

10 STEPS



TO SELF-MANAGE

YOUR HOA /

CONDO

COMMUNITY

Community
 **Financials**

www.communityfinancials.com

HERE IS AN

OUTLINE OF

STEPS TO TAKE

Do you want to become a “self-managed” Home Owners Association (HOA) or Condominium? Whether you are a new community taking control from a developer or just have had enough of the poor service and high cost that management companies charge this guide is for you.

Enlist Champions

A board usually consists of 5 -7 members with varying points of view. Talk to a few active board members and see if they are interested in the idea of self-management and start the discussion. Collect enough information so you can discuss the idea with the rest of the board members at your next board meeting.

Make a list of all the items covered by the Manager or Management Company, review that list, and determine how the board or committees could take over the tasks.

- Are you happy with your current vendors and contracts (i.e. landscaping) if not who will source and bid new vendors?
- Who will handle homeowner questions?
- Who will handle violations & property inspections?
- Who will prepare and send out notices for Board & the Annual Meeting?
- Who will collect the dues, pay vendors and provide financial reports?

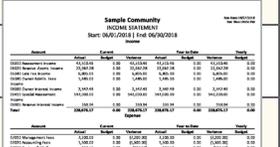


Key Activities for Operating your Community

Don't be afraid of self-managing your community. With our support the Boards' time commitment is significantly reduced.

	Boards Typically Handles	Community Financials Handles	Other Experts Handles
FINANCIAL			
Bill & Collect Owner Dues		✓	
Send Late Letters		✓	
Work on Delinquent accounts/ Collections		✓	
Set up & Bill Special Assessments		✓	
Pay Vendor Bills		✓	
Produce Financial Reports		✓	
Online Portal to View Account & Pay		✓	
All Software Costs Included		✓	
ADMINISTRATIVE			
Resale & Refinance Administration		✓	
Mail / Email Community Letters			
Draft / Mail / Email Annual Meeting notices	✓	✓	
Newsletter Prep & Distribution		✓	
Lead or Attend Annual Meeting	✓		
Take Meeting Minutes	✓		
Violation & ARC Letters	✓	✓	
ADVISORY			
Guidance on Policies & Procedures		✓	
Guidance on Operational Questions		✓	
PHYSICAL MGT			
Source Vendors & Get Proposals	✓		
Supervise Work	✓		
Site Inspections	✓		
24/7 Emergency Ans Service & Dispatch Vendors		✓	
BY OTHER ADVISORS			
Answer questions on Governing Docs			Attorney
Review & Revise Governing Docs			Attorney
Review Insurance Coverage & Bid Out			Insurance Agent
Reserve Studies			Certified Reserve Spc.
Capital Improvement Projects			Project Mgr

Community Financials can take over the day-to-day financial operations that includes collecting funds, protecting your money, paying bills, reporting and communicating with the Board and homeowners. Please see break down of services below:

MONTHLY FINANCIAL MANAGEMENT ACTIVITIES		
COLLECT		
Collect assessments as required – owners can pay by mailing a check or online by e-check /direct debit (free) or by credit card (user fee applies)		✔
Apply late fees and send late letters* per your collection policy to proactively reduce delinquencies		✔
Resolve all owner payment inquiries		✔
Work with your attorney or collection agency on delinquent payers*		✔
PROTECT		
All payments are mailed to a lockbox or paid online and deposited directly into your bank account		✔
Provide a new segregated checking account (with no monthly bank fee) from our 5 star rated banking partner. Board members are signers on the account		✔
Provide online bank account viewing access to your board or staff (for added transparency)		✔
Review and approval of bills by 2 board members online (for added oversight)		✔
Reconcile all bank accounts monthly to “prove” the bank assets and financial reports are accurate and reduce the risk of loss.		✔
PAY BILLS		
Pay all approved bills - <i>includes the cost of checks, envelopes and postage with our daily check runs - the fastest in the industry</i>		✔
Produce year end 1099 tax forms for vendors, state and federal agencies (fee per vendor)		✔
Resolve all vendor payment questions		✔
REPORT		
Produce the financial reports for the community including: balance sheet, comparative income & expense report (shows any variance between budgeted and actual expenses to help stay on budget), check register, general ledger & aged delinquencies (to help you enforce your collection policy), bank reconciliation report and more		✔
Cash, modified cash or accrual accounting available		✔
Provide year-end financial reports to your CPA to file annual tax returns as required		✔
Maintain an owner’s roster (to comply with some state’s statutes)		✔
COMMUNICATE		
Provide email and phone support by accounting staff		✔
Provide a dedicated property accountant for all board inquiries		✔
Provide online access to board and owners to see account history, pay bills, view documents and more 24/7		✔

Collect Complaints

If you are managed by or still under developer control start a list of things you would do differently. If you imagine difficulties or tasks, you do not want to handle during self-management, write those down. If you are currently managed and have a list of service complaints write those down. You will use this as guidance of what not to do/ what you will solve going forward and why you are contemplating this change. It is important to be able to communicate your reasons why.

Investigate Resources

Boards don't have to self-manage alone. There are ways you can parse out the work to make your time as a board member less like a full-time job. Survey who on the board has a skill, desire, and time to do some of the tasks of operating the community. If you are short of skills, volunteers, or time for frequent activity items like monthly collections, bill payment and financial reporting then you can look to a service like **Community Financials** for help. You can allow **Community Financials** to handle the more time-consuming aspects such as administrative tasks, financial management, collection services and resale services. The board will still be active and manage the contractors. The board remains in charge but can delegate work items to improve operations and reduce their volunteer responsibilities.

Share the Plan

First start with sharing your plan at a board meeting. List out the tasks of operating the community and who has skills, desire and time to do each item (maybe create a matrix with this info). Next list any 3rd party resources that you have spoken with that could perform some of the functions as well. Have an open discussion, get feedback and make changes so that the plan works for the board.

Use Vendors who you have used in the past and do a great job for you. Landscaping is 80% of the problems within a community. If you have a great landscaper, it will make the boards life easier. Make a list of those vendors to share with the board. Use resources to help with projects. For instance, most major paint manufacturers (i.e. Sherwin Williams, Benjamin Moore) will come out and walk with the board and write a scope of work and they will go out for bid for you.

Show Savings

Self-Managing an HOA means lower monthly cost, retaining full control of the community and better connection to homeowners. The Board will also have extra funds. They can use this to do an additional project, to hire the vendor that does a better job for the community, hire a part time maintenance person, or put it towards shoring up your reserve funds.

Look at your last year's income and expense statement and you will see how much you spent for property management, administrative fees, bank fees and in some cases personnel costs. If you are a brand new association you can look at proposals for full management and calculate

your annual costs. Next estimate what your expenses will be if you are self-managed. If you are using a service to help you perform some of the task like **Community Financials** put that expense in. Now take the difference and see how much you will save each month, each year? Using the saved money can you pay to improve curb appeal with landscaping or fix a recurring maintenance issue that drains your budget or put the money aside to save for a capital project? Or can you avoid having to increase your assessments next year?

Take a Vote

First take a vote of the board on the subject of self-management. We recommend you consult with your community's attorney to check if you need to get a vote of owners as well. If it is needed you can give notice and hold a special meeting or take a vote at a scheduled annual meeting or use an online service to take a vote like Big Pulse (www.bigpulse.com) or eballot (www.eballot.com). However, many times a vote of the unit owners is not needed and you are on your way. Record the vote in your meeting minutes.

Transition

The next step is to give notice to your developer or property manager. If you are in a management agreement check the termination and notice terms, typically this is 60 days. Mail the notice but also send one by email to get things moving faster. In your notice state the date you will take over. Transition is not as difficult as many believe. The most important info to get started is a list of all unit owners and addresses, a list of their monthly charges and any current balances. You'll want the last month's income and expense report to copy the line items you currently use. (This is a good time to make formatting changes if there are line items that are no longer needed). You will then get boxes of financial reports and other files from the developer or manager. If you are using a service like **Community Financials** to do the collections, bill payment and financial reporting we would get a copy of this information to set up in our system. Lastly you will send out a notice to the homeowners letting them know of the change. Provide a list of contacts for certain items like accounting or maintenance issues. If you are fast enough you may want to include with this notice an invoice for the next month's assessments due along with any past due balance with information on where to send the payment.

Many communities create a board email for homeowner questions or suggestions to provide a channel and route communication away from phone calls and direct towards email. This helps get requests in writing, helps track to do items and reduces calls to your personal phone. Additionally, if a homeowner ever sued the board you would provide the board email inbox and keep your personal email out of any investigation.

Get Educated

We suggest you join Community Associations Institute (CAI) www.caionline.org. CAI is an organization dedicated to building better communities through education and resources to the homeowner volunteers who govern communities. By joining you will have access to

published and online resources and learning events which will help with guiding you on how to run a successful community.

Ask for Help

Remember the champions of change mentioned above, well they are not the only ones doing the work (thankfully). The full board will be involved as well as enlisting specialist volunteers. When we say specialist volunteers we mean someone who lives in your community may be an expert in an area your community needs help in. For example there may be a landscape designer, a structural engineer, construction foreman, etc that is a neighbor. By forming committees and enlisting some specialists to help you can get more done. Remember the old proverb – many hands makes light work.

Execute

Have your next board meeting and go thru the list of tasks and the board members who said they will “own” each one. Then get an update from them on the area they volunteered for. Discuss priorities for the coming year – how much money you have to spend and what the approximate costs will be for each item. If you don’t know the costs break up the tasks of collecting bids. Go thru your financial statements and look at where you are over budget and discuss why. Go thru the delinquent owners and decide how to move forward with any balances over 30 or 60 days old? We recommend you invite your community attorney to join a meeting and answer your questions and give advice. Lastly, get a cake or bottle of wine and celebrate making this change. Although there may be more tasks for the board to do you will not be controlled by a developer with different priorities and you won’t be frustrated by lack of progress and communication by a manager. You are free.

If becoming “self-managed” is right for your community then share this **10 step plan** with your board to start making a change. If the Investigating Resources step above has you wanting to learn more about how **Community Financials** can help - request a quote. We look forward to showing you how our services can take away over 50% of the time consuming activities associated with operating a community. We are sure you can successfully self-manage your community while continuing to maintain a board life balance.

To learn more about our 3 Service Levels and what price would be right for you, request a no obligation quote: <https://communityfinancials.com/request-quote/questionnaire/>