 1:00 PM - WELCOME

Scott J. Sandler, Esq., CCAL — *Sandler & Hansen, LLC*

## 1:05 PM - LEGISLATIVE UPDATE 2023/ ANTICIPATED 2024

Chas Ryan, Esq., Chair — *Pilicy Ryan & Ward, P.C.*  
Scott J. Sandler, Esq., CCAL — *Sandler & Hansen, LLC*  
Karl Kuegler, Jr., CMCA, AMS, PCAM — Vice Chair/Secretary — *Imagineers, Inc.*  
Andrea Dunn, Esq. — *Bender, Anderson & Barba, P.C.*  
Dave Pilon — *Devonwood HOA*  
Mark Sperry — *Fernwood Estates*

## 1:30 PM - SESSION 1

### EV Charging Stations — One Year In — Now What?

**Speaker:** Andrea Dunn, Esq. — *Bender, Anderson and Barba, P.C.*

**Moderator:** Rich Wechter, CMCA —  
*Westford Real Estate Management, LLC*

Rules drafting, handling the application process and trying to unravel the mystery of “reasonableness”. Now that the legislation is in place, boards and property managers are left with the question of how to handle unit owner requests for the installation of EV charging stations. What would a set of rules look like? The application is a bit of a mystery and that word “reasonable” doesn’t help. This presentation will attempt to assist boards and property managers with the application process, the drafting of rules for charging stations and give some perspective on how to determine what is reasonable. Solar roof panels and future legislation will be a part of the discussion too.

## Contracts: Important Terms and Provisions to Look Out for

**Speaker:** Ari Hoffman, Esq. — *Cohen & Wolf, P.C.*

**Moderator:** Mark Sperry — *Fernwood Estates Association, Inc.*

Contracts: Negotiating and entering into contracts is an important responsibility for every common interest community board. We will discuss the negotiation process, key language and terms that best protect communities, and disclosure and other requirements.

## Board Disfunction — How to Turn Things Around

**Speaker:** Christopher Leonard, Esq. — *Collins Hannifin, P.C.*

**Moderator:** Karl Kuegler, Jr. CMCA, AMS, PCAM — *Imagineers, LLC*

Discussion of multiple types of board disfunction (including, but not limited to lack of interest in the board due to unit owner apathy, boards fighting among themselves, boards fighting with unit owners, boards which act as dictators, and boards which have become out of touch with current laws and trends in the industry). Learn what can be done to get out of these scenarios and how to avoid falling into disfunction in the first place.

## 2:25 PM - BREAK

## 2:30 PM - SESSION 2

### The Interplay Between Local Public Health Agencies and CIOA Communities

**Speakers:** Brian R. Smith, Esq. — *Robinson + Cole, LLP*  
Patrice Sulik — *Director of Health for the North Central District Health Department*

**Moderator:** Rich Wechter, CMCA —  
*Westford Real Estate Management, LLC*

Municipal health authorities have significant powers under state law. For example, if a local director of health suspects any nuisances or sources of filth that affect the public even if located on private property within that

director's municipality or district, the director may order abatement and/or remediation of any such nuisance or filth. Failure to obey such an order can result in criminal charges and jail time. Local health departments are also in charge of lead paint remediation and administering quarantines when public health emergencies are declared and numerous other aspects of day-to-day living. This presentation will be a short primer on this topic and why it is useful for CIOA communities to have a clear grasp of this area of the law.

### Strategies for Dispute Resolution

**Speaker:** Christopher Hansen, Esq. — *Sandler & Hansen, LLC*

**Moderator:** Mark Sperry — *Fernwood Estates Association, Inc.*

Some disputes belong in court, but others can be resolved by the parties if they are given an opportunity to talk and work out a solution on their own. We will review the types of situations in the common interest community context that might be better handled through mediation and talk about the pros and cons of mediation vs. litigation such as - the financial costs, the value of the parties reaching a solution on their own vs. the uncertainty of litigation, unit owner vs. board disputes and unit owner vs. unit owner disputes and overall the role of the board in these situations.

### Executive Sessions: What is Required

**Speaker:** Bill Ward, Esq., CCAL — *Pilicy Ryan & Ward, P.C.*

**Moderator:** Andrea Dunn, Esq. — *Bender, Anderson and Barba, P.C.*

The presentation will first detail the statutory requirements for noticing Executive Sessions, what to state on the agenda, how to ensure confidentiality if necessary while communicating to owners issues the board is enforcing, detail the items that statutorily are allowed to be discussed in Executive Sessions, explore when protecting the privacy of the persons is applicable, not voting in Executive Session but returning to Open Session, and how to handle Executive Sessions when the meeting is virtual.

**3:25 PM - BREAK**

**3:30 PM - SESSION 3**

### Rental Investments and Strategies to Protect Communities

**Speaker:** Ron Barba, Esq. — *Bender, Anderson & Barba, P.C.*

**Moderator:** Rich Wechter, CMCA — *Westford Real Estate Management, LLC*

What has been the impact of corporations buying up properties as rental investments? Are there strategies to protect Communities? Domestic and foreign corporations are buying condominium units in large numbers. Common interest communities are thus faced with the challenges of high rental percentages. As percentages increase, these communities and individual unit owners find financing more difficult as underwriting guidelines are exceeded. Insurance rates continue to climb as the actuarial tables establish high rental properties as high risks. Capital improvement projects become more difficult to fund as banks avoid those with high rental percentages and/or those with high single-entity ownership. I will discuss the alarming trends in corporate buying, the ramifications thereof and provide strategies for avoiding the high rental percentage and high single-entity ownership traps.

### Fair Housing and Disabilities, Service & Support Animals

**Speaker:** Scott J. Sandler, Esq., CCAL — *Sandler & Hansen, LLC*

**Moderator:** Andrea Dunn, Esq. — *Bender, Anderson and Barba, P.C.*

In this presentation, we will discuss the impact of both the ADA and Federal fair housing laws on community associations, considerations

when responding to a resident's request to accommodate a disability, and differences between service animals and support animals.

### Community Association Insurance: A New Paradigm

**Speaker:** Dave Pilon, CIRMS — *Bowvier Insurance*

**Moderator:** Karl Kuegler, Jr. CMCA, AMS, PCAM — *Imagineers, LLC*

Topics will include a discussion of the current hard market, how we got here, and the impacts going forward. Over the last year we have seen the most volatile property & casualty market in a lifetime. The ramifications of this market volatility are only just being felt. We will discuss the factors leading up to these unprecedented increases as well as how rising costs will ultimately change how claims are adjusted and paid. Discussion will include macro factors leading up to the market turmoil, what to expect over the near and mid-term, and what long-term impacts you can expect on how Boards handle claims in the future.

**4:25 PM - BREAK**

**4:30 PM - SESSION 4**

### Mortgage Underwriting

**Speaker:** Dawn Bauman, CAE, CAI National

**Moderator:** Scott J. Sandler, Esq., CCAL — *Sandler & Hansen, LLC*

70% of all condo loans in the U.S. are [backed by] Fannie Mae or Freddie Mac. 60% to 70% of all condo complexes are more than 30 years old. We will discuss the new requirements and the legal issues that could arise due to an unqualified or inaccurate representation concerning the structural integrity of the building.

### Resale Certificates — What and When to Disclose

**Speaker:** Gregory McCracken, Esq. — *Jacobs, Walker, Rice & Barry, LLC*

**Moderator:** Mark Sperry — *Fernwood Estates Association, Inc.*

The session will offer a detailed discussion of the requirements of Section 47-270 of CIOA, including documents to attach, information to include, and non-standard items that come up, such as schedules of standard improvements covered by insurance, restrictions on alienation, and disclosures of ELURs and environmental issues. We will review the timing of delivery and a recent change on the charge for resale certificates. Finally, we will address problems with disclosure of more than what CIOA covers, the association's obligation of good faith, and how to deal with anticipated capital expenditures that executive boards have not yet approved.

### Staying Out of Hot Water: 3 Lake Management Strategies that Won't Bust Your Budget

**Speaker:** Brendan McCarthy — *SOLitude Lake Management*

**Moderator:** Karl Kuegler, Jr. CMCA, AMS, PCAM — *Imagineers, LLC*

When it comes to the management of community lakes and stormwater ponds, neglecting to attack the root cause of water quality imbalances can lead to bigger problems like nuisance aquatic weeds, toxic algae blooms, shoreline erosion, or flooding due to sediment buildup. Without intervention, these may continue to worsen or reappear, creating a frustrating and potentially costly cycle of maintenance. We will discuss three essential tiers of lake and pond management, and key facts property managers should consider when planning for the future of their community waterbodies.

**Speaker Information on the next page.**

# LEGAL SYMPOSIUM SPEAKERS



**Ronald J. Barba, Esq. — Bender, Anderson & Barba, P.C.** Ron graduated from the University of Connecticut in 1991 with a Bachelor of Science in Economics. He obtained his law degree from the Quinnipiac College School of Law in 1994. Attorney Barba's practice has focused on common interest ownership law, construction and commercial litigation, commercial and residential real estate and landlord/tenant law. He is a member of the Connecticut, Federal and Supreme Court Bars, and is also a member of the Real Estate Section, Litigation Section and Insurance Section of the Connecticut Bar Association and Connecticut Trial Lawyers Association. Ronald Barba has presented countless seminars for continuing legal education providers as well as clients.



**Dawn M. Bauman — Foundation for Community Association Research.** Dawn has worked for CAI for more than 20 years at both the international and chapter level. Bauman is a leading expert in the community association housing model and is frequently sourced in U.S. and international media outlets, including *The Wall Street Journal*, *U.S. News & World Report*, *The New York Times*, *The Washington Post*, and *Bankrate*, on community association housing topics.



**Andrea Dunn, Esq. — Bender, Anderson & Barba, P.C.** Andrea graduated from Western Michigan University in 1996, with a Bachelor of Arts in Philosophy, cum laude. She is a member of the Golden Key National Honor Society. She attained her law degree from Quinnipiac University School of Law in 2001. Her practice has focused on litigation in the areas of creditor's rights, collections, contracts, foreclosure, landlord-tenant and community association common interest ownership law. She is a member of the Connecticut Bar Association and a member of the CAI Connecticut Legislative Action Committee, also serve on the Legal Symposium Task Force.



**Christopher E. Hansen, Esq. — Sandler & Hansen, LLC.** Chris is a partner with Sandler & Hansen, LLC. Chris has been representing community associations for over fifteen years and focuses on drafting, amending and interpreting governing documents, commercial financing of community association capital improvement projects, alternative dispute resolution and the enforcement of governing documents. Chris has served as Vice President of the Board of Directors of the Connecticut Chapter of Community Associations Institute (CAI-CT) as well as chair of CAI-CT's Legislative Action Committee. Chris also chaired CAI-CT's Annual Conference and Expo for several years and is a regular speaker at CAI-CT events.



**Ari J. Hoffman, Esq. — Cohen & Wolf, P.C.** Ari is the firm's Managing Partner. He is the chair of the firm's Common Interest Communities Group. He has a large common interest community practice, counseling common interest communities of all sizes. He routinely reviews and amends community documents, prepares contracts, collects common charges and fines, represents clients at hearings, in court, and before the Commission on Human Rights and Opportunities, and provides general governance advice. Ari regularly speaks at seminars and educates Boards of Directors on applicable law and best practices.



**Karl Kuegler, Jr., CMCA, AMS, PCAM — Imagineers, LLC** Karl has been a member of the community association management staff at Imagineers, LLC for over 25 years serving the last 14 years as its Director of Community Association Management. As an involved member of CAI-CT, he has served in several capacities including his current roles as chair of the Conference & Expo Committee, Vice Chair of the Legislative Action Committee, committee member for the Legal Symposium Committee, and a member of the CAI Connecticut Board of Directors. He was the recipient of the CAI-CT 2016 Community Association Executive Award. Karl appreciates the opportunity to serve the needs of community associations as they look to govern and address the needs of their communities. Karl has obtained the CMCA, AMS and PCAM industry related designations.



**Christopher K. Leonard, Esq. — Collins Hannifin.** Chris practices in the areas of Commercial and Residential Real Estate, Common Interest Community Law, Business and Commercial Law, Land Use and Real Estate Development, and Environmental Law. He is a member of the Executive Board of the Real Estate Section of the Connecticut Bar Association. Mr. Leonard is counsel to numerous real estate developers and over 150 common interest communities throughout the State of Connecticut. Mr. Leonard is on the Connecticut Lawyer Council for the Connecticut Chapter of Community Association Institute. Mr. Leonard served on the Statewide Drafting Committee, which drafted the 2009 amendments to the Connecticut Common Interest Ownership Act, and additionally served as a contributing author on the Connecticut Bar Association *Connecticut Common Interest Ownership Manual* 2nd Edition, 2013.



**Brendan McCarthy — Solitude Lake Management.** Brendan is an Aquatic Specialist and Business Development Consultant for the New England region. He regularly works with stakeholders to design solutions for their lake, pond, and wetland challenges, such as invasive weeds, algae, cyanobacteria, shoreline erosion, and water quality imbalances. He is passionate about helping homeowners, commercial customers, and municipalities identify strategies that they may have never thought possible. Brendan graduated from High Point University in North Carolina with a Bachelor of Science degree.



**Gregory W. McCracken, Esq. — Jacobs, Walker, Rice & Barry, LLC** Greg is a partner at Jacobs, Walker, Rice & Barry, LLC. His practice emphasizes common interest community law and land use, planning, and zoning law. He represents community associations and developers, and he advises property owners and other lawyers. Greg is a frequent speaker for CAI-CT and has given presentations on the Common Interest Ownership Act for CBA and HBRA-CT. Greg is a graduate of the University of California at Davis (B.A., Linguistics, 1985), the University of the Pacific, McGeorge School of Law (J.D., with distinction, 1993), where he served on the board of editors of a journal of international law and on the international moot court competition team, and the University of Illinois (M.U.P. 2000). He is a member of Phi Beta Kappa and the Order of the Coif. He Received the American Institute of Certified Planners Outstanding Student Award. Greg has been named to the Connecticut Super Lawyers® list in the area of Real Estate from 2009 to date. Greg is currently a member of the CAI Connecticut Board of Directors.



**Dave Pilon, CIRMS — Bouvier Insurance** Dave has been with Bouvier Insurance for over 18 years and serves the insurance needs of over 200 community associations throughout southern New England & New York. A former CPA, Dave has earned CAI’s Educated Business Partner credential and is a member of the CT chapter’s Legislative Action Committee.



**Chas A. Ryan, Esq. — Pilicy Ryan & Ward, P.C.** Chas represents Common Interest Communities throughout Connecticut. He is an active member of the Connecticut Chapter of CAI and presently serves on the Board of Directors, Education Program Committee, the Conference Committee, and is the Chair of the Legislative Action Committee. Attorney Ryan often educates Managers, Board Members and Unit Owners regarding the CIOA and other areas of law affecting Common Interest Communities.



**Scott J. Sandler, Esq., CCAL — Sandler & Hansen, LLC** Scott is the managing partner of Sandler & Hansen, LLC, located in Middletown, Connecticut. His firm provides high quality legal services to condominium and homeowner associations throughout Connecticut. Mr. Sandler is a fellow of the Community Associations Institute’s College of Community Association Lawyers. From 2010-2020, he served as the chairman of the Legislative Action Committee of the Connecticut Chapter of the Community Associations Institute. He is also a member of the Institute’s Government & Public Affairs Committee. Mr. Sandler served the Institute as president of its Connecticut Chapter from 2008 through 2009. Mr. Sandler also represented the Chapter when he served on the Connecticut Law Revision Commission Study Committee, which adapted the 2008 revisions of the Uniform Common Interest Ownership Act for use in Connecticut.



**Brian Smith, Esq. — Robinson + Cole.** Brian concentrates his practice in land use and real estate matters, and he handles litigation related to these topics. He is the chair of the firm’s LandLaw Section. Brian represents municipalities, developers, and neighbors in land use, planning, wetland, and coastal resources issues. He regularly appears before local land use and wetland boards and commissions in Connecticut, and before state and federal permitting agencies, in order to help his clients gain the necessary approvals for their projects.



**Mark Sperry —** Mark D. Sperry is past President of Fernwood Estates Association, Inc., a 55 & Over community in West Hartford. As a retired insurance company actuary who downsized into a condominium, Mark is keenly aware of important role CAI fills in meeting the educational needs of board members as well as current and prospective unit owners. He also serves on the CAI-CT Membership Committee and also served on the CAI-CT Board of Directors from 2013-19. Mark has also participated in “Members Only” Common Interest Theater.

**Patrice Sulik** is the Director of Health for the North Central District Health Department, which serves the largest population served by a local health department in Connecticut. She received her undergraduate degree in Environmental Technology from Quinnipiac University and her Masters’ Degree in public health from the University of Connecticut. As a Registered Sanitarian with 38 years of public health experience, Patrice has had experience with a variety of complaints related to tenants, housing and condominiums.



**William W. Ward, Esq., CCAL — Pilicy Ryan & Ward, P.C. —** Bill is a graduate of Fairfield University (B.A. 1978 – cum laude) and the Columbus School of Law at The Catholic University (J.D. 1981), where he was a member of the Law Review. He clerked for the Honorable C. Murray Bernhardt in the United States Court of Claims (1981 – 1983). He serves as a Special Master for the Connecticut Superior Court. He served as a member of the Board of Directors from 2013-19 and also serves on the Legislative Action Committee for CAI-CT. He was also a member of the Connecticut Bar Association’s committee, which drafted the Connecticut Common Interest Ownership Manual – Second Edition. Mr. Ward has provided legal services to community associations for over 30 years. His practice concentrates on common interest communities, common interest community developments, real estate, probate, and civil litigation.



Frank Pingelski, EBPA

## Aging Infrastructure and The Insurance Industry

By Frank Pingelski, CLCS

**A**ging Infrastructure... it's all around us. Every government, municipality, private company, homeowner, and community association will have to address it over time. Failure to repair and replace components of our homes and communities before they deteriorate to the point of failure can have catastrophic financial consequences, and some have even proven to be fatal. In most instances it's not that severe, however even the smaller failures have led to financially difficult times.

One of the foundations of the insurance industry is that insurance companies need to have a wide spread of risk with many individuals paying premiums while very few have claims. It's the only way they can replace a \$5,000,000 building while only collecting \$15,000 in premium. It's also one of the many ways we are all connected. As the frequency and cost of claims across an insurance carrier's book of business increases, they have to find a way to make individual accounts profitable through changes to premium, deductibles and coverage. A significant increase of preventable insurance claims related to aging infrastructure failures erodes the financial reserves of insurance companies and is detrimental to their ability to pay other claims.

A significant portion of the associations in Connecticut are approaching 35-50 years of age and are beginning to experience claims on a greater frequency that relate back to broken infrastructure. While insurance may not cover the cost of the direct repairs to the specific item that failed, many times the resulting damage is covered. Associations that have kept up with maintaining and replacing smaller infrastructure items and implemented routine checks will have a much better claims history than the associations that don't proactively replace or inspect aging items.

Many people believe suffering from repeated insurance claims is just a matter of bad luck. While to some extent that's true, the reality is a significant number of claims come from aging infrastructure and could have been prevented. Insurance companies are much more sensitive to



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*"A significant portion of the associations in Connecticut are approaching 35-50 years of age and are beginning to experience claims... that relate back to broken infrastructure."*

paying claims from manageable exposures because of the fact that the incident was most likely avoidable to begin with. An annual chimney inspection can prevent a catastrophic chimney fire, an older roof is more likely to suffer damage in storm and let rain in, routine drain line cleaning and inspections can prevent sewer backups, annual HVAC system checks can keep them failing and causing greater damage, and a water heater replacement program can significantly reduce the likelihood of a water heater failure.

Where all associations are starting to see major changes in the insurance industry is in the carriers' stances on large infrastructure items. Aging roofs and the deterioration of driveways/sidewalks has always been a concern in our region and something the insurance companies

*[Continues on page 20.]*

### ENVIRONMENTAL TIP

How can your association save money while still looking beautiful? The anti-lawn movement just may be an answer. Typical lawns, require many hours of maintenance and a deal of association funds to keep green especially during hot summers. These standard type lawns are losing favor among homeowners, with many switching to low- or no-mow lawns that require far less money, time, and effort to maintain.

A significant bonus with these types of lawns is that they often feature native plants, which are important to pollinators, which protect our food supply.

There is a common misunderstanding that low- or no-mow lawns are unkempt. In reality natural lawns are less expensive and easier to maintain than a traditional lawn.



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**AGING INFRASTRUCTURE...from page 18.**

inspect and ask about. We are now starting to see insurance companies take a harder look at the structural integrity of buildings, especially for mid and high rises, as well as requesting updates for electrical, plumbing, and HVAC systems. In some cases, if updates have not been made in recent years, alternate carriers are declining to offer a proposal. In cases where claims have resulted from these items, carriers are much more likely to non-renew. Moving to the excess surplus lines can cost an association anywhere from 50%-300% more on the renewal. This non-renewal situation creates a tremendous amount of financial stress for an association as they now have to update or replace the infrastructure items while paying a significant amount more for their insurance, which was already one of the biggest line items in the budget.

One thing to note in the timing of this discussion is that the insurance markets run in cycles between soft markets and hard markets. The habitational insurance market in the northeast has hardened tremendously in the last 12 months. This is primarily due to increased claim activity, significant increases in reconstruction values, and drastic increases in the cost of re-insurance. Hard insurance markets are characterized by a decreased capacity to offer coverage, stricter underwriting, and larger premium increases. In the current hard market, we are also seeing a significant increase in the cost of construction which leads to higher building valuations and further compounds the premium increases.

The point to all of this is that updating and replacing aging infrastructure will need to be accomplished at some point in time for every single association. Associations that take a proactive approach will be able to undertake these projects on their own terms. Associations that fail to address aging infrastructure and wait until insurance carriers mandate repairs, will find themselves paying a significant amount more and scrambling to put a plan and financing in place. If the infrastructure in question is a major component this can become an almost impossible task to accomplish timely. The only question is which path would you prefer to walk down? ■

*Frank Pingelski is Vice President of Community Associations at Toohr-Ferraris Insurance Group. Frank is currently the President of the CAI-CT Board of Directors and serves on our Conference Committee. He is also a frequent speaker at CAI-CT education programs.*



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## Manager's Column...



Rich Wechter, CMCA

### Being Practical, Part LXXXVIII Community Associations Giving to Others

By Rich Wechter, CMCA

In this column, I tackle various topics of interest with the intent of imparting practical advice. In this issue's column, in light of the horrific fires and deaths on the island of Maui, I digress a bit to offer suggestions on what community associations can do for others.

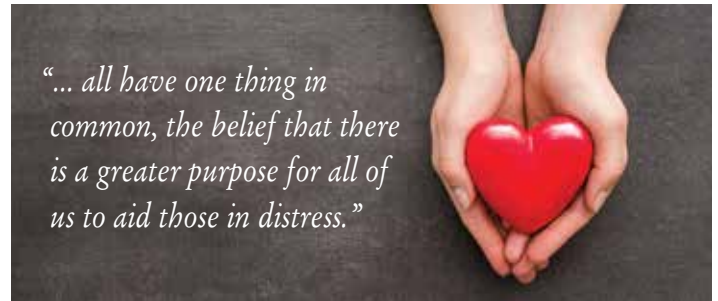
#### A. Setting the Table on this Topic

Winston Churchill once stated, "We make a living on what we get. We make a life by what we give." The great artist Pablo Picasso once declared, "The meaning of life is to find your gift. The purpose of life is to give it away." Community associations are made up of many people of all different economic situations. Some are very well off and some are struggling. Yet all have one thing in common, the belief that there is a greater purpose for all of us to aid those in distress. We have all been touched by the complete destruction of communities on Maui. Many lives have been lost and the death toll at the time of this article continues to rise. We grieve along with all Americans, we wonder why such a tragedy could happen, and most of all, we ask ourselves what we can do sitting in the safety of our condominiums and homes for those who have lost loved ones and their homes. The answer, I suggest, is for community associations here in CT and throughout our country to set aside the political nonsense that rules our cable channels and newspapers and band together to gather supplies, money and people to come to the aid of our fellow brothers and sisters on Maui in their time of need. To aid in this effort, I offer some suggestions to achieve this noble goal.

#### B. What Can Community Associations Do to Help Maui

I offer a few suggestions for community associations to help our friends in Maui:

1. Boards, with the help of their community association managers, should ascertain the names and contact information for relief organizations that are already on the front lines in Maui.
2. Once the right organizations have been reached, ascertain what is needed by way of supplies, people and money to come to the aid of Maui.
3. Put together a plan of action within your community association to provide whatever is needed.
4. Schedule a Special Board or Unit Owners meeting to discuss what is needed and how to address those needs. Any one community association may not make a significant impact on the horrific situation in Maui. Many community associations, however, will have a positive and significant impact. Once words get out about such an effort, people will come.



*"... all have one thing in common, the belief that there is a greater purpose for all of us to aid those in distress."*

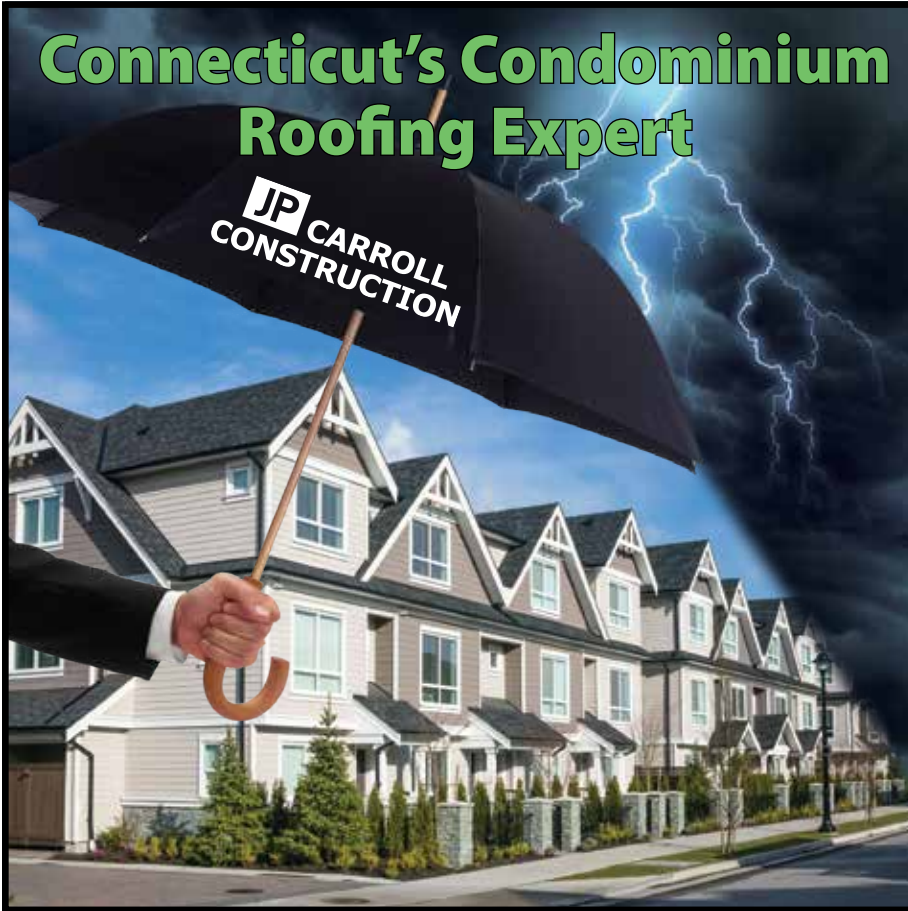
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5. Bring as many people into the fold in this effort as possible, both with respect to giving and to planning and organizing. This is the one time when "more is more".
6. Utilize Zoom and other similar vehicles to reach out to those in distress on Maui. Sometimes just talking to those in need will be a comfort to them.
7. Keep the effort going. A "one and done" may provide some with a level of satisfaction. However, this crisis is going to be with all of us for a very long time.
8. Adopt the phrase "We are all Maui". This will make all of us feel closer to those we help.
9. Get word of your efforts out to newspapers and local television stations. This is not suggested to obtain personal praise. It is suggested so that others may be energized and encouraged to follow in your footsteps. This is a battle that needs foot soldiers. Any effort to increase the size of the army needed to help Maui and its residents is a good thing.
10. Finally, at some future time, when the crisis has abated and the island of Maui begins to rebuild, plan a visit to Maui. Provide that island with your tourist money and see what your efforts have accomplished.

#### C. Conclusion

The great Mohammed Ali once stated, "Service to others is the rent you pay for your room here on earth." I am suggesting that the time is now to make that rent payment which is not going to your landlord, but, instead, to an island and its distressed residents. There can be no greater noble act than such a gift of time, materials, money and care. Care for people and care for a place that we all have thought of as paradise. I hope that this article will inspire community associations to join this fight to help the residents of Maui and their island. ■

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



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## Summer Sizzler 2023

The weather for our Annual Summer Sizzler event on Aug. 3 could not have been better. We had great breezes coming off the Long Island Sound. However, those breezes did not help much in getting our little wooden airplanes aloft. Folks had fun building and decorating their planes — our icebreaker activity. As usual, the food was great and the networking was lots of fun!

We appreciated the time and energy our speakers put into our education program. We did a brief overview of some of the major topics we cover in our Condo Inc. program to help inform and encourage community association managers to send their clients to this program to help them become more familiar with the legal, insurance, financial and maintenance responsibilities for board members. Rick Filloramo

Our Summer Sizzler Committee provided their great ideas and energy to make the event a success. Thanks to our Committee: Chris Hansen, Esq., *Sandler & Hansen, LLC – Chair*; Theresa Fumo, CMCA, *The Felner Corp.*; Brian Kelly, *Bouvier Insurance*; Jon Gosnell, CMCA, *Imagineers, LLC* and Junsong Hong, *The Peter Bakker Agency*.

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Melissa Yocum

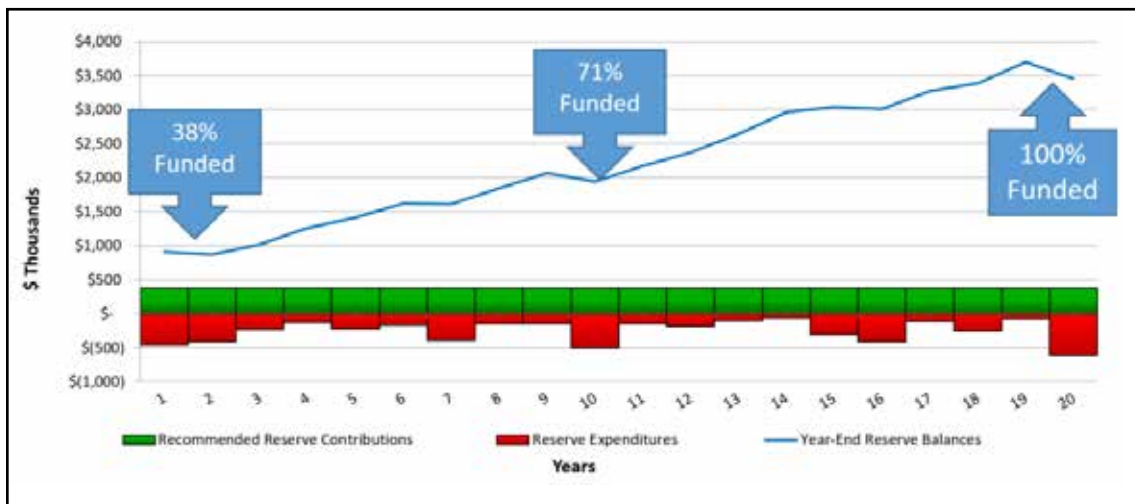
## TECHNICAL EXPLANATIONS:

### Reserve Funding Strategies

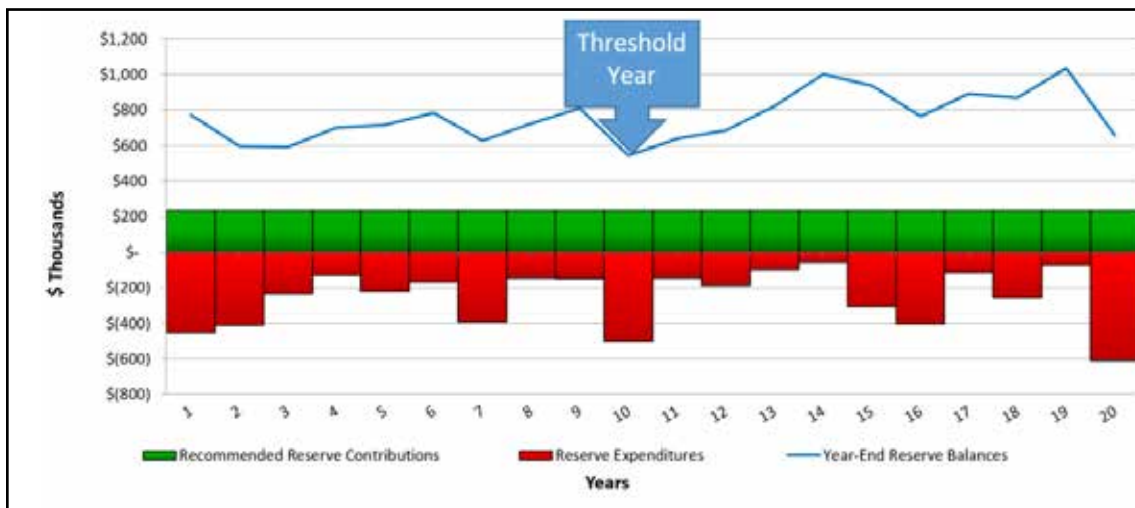
By Melissa Yocum

Boards and managers who want to ensure adequate funds and avoid shortfalls (or at least get into a better financial position) should familiarize themselves with common reserve funding goals and the strategies to achieve them. As outlined in the National Reserve Study Standards (NRSS), four accepted funding goals are available to community associations. Each goal involves a strategy to identify the reserve contribution rate for residents each year while maintaining a predetermined reserve fund balance. Each of the four funding strategies are generally determined by analyzing the risk tolerance and best interests of the community. When you engage a professional reserve study provider, they will suggest the strategy that is most applicable for your specific community. Let's briefly review each funding goal.

The first funding goal is **Full Funding**. This is a goal of attaining and maintaining a 100% funded reserve balance. In order to have a 100% fully funded balance, an association would need to have the equivalent of the sum of the fully funded balances for each individual component in their schedule. The fully-funded balance for a component is the replacement cost relative to the portion of life that is “used up.” For example, if an item has a \$100,000 cost and is halfway through its useful life, the fully funded balance would be \$50,000. The fully-funded balance for each item is added together to determine the fully funded balance of the overall fund. Full funding is the most conservative funding goal. In practice, there is typically no justification for why an association would need to have 100% of the fully funded balance on hand



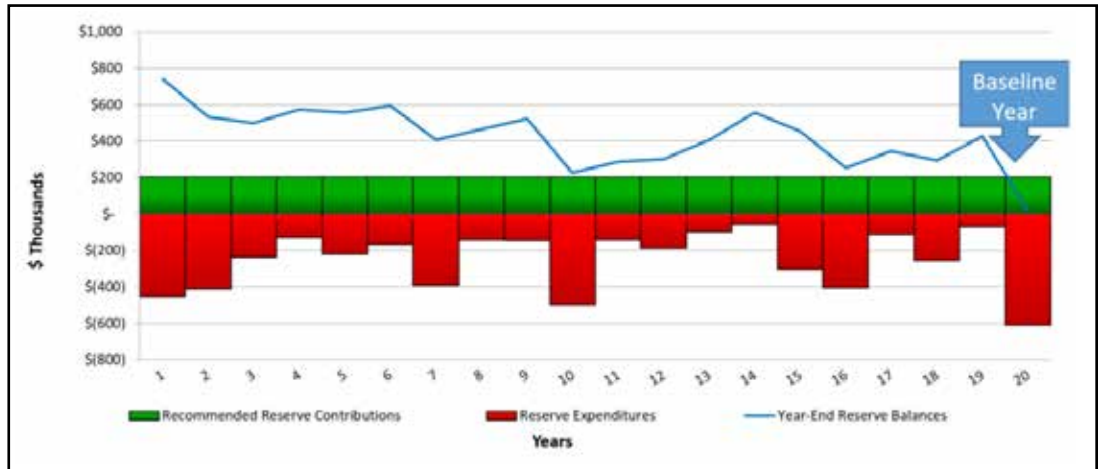
(left) Full Funding and (below) Threshold Funding



*“Each of the four funding strategies are generally determined by analyzing the risk tolerance and best interests of the community.”*

(right) Baseline Funding

*“This is a riskier strategy than both full funding and threshold funding.”*



at one time. For most communities, where projects are dispersed over many years, this goal results in mass amounts of money being held aside unnecessarily. However, in communities where all component repairs and replacements come due at the same time, this goal may be unavoidable, though this situation is extremely rare.

The second funding goal is **Threshold Funding**. The most commonly recommended strategy, the goal is to keep the reserve balance above a minimum amount at all times. Setting this goal requires looking at the cash inflows and outflows to the reserves over time. Since most communities never replace everything at one time, the balance is allowed to increase and decrease as time passes. The inflows can

be set at an adequate and stable level that ensures the reserve balance never drops below the threshold, even in critical funding years when the balance is at its lowest. This goal is ideal for most communities as it involves stable funding, equitable contributions across time, and adequate funds for major repairs and replacements, which happen throughout the life of a community, but usually not all at once.

Next up is **Baseline Funding**. This goal operates similarly to threshold funding, however, the reserve fund hits a \$0 balance at some point over the length of the reserve study. This is a riskier strategy than both full funding and threshold funding. It is generally only acceptable in situations of distress as there is no cushion whatsoever on the cash

*[Continues on page 31.]*



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*TECHNICAL EXPLANATIONS...from page 27.*

flow. If any capital project comes early or costs more than expected, this strategy could put the association in a funding deficit. This goal is not ideal but is better than deferring critical life safety issues or other expenses that will result in higher costs if ignored, such as roofing.

Last is **Statutory Funding**. Because statutory funding refers to the amount of money required in reserve funds to comply with state statutes, this funding goal is non-negotiable. The logistics of such funding vary by state and are often not specific to a particular association's needs. For example, Michigan requires associations to maintain a reserve fund of 10% of the annual budget at a minimum, which occurs on a noncumulative basis. Furthermore, Michigan associations' bylaws are legally obligated to contain specific verbiage regarding the minimum standard. Overall, this strategy simply requires associations to follow specific state funding laws. Many state laws allow for any of the other three goals so this is not applicable in those states.\*

The great benefit of multiple funding options is that there is almost always a viable plan for associations to follow to attain and maintain adequate reserves. Whether an association is severely underfunded or in a solid financial position, there is a path forward. When you commission Reserve Advisors, your consultant will work with you to understand your goals and determine the best possible funding strategy to utilize going forward. Our extensive experience in financial analysis and planning means that no matter your current situation, our recommendations are the beginning of a successful future. ■

*Melissa Yocum is a Senior Account Manager with Reserve Advisors.*

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*\*Editor's note: Connecticut currently has no statutory funding requirement for reserves.*

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