Ask the HOA Expert - April 2021

COMPARING ASSESSMENT TO OTHER HOAs
Q: A question that occasionally comes up from the HOA membership is "Why are we paying more per month than XYZ HOA? They only charge $____/month."

A: While this seems like a reasonable question, this is what's called an "apples and oranges" issue. Comparing one HOA's monthly assessment to another's is meaningless without knowing what is actually being paid for. The person that poses this question to the board never seems to have the details, only the bottom line number. What do you say? It's reasonable to respond that the answer requires reviewing the other HOA's actual budget. Ask them to get a copy and the board will consider it during the annual budget process.

There is a variety of factors that can account for differences in assessment levels including:

1. **Age of Property.** The older it is, the more expensive it is to maintain.
2. **Number and Type of Amenities.** A pool alone can increase the annual budget 20%.
3. **Reserve Funding**. Proper reserving requires, based on an accurate and competent study, setting aside 20-40% of the monthly assessment.

There are some things the board should scrutinize during the annual budget process. Past year's expenses should be detailed in a way that trends can be determined. Things like painting, electrical, plumbing, roofing, siding, deck and fencing repairs should be assigned unique categories rather than lumping them into "Repairs-General". Then, if a particular kind of repair cost is significantly higher than expected, an informed decision can be made on how to handle it next year. For example, if broken pipes have significantly increased due to deterioration in similar locations, it's time to consider doing major plumbing repair rather than waiting for the next flood.

Large service contracts like landscaping, management, pool maintenance and janitorial should be reviewed each year. Even if you are totally satisfied with the service received and have no intention of changing provider, it will demonstrate to the membership that the board is practicing due diligence and good stewardship. Also, if a particular service provider is maneuvering for a contract increase, a competitive proposal will work to the HOA's advantage in negotiating or verifying that your current provider is entirely justified in the increase. NOTE: Never change major service providers without major cause. Working with an HOA and its members is not easy and the learning curve is very involved. The HOA is usually much better served correcting deficiencies with the current management rather than starting with a new company that is bound to have its set of own shortcomings.

Some other points to examine:

• Management usually charges extra for preparing unit sale information for sellers, buyers and lenders. Is the HOA paying for it? If so, why? It has nothing to do with managing the HOA. This cost should be passed on to the seller.

• That pool or spa may be used by only a hand-full of residents and cost up to 20% of the annual budget. If an appropriate majority approve shutting it down, major money could be saved.
• Has exterior lighting been converted to LED bulbs which usually pay for themselves in a year?
• Is the board reviewing regular financial statements and approving all unbudgeted expenditures? Without regular oversight, it could be costing the HOA significant money.

Make sure you know what you are spending money for and why. Communicate clearly to the members how the budget was arrived at. What the members really want is reassurance that care has been taken. So, rather than a fruitless defense of apples and oranges, follow a fruitful budget process that communicates financial stewardship.

HOA DIRECTORY
Q: We are publishing an HOA directory containing the names, addresses and phone numbers of all residents. Are we required to contact each resident and ask their permission to publish their information?
A: Inclusion in such a list should be voluntary and each resident should provide specific written authorization. The HOA should respect all desires for privacy.

INITIATION FEES
Q: Our HOA charges an Initiation Fee to all new owners. Is this appropriate?

A: It depends. Sometimes there is a requirement in the governing documents for all new owners to make a "contribution to working capital". There may also be a practical reason for a Move In/Move Out Fee when there are actual related costs incurred by the HOA. This is particularly true in a secure building or gated community where access and elevators must be scheduled, reprogramming done to the entry access system and clean up after the movers. If the fee is justified, it should be commensurate with the actual cost, not a mechanism to make money. Gouging new owners is not good way to begin a relationship.

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