

BILTMORE II CONDOMINIUM MONTHLY NEWSLETTER



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November 2022

BILTMORE II CONDO

600 Biltmore Way
Coral Gables, Florida 33134

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MANAGER'S CORNER

Dear Residents:

The Holidays are approaching, and I wanted to send you a reminder that if you are planning a Holiday event in the Social Room and or Card Room, now is the time to reserve the date and time. The exclusive reservation forms with the fee and deposit information can be found on the Biltmore

II Condominium website. We would also appreciate advance notice if you plan on having an event in your unit so that front desk is aware of your guest arriving. A reminder that we cannot accommodate visitors parking at this time. Guest will need to use the availability of City of Coral Gables off street parking.

Thank you, Management



RESIDENTS ARE INVITED TO THE SOCIAL CLUB'S ANNUAL BILTMORE II HOLIDAY PARTY!

Which will take place on **Sunday December 11th** from 6 to 9 PM.

No charge for Residents. Guest, maximum of two per unit, will be charged \$30, to be paid in cash at the entrance. Everyone must register at the Concierge by November 27th! Single Residents may bring a guest for free.



BILTMORE II ASSOCIATION WEBSITE

The Biltmore II Association has a community website that includes public and private information for the members of our community. If you already don't have access to our web site, you need to request access by sending an email to: Admin@Biltmore2.com. You will receive an invite email for MyCommunitySite allowing you to create your own personal log-in and password.

Our community web site has several areas. Among the most useful ones are: • Document Area where the owners have access to Financial Reports, Meeting minutes, Newsletters and many other important association documents • Project Updates Area where owners can read weekly updates on the different projects active in our building • Events Area where the owners can find out current events and activities in our building or in Coral Gables • Attractions and Facilities Areas where owners and visitors can see the benefits of living in a privileged location like the Biltmore II

To access the web site please go to: <https://biltmore2con>



WELCOME

NEW RESIDENTS
Please welcome our new resident neighbors to Biltmore II!

Michael Zwerner
Suzanne Stewart and Pedro Theye and sons Nicolas and Thomas

Beautiful Front Yard, Keep it Clean

Biltmore II has a beautifully landscaped front yard. Soon, other parts will be re-landscaped. In the meantime, let us all be sure to “curb your dog!”



Biltmore Way Streetscape Update: WEBSITE & TOWN HALL MEETINGS

I recently reached out to Melissa Mojarena De Zayas, Sr. Transportation Engineer, Department of Public Works, Sustainable Infrastructure, for an update on the Biltmore Way Streetscape. She responded with, “The schedule to set up TOWN MEETINGS and discuss proposals developed by Dover, Kohl & Partners Town Planning was delayed due to some changes that needed to be made to the City of Coral Gables website. The consultant submitted the revised website on Friday, November 4, 2022, and the City is reviewing it to ensure that all comments were addressed. The City is also reviewing the preliminary concepts internally. These will be presented at the meetings which are currently anticipated and be scheduled the first few weeks of December. The Communications and Public Affairs Division Director is working with us to help identify the best location to conduct the meetings so that we can finalize the flyers and mail them out to the residents.” I will keep you posted.



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TREASURER'S REPORT

(SEPTEMBER 2022)

INCOME/EXPENSE

The month of September shows a net loss of \$92,385 (difference income less expenses) bringing the accumulated net loss to \$58,770. Contributing to the result are the following major items: As outlined before, the Board's decision to include the forecasted surplus by reducing the budgeted Maintenance Fee accordingly has adversely impacted the income – see also my explanatory notes included in the September Newsletter. There are no billings yet to any owner for the EV Infrastructure. In total, the Income side (Maintenance Fee, Reserve Contribution etc.) shows a negative variance of -\$9,748.

On the positive site, Human Resource Expenses were lower by \$7,011 due to reduced number of heads on the Concierge side. The Professional Fees were lower by \$2,431. Misc. Administrative Expenses were lower by \$2,064. Finally, the insurance expenses were being brought up-to-date and in line with the current policy; catching up has impacted the variance by -\$78,689. Utility Expenses have a positive impact in the amount of \$5,102. The blown circuit breaker for the elevators had a negative impact on the expenses with a difference of -\$2,671. As the EV Infrastructure has started, the cost (an amount of \$17,640) had an adverse impact on the Total Maintenance Expenses which show a variance of -\$16,974. Maintenance Expenses were far lower than expected with a positive variance of \$11,898 (variance mainly due to the contingency sum and the remaining EV Infra-

structure investment). The Service Contracts Expenses continue to be higher showing a difference of -\$3,602 mainly driven by the cost for the Nightly Contractor. Given what is known today, the forecasted deficit will still be kept at a level of minus -\$118,000.

COLLECTIONS

We continue to be in good shape with regard to the collection of the normal Maintenance Fee. A few owners have fallen slightly behind and I am just asking these owners to please catch up with their payments. **Every member of our community, I am sure, appreciates the efforts for paying on time.** The overdue receivables of Special Assessment payments remain on the same level of \$3,000+. The five (5) members who have not paid their dues are expecting all other owners to pay their dues so that the Association can meet its obligations. These owners who are

behind with payments should keep in mind that their failure to pay adversely impacts the other owners and is completely unfair to all other owners who are paying on time! We are a community and everyone is expected to be a responsible member of this community.

FUNDING AT THE END OF SEPTEMBER

The funds (as per Balance Sheet) in our operating bank accounts including petty cash show an amount of \$698,000. We continue to have a high level of \$1,860,000 of funds available in our regular Reserve bank accounts. The funds available in our bank account for Special Assessment amount to \$1,440,000. Please note that I am expecting the funds for Reserves and the Special Assessments to be reduced to about \$1,000,000+ by year end as a number of projects are forecasted to be executed in the remaining three (3) months.

RESERVES STUDY 2023

The Association has accepted the 2023 Reserve Study as prepared by Dreux Isaac. A detailed outline had been given in the townhall meeting on October 6th 2022.



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RESERVE FUNDING

Dear fellow owners,

I wrote “**Treasurer's Outline of Reserve Study 101 & Pooled vs. Component methodology**” with the goal to better explain RESERVE FUNDING. Please take the time to read and study it. I hope that the article will also help to understand the 2023 RESERVE STUDY prepared by Dreux Isaac & Associates. Just keep in mind that the 2023 RESERVE STUDY document is posted on the BILTMORE II community website.

Your Treasurer, and Board Member, Reinhard Benditte



Part 1: Reserve Study 101

A reserve study is an essential tool in examining and maintaining the financial health of an Association. Reserve funds are funds that Associations set aside for future financial obligations such as major repairs, replacements, and maintenance.

Typically, reserve studies cover a period of 30 years and are considered fully funded if they cover 100 percent of future financial obligations.

A reserve study is an assessment and usually relate to the cost of major repairs to, or replacements of the condominium property. They are done in an effort to keep the reserve fund at an optimal level. A Reserve Study typically involves an on-site inspection to calculate the estimated remaining life of common elements and the estimated cost of repairing or replacing them.

Reserve studies consist of two parts, namely:

- **Financial Analysis.** This examines the association’s financials such as its income and expenses. It also takes the current reserve fund into account.
- **Physical Analysis.** This examines the physical condition of the association’s common elements along with the estimated cost of repairing or replacing them.

Typically, a **Full Reserve Study** is performed once every three to five years. A full reserve study undertakes a component inventory and component condition assessments Biltmore II Association performs such a study every three years.

A **No-Site-Visit study** is an annual update of an existing Full Reserve Study. Generally, it only uses observations and discussions with the board and staff, sometimes vendors, to determine information for updating an existing study.

Reserve studies serve many purposes and are necessary for the pursuit of good financial health for an Association. When reserve funds remain underfunded, an Association runs the risk of falling short on funds when the need for major repairs or replacements arises or, like in Biltmore II’s case, may be unable to perform the required 50-year recertification. The only way to know whether or not you’re underfunded is to have a reserve study done. In essence, reserve studies help the Association to circumvent financial crises.

Florida Reserve Study Laws SB 4-D. has a detailed outline what is required. There are changes to Chapter 718 for Condominiums and Chapter 719 for Cooperatives and Florida Statutes 553.899 which apply to buildings that are three (3) stories or more in height. All changes are effective as of May 26, 2022.

One of the new requirements are a **Structural Integrity Reserve Study and Reserve Funding Requirements** which means a study of the reserve funds for future major repairs and replacement of the common areas based on a visual inspection of the common areas. A structural integrity reserve study may be performed by any person qualified to perform such study. However, the visual inspection portion of the structural integrity reserve study must be performed by an engineer licensed under chapter 471 or an architect licensed under chapter 481. At a minimum, an Association must have a, a structural integrity reserve study (SIRS) completed at least every 10 years after the condominium’s creation for each building on the condominium property that is 3 stories or higher in height which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building:

- a) Roof.
- b) Load-bearing walls or other primary structural members.
- c) Floor
- d) Foundation
- e) Fireproofing and fire protection systems
- f) Plumbing
- g) Electrical Systems
- h) Waterproofing and exterior painting
- i) Windows.
- j) Any other item that has a deferred maintenance expense or replacement costs that exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items listed in subparagraphs a. – i., as determined by the licensed engineer or architect performing the visual inspection portion of the SIRS.

Reserve Funding (cont. from page 4)

As of December 31, 2024, an Association may no longer refuse to fund (may not waive) or underfund the reserves for items required to be included in a Structural Integrity Reserve Study. Furthermore, as of December 31, 2024, for items required to be included in a Structural Integrity Reserve Study, an Association may no longer use those itemized reserve funds (or any interest accruing thereon) for other purposes, and an Association may only use those itemized reserve funds for their designated purposes.

It is a breach of an Officer or Director's fiduciary duty if the Association fails to complete a Structural Integrity Reserve Study, as necessary. Furthermore, Board members have a responsibility to prioritize the association's needs above all else. Failing to conduct a reserve study can be argued as a breach of your fiduciary duty. In turn, this will put residents, owners and the Association at risk.

Part 2: The Pooled and Component Methods of Reserve Funding

Florida law requires reserve funding for certain community association common elements. Condominium associations are required to fund reserve accounts for roof replacement, building painting, pavement resurfacing and any other item that has a maintenance expense or replacement cost exceeding \$10,000. Fla. Stat. § 718.112(2)(f). Homeowners' associations such as the Biltmore II Association are required to fund at least reserve accounts for any item where a statutory reserve account has been established.

There are two types of reserve funding methods prescribed by Florida law: one is called the pooled method (also referred to as the "cash flow" method), and the other is the component method (also referred to as the "straight-line" method). This means reserve funding can be based on a separate analysis of each reserve asset with the component method, or, with the pooled method, reserve funding can be based on a pooled analysis of two or more reserve assets. F.A.C. 61B-22.005(3). The annual funding required for each reserve item is based on a calculation that takes the estimated replacement cost less the current reserve balance and then divided by the remaining useful life of the reserve asset. Fla. Stat. § 718.112(2)(f). There are companies that provide reserve study analysis to community associations using these methods and calculations.

With the component method, an association must establish a separate account for each reserve asset. The association must fully fund each component reserve account every year based on the reserve study analysis. However, the members can vote each year to either reduce or waive the funding of reserve accounts. The reserve funds within each component reserve account can only be used for that specific reserve asset unless the members vote to use the funds in one component account for another purpose. Fla. Stat. § 718.112(2)(f).

A benefit of using the component method is that the funds in each component account can only be used by the association for that specific reserve item. The association cannot use those funds for any other purpose without a majority of the members voting in favor of that. A disadvantage of using the component method becomes apparent when a component reserve account for a specific asset is underfunded and that asset needs immediate replacement. In that scenario, the Association must either (1) delay the replacement/maintenance of that reserve item until that component account is fully funded (which may not be practical); (2) levy a special assessment on the members to cover the deficit; or (3) hold a member vote to move funds from another component account to the underfunded component account. **The Biltmore II Association had decided years back NOT to use the component method.**

A pooled account is where an association has one reserve account (as opposed to multiple component accounts) to cover the expenses for all the association's reserve assets. The amount of annual funds contributed to the pooled account each year, combined with the pooled account balance estimated at the start of each year, must be enough **to cover all expected expenses** that year, based on the reserve study. In other words, the annual aggregate reserve assessment for the pooled account must be an amount sufficient to cover the estimated expenses from the pooled account to ensure the pooled account does not have a negative ending balance during any year of the reserve study analysis. The pooled account calculations cannot include a planned future balloon payment either.

A benefit of pooled account funding is the flexibility in how reserve funds are spent. The funds can be used to cover expenses for any of the reserve assets at any time without

Continued on page 6

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Reserve Funding (cont. from page 5)

member approval. The pooling method allows for projects to be completed in order of need at the time the need arises. Member approval is only required when planning to use pooled funds to pay for an item not included within the reserve pool. **The Biltmore II Association had decided years back to use the pooled method.**

For the average association, a reserve study should be obtained every 3 – 5 years depending upon the reserve assets involved and to ensure estimated costs remain accurate. In the case of the Biltmore II Association, every three years there will be a bottom-up Reserve Study undertaken by Dreux Isaac and thereafter an annual update with input of the Association.

In Summary:

The pooled (cash flow) method takes all reserve items in an association and puts them into **one general use account** and pays for variable expenses when they occur. It also takes into account interest on the money being put in the reserve account, taxes owed on the interest being gained, and inflation on all items, so their future cost can be forecasted. Reserve analysts then use a computer algorithm to determine the monthly or yearly funding for the association.

The component method treats every reserve item in the association like its own reserve account. More importantly, it dictates that money reserved for one item cannot be transferred over to a different item without an association vote.

In a hypothetical example, the association does not have enough money to paint their buildings, even though they are due to be painted. Using the component Method, even though the association has \$70,000 in total reserve funds and the painting project will only cost \$50,000, they cannot paint the buildings since they only have \$30,000 in the painting account. At this point, their options are to either delay painting until they have enough money to fund the painting costs or issue a special assessment to members to make up for the deficit.

However, using the same hypothetical example, if the pooled method of reserves is employed, then you can simply take your total balance of \$70,000 and subtract the \$50,000 painting costs and have a balance of \$20,000. Depending on the remaining life time of the roof which could be for example 8 more years, you would have 8 years to fund the next cycle of roofing and, depending on the remaining life time of the painting which could be for example 6 more years, you would have 6 years to fund the next cycle of painting. The pooled method leads to much more flexibility within an association’s reserve funds.

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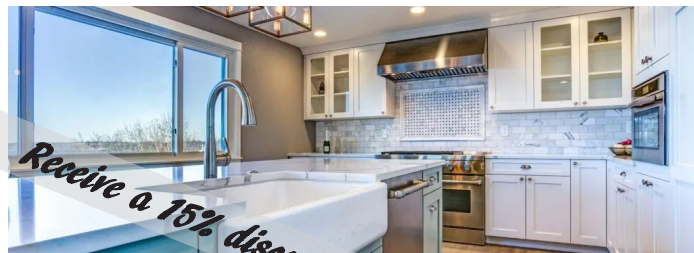
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