Politics of Raising Dues: What to Expect & How to Communicate

Iowa HOA Summit

September 21, 2026

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Why did you buy in an HOA?

1) *Someone else shovels the snow & cuts the grass*
2) *Control of what things your neighbor can and can’t do to the property*
3) *Location of property*
4) *Maintenance fee reasonable (probably low dues)*
5) *Well-managed with a board that recognizes their fiduciary responsibilities!*

What are the reasons people leave?

1) *Increase in maintenance cost (monthly dues)*
2) *Mis-directed fiduciary responses of the Board*
3) *Service vendors not responsive to homeowner requests/complaints*
4) *Board and management not responsive to homeowner requests*
5) *Prefer or can afford single-family home not in HOA*
6) *Life circumstances beyond HOA control*

Cobblestone

Built: 1984 – 1996 in 5 phases with several different size of units

What went wrong?

1) *Boards failed to designate sufficient reserves based on actual deterioration*
2) *Even the minimum 10% reserve funding requirement was not set aside in the reserve fund*
3) *NO RESERVE STUDY!*
4) *Incomplete monthly financial reports*
5) *Lack of transparency of how money was spent*
6) *Board focused on keeping dues low - disregarding the ongoing deterioration*

Misdirected Board . . .

1) *Board fired facilitator and believed they were saving money by self-managing in violation of the Bylaws*

2) *Board lacked experience in managing a property with more than $35 Million of capital*

3) *Board lacked perspective on how far behind financially the community became over time*

First Reserve Study Showed

- ***$8.8 Million dollars underfunded = $56,222 PER UNIT!***
- ***4.4% funded – high risk for special assessment***
- ***$8 Million of immediate capital replacements needed***
  - ***Only $410,000 in reserve fund***

The Transformation!

How did we turn-around owners?

Declaration required 67% of owners to approve dues increases greater than inflation or 5% and any special assessment.

1) ***COMMUNICATION!***
2) ***Board focused on fiduciary duty – best interest of all owners!***
3) ***Board meetings to ZOOM increased participation***
4) ***Conducted 1st reserve study at nearly 38 years old.***
5) ***16 small group meetings to educate owners***
6) ***Townhall meetings:***
   a. ***Finance Committee***
   b. ***3 different contractors on property condition***
7) ***Weekly letters from Board President Zac Parry***
   a. ***Explaining costs of delay – nobody gets any improvements!***
   b. ***Responding to misinformation from owners***
8) ***Neighbor-to-Neighbor Communication***

How did we turn-around owners?

9) *Weekly drop-in meetings for 4 months at library for individual owner questions & concerns*
10) *3 Owners meetings*
    a. *Laura Meade as parliamentarian to run fair meeting*
    b. *CPA firm to count ballots to create credibility*
    c. *Hired police to maintain order*
11) *After first failed vote – allowed more owner input & assigned to Finance Committee for new plans*
    a. *More townhalls and education*
12) *Letter writing campaigns*
13) *Postcard mailing campaigns from owners promoting passage*
14) *Window placards – both in favor & against*

What's the message?

- ***Must have a current and long-range plan for maintenance***
    - ***RESERVE STUDY***
- ***CANNOT IGNORE the increases in costs to provide services***
- ***Fund your future capital replacement costs in your reserve fund!***
- ***Know and follow your governing documents***
- ***Board must be held to fiduciary duty by owners!***
- ***ALL board members MUST act in the interest of ALL HOMEOWNERS – what is best for the community***
- ***Must have PROFESSIONAL management***
    - ***Knowledgeable in reserve studies, financial reporting, investments, and knows what, when & how to inform the board & community of difficult information***
    - ***Effectively communicates & is transparent in all aspects of management***

Simply Put…

Communicate! Communicate! Communicate!

Questions?

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