Why I Voted Against 2015 LBR Budget

Several concerns regarding the 2015 budget were expressed during the 22 Dec. meeting where it was ratified. However, I didn't share in any of those concerns. There was a concern that collection of painting reserve funds hadn't been waived as voted. The reserve fund schedules at the end of each tower's budget clearly show that the painting component of each reserve calculation is zero. There was a concern that reserve pooling isn't being conducted as voted. Pooling means that any amount from the total reserve fund "pot" can be spent on any reserve fund component; however, each component must be calculated individually to determine the total reserve amount collected. Pooling affects expenditures, not budgets. There was a concern that the budget should have been reviewed by an accountant. I saw nothing in our budget which would necessitate that need.

I voted against the 2015 budget because my fellow board members don't share my opinion regarding more serious problems which I see regarding our 2015 budget. I also voted against it on 12/5, so it was only logical that I should vote against it on 12/22. The basic problems are that we are reducing 2015 assessments for many units while we have significant debts, have debt interest, and are "getting behind" on funding reserves.

I had prepared the following resolution for our 12/5 meeting which summarized most of my objections, but I decided to not pursue it since meeting discussions indicated that I was a minority of one on the subject:

Whereas all towers have substantial variable bank debt currently at 4.25%; whereas towers 1, 2, & 3 all owe debts to the community association; whereas after 2015, Tower 2 will be three years behind on funding its painting reserves, Towers 3 & 4 will be two years behind, and Tower 1 will be one year behind; whereas the economy is still improving; whereas another downturn in the economy is a real possibility; whereas another major unexpected expense is always a possibility; whereas owners who are currently suffering economic distress will likely suffer even more distress in an economic downturn and/or with an unexpected expense; and whereas the new $240/unit annual internet discounted group rate should be saving most owners $300/year;

I move that the budget being discussed be adjusted to increase the "Building Note Payment" "Expense" for each Tower so that all 2015 Assessments equals the 2014 Assessments Plus $60/quarter for the internet charge.

Additionally, there are some "games" which are being played with the budget which are violating our fiduciary duty in my opinion, especially to Tower 4. Tower 4 has had money in the bank earning 0% interest while paying 4.25% interest on borrowed money. Additionally, Tower 4 is the only Tower which has paid its full share to the Community. In essence, Tower 4 is loaning money to Towers 1, 2, and 3 at 0% interest via the Community and is in turn paying 4.25% for money which it has borrowed. The result is that Tower 4's expenses (assessments) have been unnecessarily inflated. I have not researched either Statute 718 or our Declaration of Condo. in order to see if this is illegal, but I suspect that it is.

The Board's argument is that we need to try to keep assessments for all towers as equal as possible. That's a good socialistic concept, but the fact of the matter is that Tower 2 has unfortunately encountered some major issues which the other Towers haven't faced. Reducing Tower 2's assessments before it works its way out of its financial problem could have a snowball effect with an even greater relative problem in future years. Admittedly, I'm an owner in Tower 4, but I would be even more concerned if I were an owner in Tower 2. I wouldn't want to be "getting father behind" just so I could get a small reduction in assessments.

We need to be looking at our long term viability and expenses. That's why I've suggested that Nelson's and Borchert's "debt reduction" assignment be expanded to a Finance Committee that examines our total financial picture and develops a comprehensive "get well" plan. This plan would lay-out the our plan for getting to a point where all loans are paid, all delinquent contributions to the community have been satisfied, and all reserves have been brought up-to-date. While some have said that it is impossible to do as I have recommended and that we can only react to our year-to-year needs, I strongly disagree and believe that long range planning is absolutely needed in order to prepare a responsible budget.