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Directors Choice, LLC Newsletter

December 2011 Tip of the Month

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Issue: #16

December/2011

Dear Janet,

We would like to take this opportunity to wish all of you and your families a very Merry Christmas and a Happy New Year!

TIP OF THE MONTH

It's Not Personal- It's Just Business

A number of Board members have come to us with mixed feelings about collections against the members in their communities. Board members often interact with their neighbors and many times know the people who have fallen behind in payments.



It is important to remember that the decision to take a collection action is neither malicious nor personal. It is an obligation each Board member has to their community and is a prudent business decision.

Remember too that any homeowner can end the collections process at any time (even for a short time after an

association foreclosure auction has occurred!) simply by paying their bill or reaching an agreed payment plan. Until the association's foreclosure is complete and a writ of possession is processed, your collections actions are simply adding money to the outstanding amount due. It's not personal- it's just business. Keep going- it's your duty!

RAISING ASSESSMENTS

A Necessary Evil

All too often we sit down with our Board members to plan the budget and the first statement made is "we absolutely cannot raise fees!" Board members are concerned for the homeowners paying to sustain the community and, justifiably, do not want to add undue hardship to their owners by raising dues.



We understand this and would like to make some important points:

- 1.) Buildings do not cost less to maintain as they age.
- 2.) Landscape does not cost less to maintain as it matures.
- 3.) Insurance companies rarely lower their fees.
- 4.) You cannot turn off the water because a member has stopped paying their fees.
- 5.) It is ILLEGAL to borrow money from Reserve funds without consent of the members (the amount needed for a valid vote should be outlined in your governing documents, otherwise refer to State Law).

The main source of income for an association is the assessments paid by its members. While the association may be able to save money by changing vendors, eliminating amenities, and delaying improvements, Board members must consider that they have a fiduciary duty to the association to maintain the community. As the costs to maintain the community increase, the fees must increase to cover those costs. Unless you have an alternative source of income, the members must cover the increase.

Remember that when you cut services and amenities you are affecting the market values in your community. When you do not properly maintain the buildings and common elements, they will cost more in the long run to repair. You may not realize it, but most of your owners care about their community and want to protect their investment. Most are intelligent, responsible adults who understand the need to cover costs to properly maintain the community.

One more thing, it is also illegal to knowingly pass a budget that will not adequately cover costs with the intent to pass a special assessment once the fees run out. If you do this you are lying to your members and can get into trouble!

Directors Choice, LLC is a Naples, Florida based Community Association firm working with Condominium and Homeowners' Associations. We provide a full range of financial, consulting, and management services to our clients.

If you feel we can be of service to your association in any way, please contact us. We would love to speak with you.

Merry Christmas,
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