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for Condominium and Single Family HOA Board of
Director Members

Report to the Board

Assessments, Dues, and Fees – Oh My!

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Membership in a community association brings many benefits and advantages, but those come at a price. Each year, members are billed for their portion of the common expenses of the association. This charge is often called an assessment or dues for single-family residence communities and maintenance fees for condominium complexes. Depending on their specific collection procedures, associations collect assessments annually, quarterly, or in monthly installments.

In order for the association to perform the many tasks and duties for which it is responsible, the association must have operating funds. These funds are used to pay for maintenance, repairs, administration, and to hopefully maintain adequate reserve funds for major repairs to or replacement of common property elements.

The requirement upon an owner for paying assessments is mandatory and, therefore, legally binding based upon its inclusion in the association's governing documents. The governing documents of an association typically provide other references to assessments including the purpose or use of an assessment, the basis for calculating an assessment, payment procedures, collection procedures for delin-



quent assessments, and authority for levying fines, fees, and other charges.

The amount of the annual assessment is established each year by the association's board of directors based upon the board's adoption of the annual budget. Typical governing documents may include language allowing the board to increase, without owner approval, assessments in order to fund an operating expense shortfall. An example of this type of shortfall would include a large unexpected increase in insurance premiums (as resulted in many cases from the tragic September 11, 2001, terrorist attacks). However, the governing documents often limit the amount/percentage by which assessments may be increased in a given year.

As mentioned, the assessment requires each owner in the community to pay an

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Associa is a group of property management companies across the nation. We share ideas in an effort to continually enhance and improve the services that we supply to our clients. We try to use our volume of members to your advantage, seeking volume discounts on services provided on a national basis. We offer on-line newsletters and advice for our clients as well as a means of networking for our managers. We all strive to be the best the industry can offer.

For you the customer, when you see the words "An Associa Member Company", it means you can trust that on an ongoing basis ideas are being shared that will result in the best practices and best service available. It means that your management company is comprised of open-minded individuals who strive to be the best, not just for the sake of making a living, but for the sake of being known as the best. It demonstrates that a particular level of professionalism has already been reached and that new goals will constantly be put out there for us to meet. Associa is an organization that assures you of education, experience, and expertise.

Article from Vanguard Community Management, Inc. Community Flash Dispatch, Fourth Quarter 2004

Assessments, Dues, and Fees – Oh My! (Cont'd)

equal share for operation of the association. Assessments are the financial lifeblood of the association because they are the association's primary source of income. When owners do not pay their assessments in a timely fashion, it can jeopardize the association's economic health and stability. Without that source of income, the association would be unable to provide services to the owners, thereby deferring necessary maintenance to roofs, siding, and

other responsibilities. Delay in performing required maintenance can put an association at a greater risk for damage from storms, and this damage may not be covered by insurance if necessary maintenance was neglected.

The failure of an owner to pay an assessment can result in legal and financial penalties to the owner. Those penalties can lead an association to pursue whatever legal means necessary and available to collect this debt. Collection pro-

cedures often include a report of the owner's debt to a credit bureau, filing of a contractual lien on the delinquent owner's property. Collection actions can ultimately result in the association foreclosing upon that property for payment of the delinquent debt. This is an extreme action, but can become necessary for the board to pursue in order to fulfill its fiduciary responsibilities to the other owners.

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Rights and Responsibilities for Better Communities

*Principles for Homeowners and Community Leaders
Article used with permission of Community Associations Institute*

Homeowners have a Right to:

- A responsive and competent community association
- Honest, fair and respectful treatment by community leaders and managers.
- Participate in governing the community association by attending meetings, serving on committees and standing for election.
- Access appropriate association books and records
- Prudent expenditure of fees and other assessments.
- Live in a community where property is maintained according to established standards.
- Fair treatment regarding financial and other association obligations, including the opportunity to discuss payment plans and options with the association before foreclosure is initiated.
- Receive all documents that address rules and regulations governing the community association – if not prior to purchase and settlement by a real estate agent or attorney, then upon joining the community.
- Appeal to appropriate community leaders those decisions affecting non-routine financial responsibilities or property rights.

Homeowners Have the Responsibility To:

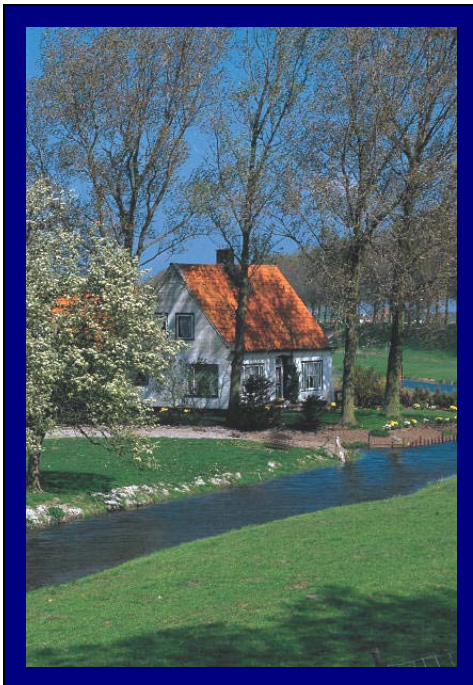
- Read and comply with the governing documents of the community.
- Maintain their property according to established standards.
- Treat association leaders honestly and with respect.
- Vote in community elections and on other issues.
- Pay association assessments and charges on time.
- Contact association leaders or managers, if necessary, to discuss financial obligations and alternative payment arrangements.
- Request reconsideration of material decisions that personally affect them.
- Provide current contact information to association leaders or managers to help ensure they receive information from the community.
- Ensure that those who reside on their property (e.g., tenants, relatives, and friends) adhere to all rules and regulations.



Rights and Responsibilities for Better Communities (Cont'd)

Community Leaders Have the Right To:

- Expect owners and non-owner residents to meet their financial obligations to the community.
- Expect residents to know and comply with the rules and regulations of the community and to stay informed by reading materials provided by the community.
- Respectful and honest treatment from residents.
- Conduct meetings in a positive and constructive atmosphere.
- Receive support and constructive input from owners and non-owner residents.
- Personal privacy at home and during leisure time in the community.
- Take advantage of education opportunities (e.g., publications, training workshops) that are directly related to their responsibilities, and as approved by the association.
-



Community Leaders Have the Responsibility to:

- Fulfill their fiduciary duties to the community and exercise discretion in a manner they reasonably believe to be in the best interests of the community.
- Exercise sound business judgment and follow established management practices.
- Balance the needs and obligations of the community as a whole with those of individual homeowners and residents.
- Understand the association's governing documents and become educated with respect to applicable state and local laws, and to manage the community association accordingly.
- Establish committees or use other methods to obtain input from owners and non-owner residents.
- Conduct open, fair and well-publicized elections.
- Welcome and educate new members of the community – owners and non-owner residents alike.
- Encourage input from residents on issues affecting them personally and the community as a whole.
- Encourage events that foster neighborliness and a sense of community.
- Conduct business in a transparent manner when feasible and appropriate.
- Allow homeowners access to appropriate community records, when requested.
- Collect all monies due from owners and non-owner residents.
- Devise appropriate and reasonable arrangements, when needed and feasible, to facilitate the ability of individual homeowners to meet their financial obligations to the community.
- Provide a process residents can use to appeal decisions affecting their non-routine financial responsibilities or property rights – where permitted by law and the association's governing documents.
- Initiate foreclosure proceedings only as a measure of last resort.
- Make covenants, conditions, and restrictions as understandable as possible, adding clarifying "lay" language or supplementary materials when drafting or revision the documents.
- Provide complete and timely disclosure of personal and financial conflicts of interest related to the actions of community leaders, e.g., officers, the board and committees. (Community associations may want to develop a code of ethics.)

Assessments, Dues and Fees – Oh My! (Cont'd)



In addition to the regular assessments, many associations find themselves in the position of proposing a special assessment. Special assessments are often a one-time or short-term assessment collected to cover a major or unexpected expense. Approval of a special assessment most often requires approval by a majority vote of the owners. Examples of major expenses requiring a special assessment include: the replacement of siding, private roads, or roofing in a condominium complex; replacement or renovation of a community clubhouse; addition of community tennis courts or a swimming pool; or addition or replacement of access gates. If appropriate long-term planning is used and adequate reserve funds set aside, special assessments often can be avoided. Including the cost of an-

anticipated repairs in the regular assessment amounts helps distribute the actual replacement cost more fairly to all owners by allocating that cost over the actual time an owner owns a unit. Requiring special assessments to replace or repair existing items rather than providing new amenities is often viewed as the result of poor planning. This may unfairly burden new owners who anticipated routine repairs and maintenance to have been already been completed.

An association usually is provided the authority through its governing documents to charge late fees, collection costs, penalties, interest, and attorney fees for owners who are delinquent in their assessments. Although not a significant source of income for an association, these fees are primarily

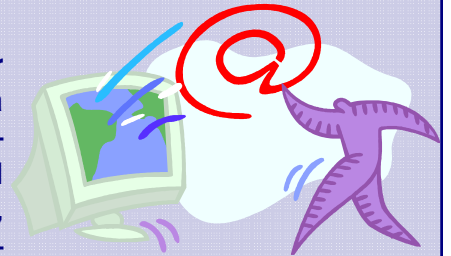
used as an incentive to encourage timely payment of amounts owed to the association and to pay the costs associated with pursuing the delinquent balance. Reporting an owner to a credit bureau or engaging an attorney to send demand letters is an up-front expense to an association and repaid when the owner brings their account current.

While payment of assessments, dues, or fees is sometimes considered financially burdensome by an owner paying their monthly mortgage and taxes, assessments are used to make sure the association can do its job for the membership. A financially viable association able to perform its duties will lead to a better community and, as a result, protection of property values.

R&G Management's Communities Surf the Information Super Highway

Did you know that your community has a website available? There are many useful features of the website created with the residents of your community in mind.

When you register (it's free!!) and log on, you will find a Resident Center containing links to your Association Documents, Forms, Newsletters, a Community Calendar, a Survey section and a Photo Gallery where residents can post pictures of special events in the community. You will also find a Resource Center with links to local community resources, free online greeting cards and more! You can also contact your management company, R&G Management via the website for maintenance concerns or questions that may come up after R&G's regular business hours.



This is an awesome tool for the residents of your community. Go to R&G's website at www.randgmanagement.com and click on the Association Websites link to find out what you have been missing!

Motivating Members

Linda A. Bartel, PCAM®

Principal Management Group of Houston

Every well-run organization depends upon interested and involved members for its success. Each new volunteer brings fresh ideas and differing perspectives for the association. Therefore, recruiting volunteers should be a top priority.

Recruitment is an on-going activity. One effective recruitment technique is for members to encourage their friends to become involved in the community. Another technique is for block captains to be responsible for recruiting their neighbors. Many associations sponsor functions such as a dinner or a block party which double as membership drives. Having interesting speakers at meetings is an additional way to attract potential volunteers.

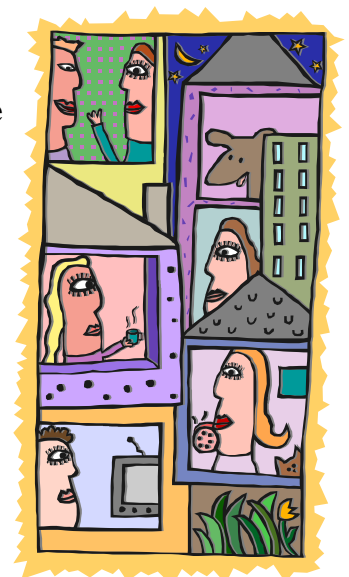
People are impressed with a community that works together and gets results. Some neighbors need to see visible results of what an association can do before they volunteer their time. To motivate members, a new board should start working as early as possible on small, visible, quickly resolvable issues, which have been identified as concerns in the community.

After a successful completion of a project, it is important to make sure residents know that the association was responsible for the accomplishment! A newsletter is a good way to keep the membership informed on an on-going basis. Once others realize what the association can accomplish, they are likely to be inspired to participate.

Motivate people by making them feel important. Make sure all residents feel welcome at meetings. Encourage new residents to participate and be responsive to their needs and suggestions. The results will soon become apparent in your well-managed and harmonious homeowners association.

Fun Facts About Associations

- **An estimated 47 million Americans now live within community associations.**
- **There are 231,000 community associations in the United States- in 1965 there were only 500.**
- **Approximately 50% of all new homes built in major metropolitan areas fall within community associations.**
- **Community associations are governed by volunteer leaders elected from within the community.**
- **Community associations provide a variety of services, including maintaining common areas, managing recreational amenities and providing services to residents.**



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