

April 27, 2020

To all my neighbors --

In the midst of this quarantine and all the pressures it has brought upon us all, some people have been lashing out at our association board and staff, implying that they are sitting in ivory towers and don't care about the homeowners they are supposed to be serving. These individuals look at the financials in our newsletter and see we have millions of dollars sitting in the association bank accounts, and are angry that we are not withdrawing it and giving it to them, or at least reducing or waiving altogether association monthly assessments. They say that because the auto insurance companies that have reduced their premiums to help, so should we. There's a lot of disparaging remarks too, but that's the main message.

Here are a few things to consider as we all work our way through this:

- We're in this together. Homeowners are not "us" and the board is not "them". The board are homeowners too that are dealing with the exact same issues everyone else is in the association.
- I'd laugh if it didn't hurt so much to read accusations of "power plays" and implications that somehow legal settlement moneys are being squirreled away in an offshore account somewhere. The board members are all volunteers. The members of the board donate the frankly enormous amounts of time and effort to research and make decisions for the benefit of the entire association. Believe me, if anyone on the board was looking for a power trip, they'd pick somewhere that they actually got paid.
- Lake Forest Community Association is a not-for-profit corporation. That means we don't try to take in one penny more than we need to maintain the association interests and properties. An insurance company, on the other hand, is in the business to make money, and lots of it. After reducing premiums 25%, does anybody seriously think they're not still making a huge profit? Our association does not have profits to pay for reductions in assessments. The assessments are what they are to pay for the costs of running the association.
- Being not-for-profit means that the income for the association is budgeted to be equal to the costs to maintain it. There are a lot of costs which don't go away just because the Clubhouse is closed. Most of them don't go away, in fact. And costs being saved don't put you ahead if you have reduced income as well. The association doesn't have many sources of income beyond the assessments we all pay, but there are a few, including recreation events with a ticket price, rental of the Clubhouse for private events, and the Preschool tuition payments. The cancelling/postponement of all Club events and the closure of the Preschool have cut off that portion of income for the association, not just saved some costs. We are watching our financials closely and creating special targeted reports to see where the combination of reduced income and reduced costs puts us. And the board is meeting about every two weeks instead of once a month in order to stay as current with information and quick to respond as possible.
- We are constrained by law in how we use money collected from assessments. It's a wonderful thing that our association has money in the bank. But if the money was collected for a specific purpose, we cannot randomly withdraw it and use it for something else. Not legally, anyway. This is especially true for reserve funds, which comprise most of what is in our bank accounts. Be happy our association is financially sound. (For the homeowner who thought that reserves were "extra money" beyond what we need that can be used to pay bills during the quarantine: reserves in an HOA are specific funds set aside for the replacement of major capital assets like the Clubhouse and common area walls and cannot by law be used for any other purpose.)
- Some people have been thinking (in a few cases, demanding) that not having access to the Club during the quarantine somehow entitles them to a reduction in assessments. We all as members of the association need to understand that our assessments are not like a season ticket to the Club facilities. They are an obligation we all agreed to when we bought our homes, paid to maintain the Club facilities as well as all of the association common areas. The fact that the current quarantine has required us to close the Club and cancel events does not change that obligation.

One final note: there have also been some accusations thrown around about unused assessment money being siphoned off somewhere else for some nefarious purpose. It might help to know that our accounting system keeps track of every penny of assessment money that comes in separately for each Tract. That money continues to be associated exclusively to that Tract all year long. At the end of the year, when budgeting for the next year, each Tract is looked at individually to see if the moneys spent on that Tract were more or less than the assessments that Tract paid during the year. If less money was spent and there is assessment money left over at the end of the year for that Tract, it carries forward and will either eliminate the need to raise assessments for that Tract or reduce how much of an increase is needed. The Tract never loses assessment money paid to the association. Period.

I know that this information will probably not stop the trolls out there, but I hope it helps all of my neighbors in the association understand things a little better. And the board and staff will continue to keep you informed via the newsletter and E-Blasts.

Stay safe.

Jeff Nelsen, President