

CAI-Heartland Webinar

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The Politics of Responsibly Setting Dues by Jeff Westendorf, CMCA AMS

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Responses to Participant Questions (in red):

We'd love to know the best way of transforming community from a run-down place into somewhere people want to live.

- Communication & education are critical, but it also requires SHARING A VISION about what the community could become and what that will realistically cost. That requires many different types of communications (verbal, written, townhall meetings, owner meetings, expert presentations, visuals, etc.) done in many different formats (large meetings like townhalls, Owners Forums, small group meetings, 1-on-1 conversations, living room conversations, drop-in discussions, emails, videos, letters, etc.)

How to convince Boards that keeping assessments the same is actually a BAD thing.

- Share the Cobblestone story from Common Ground magazine. Invite an outside person to talk to the board and community. Ask questions to get the board to understand their role is not to keep dues low or keep the current owners happy, but it is to follow their Declaration & Bylaws which requires them to maintain the property (regardless of the cost). You must help the Board to understand the impact of inflation. Sometimes you must be prepared to leave the client if the Board doesn't have the political courage or vision to properly perform their responsibilities.

Restore a 50-year-old property with landscape and drainage issues.

- Many people are visual learners – so pictures on these issues are helpful. You also should bring in experts like civil engineers and landscape architects to describe the deficiencies, provide solutions, and pay for the visuals to show people what the fix will be and what it will cost. Plan so that you have time to develop the financing plan before the physical issues become a crisis management situation.

The best ways to set responsible dues and explain why they are necessary in an extremely clear fashion.

- Use the chart I presented showing people that if you fail to set dues according to the market pricing, then eventually the HOA Credit Card will build up. You can't stop Mother Nature & Father Time!
- The free market sets the price for operating costs and deterioration costs – not the Board. The only choice the board is really making is IF THEY ARE GOING TO FUND THE RESERVES or force future owners to bear the burden of their short-sightedness.

How to combat board apathy to invest in their community.

- Ultimately, you may have to find new board members. If the current board refuses to get educated, then you must educate the broader community and support sound leadership to get elected.
- This takes time – and we need education programs for ALL HOMEOWNERS, not just the Board members. After all, it is the homeowners that elect board members.

How to explain dues increase at HOA annual meeting.

- I use a series of questions to ask owners how the community will react when there is a shortfall in reserves during an emergency (sinkhole in the street).
- Then I use series of questions to get them to understand the impact of not having enough money in reserves to cover an insurance deductible and how that will negatively impact their lives by not allowing us to fix the property and they must leave to go live elsewhere while we ask owners for special assessments and collect the money.
- Then we move into true cost of capital replacements and how to calculate that.
- Lastly, I'm blunt to say ... it's unfair to ask people to serve on the board if the owners are not going to give the board members the financial resources (increased dues & adequate reserve funds) to manage risk. So I tell the board to raise the dues and if people don't like they will run for the board – we all know that the negative people rarely run for the board because they don't want the responsibility and personal liability.

How to address individual negative individuals.

- Listen to them empathetically. Meet with them 1-on-1. Thank them for sharing their opinion, thoughts or ideas. But you may have to accept that some people are not ever going to change. You only need 50% or 67% (depending on the Declaration) to move the organization forward financially. Educate the masses, get the votes, pass the process and don't listen to the negative individuals.
- My philosophy: If you would not ask that person for advice ahead of time about how to care for the property and properly fund the reserves, then you should NOT care what that person thinks of the solution to care for the property and properly fund the reserves.

The board is not accepting the problems by not raising the dues and refusing their responsibilities.

- Start with the Board President and Treasurer. Get them to understand that they will have some personal liability exposure if they fail to act like a prudent businessperson.
- Educate the board and community monthly with videos, articles, etc. sharing these experiences. The community must “discover” their shortcomings – you can help them discover this by putting information in front of them. Often, this requires new board members.

Street improvement that has been delayed.

- Inflation is only making this problem more expensive. Show the Board and Community the impact inflation has had on their past decisions to delay. Then ask them if delays will cost

them even more in the future. Bring in concrete experts to answer questions about the impact on inflation on concrete or street costs and labor costs in your market.

The best way to get our boards to approve the assessment increases is due to deferred maintenance.

- Bring in experts to point out how deferred maintenance will increase decay and rot and only cost the association more in the future. Bring in contractors to talk about inflation and how delays are only going to cost more money.
- Use different communication methods to get broader support so that board members feel safe in making the votes necessary to improve the community.

How to sell the Association Board on Smart Property.

- Smart Property is an online tool for HOA reserve studies. While the tool is important, more important to the owners is understanding how the data will impact them personally and collectively in the future. This means educating owners that percent funded correlates to risk (special assessment, deferred maintenance and other types of risk) that can harm individuals and the association.

I'd also like to know the legal ramifications of the process that you went through.

- Would like more clarification on what “legal ramifications” means in this question, but I will tell you that we engaged our attorney throughout the entire process in reviewing Declaration & Bylaws, properly noticing meetings, reviewing contracts and engineering reports, responding to collection issues, HOA loan closing process, etc. All legal costs were incorporated into the project costs.

How to get boards to approve assessment increases.

- See previous answers.

How to get board and community buy-in when we have to raise dues.

- Remember it is the BOARD raising the dues, not the management company. It may even be the OWNERS raising the dues if an owner vote is required. In any event, remember that Owners and Boards can delegate tasks to management, but they cannot delegate RESPONSIBILITY. If the Board or Owners fail in their responsibilities to properly fund reserves (i.e. raise the dues), then ultimately the Board and Owners (not management) will bear the legal consequences of those poor business decisions.
- Management may have to send the Board a notice reminding them of the indemnity clause in their contract protecting the management company from those poor business decisions. Ultimately, the management company may need to decide if the risks of the poor board decisions outweigh the client revenue/profit.

How to teach the Board.

- Constant education. Get the board a CAI membership! Then use articles and videos monthly at every board meeting from Common Ground and CAI pointing out how to be a better board.

- Mentor board members in conversations – invite them (and maybe even pay for them) to attend these types of webinars. Maybe the management company hosts an educational event – I would happily discuss coming to make a presentation.

Why increasing assessments each year is beneficial for the community.

- Point out the reduced RISKS each year. Educate and publish your increasing Percent Funded so that owners see the benefits of their increased dues.

How to empathize with the board.

- Help board members to understand their roles and help educate owners that the Board's role is to make good business decisions, not be the friends or special interest of current owners over future owners.

How to not raise dues and assessments, but management expenses.

- You can only manage expenses so far before there are no more cuts to be had without cutting actual services. Most HOAs are drastically already underfunding their reserve contribution (i.e. capital deterioration). There are no number of cuts in operations that will make it possible to fully fund reserves in most associations. You must be honest with yourself and the board!

Is Smart Property software a better compilation method for relaying the details of reserve plan projects versus using a static reserve study?

- I have not used Smart Property software but will explore this reporting function. If this person would contact me later at jeff@west-property.com or phone me at 515.778.7590, I will happily share my thoughts.

Something about communities!

- Hope some of these communication and education ideas were helpful!

How to communicate clearly the reasons for increased assessments.

- Recommend using many different communication methods – what will work for one homeowner or board member will require a different communication method for another.

My Board needs to make a big assessment increase so I just thought I would learn more.

- Help the Board to see that it will require political courage and a vision to put long-term success over short-term.

How to tell homeowners that their dues are increasing substantially.

- Be honest! Explain why! Be factual and not emotional. People will respond emotionally and it will take them time to hear the facts. Start communicating early and often.

Checking if any new budgeting or assessment setting tools are presented that I have not seen before.

- Hope the communication tools and components formula was helpful.

How to get Boards and homeowners to agree to increase and pay assessments/ dues.

- Communication & education!

Strategies for implementing assessment increases.

- Implement various communication methods and keep board focused on fiduciary duty.

How to get Boards to understand the importance and relevancy of the Reserve Study and to listen to the manager who gives wise council!

- Board education and communication. Engage them with CAI resources and these types of webinars and experiences.

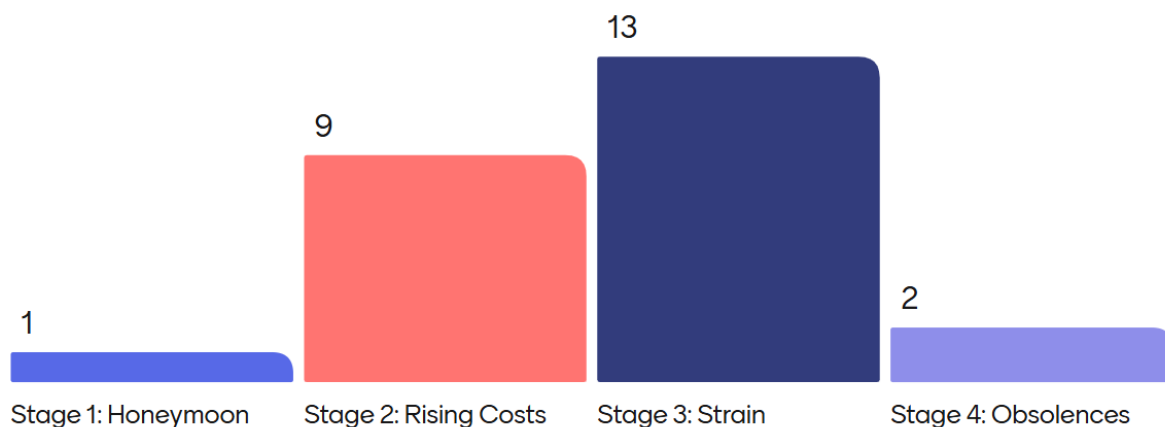
How did you pay for all of these consultants and mailings?

- Included all engineers and construction advisors in the capital project costs. We know that paying for these experts saved us more money than we spent. It increased the quality of the construction, which has resulted in very few callbacks and other issues. It also protected the Board, planning committee, and management from claims from owners of non-performance.

I'd like to know how involved the manager was during construction?

- I was involved daily with the construction project. There were weekly progress meetings, but I was on property daily for 3 years – 1 year on roof replacement and 2 years on the siding replacement. In addition, I provided leadership and staff work to the Construction Planning Committee, Board of Directors, Finance & Audit Committee and Communications Committee that all had roles in the project planning, communication, and oversight of the project and loan (financing and accounting plans). Boards should be prepared to pay for these advanced management services, expertise and time.

What phase is your association in right now?



Percent Funded calculation = current reserve fund / fully funded balance. The fully funded balance can be found in Association Reserve reports on the summary pages. Here is an example:

30-Year Reserve Plan Summary							Report # 32853-4 With-Site-Visit		
Fiscal Year Start: 2026					Net After Tax Interest: 3.00 %		Avg 30-Yr Inflation: 4.00 %		
Reserve Fund Start (as of Fiscal Year Start)					Projected Reserve Balance Changes				
Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase In Annual Reserve Funding	Reserve Funding	Loan or Special Assmts	Interest Income	Reserve Expenses
2026	\$839,736	\$3,174,500	26.5 %	High	35.50 %	\$384,000	\$300,000	\$20,378	\$1,023,550
2027	\$520,564	\$2,453,538	21.2 %	High	3.00 %	\$395,520	\$0	\$21,325	\$34,424
2028	\$902,984	\$2,741,091	32.9 %	Medium	3.00 %	\$407,386	\$0	\$30,443	\$211,561
2029	\$1,129,252	\$2,864,931	39.4 %	Medium	3.00 %	\$419,607	\$0	\$40,111	\$40,608
2030	\$1,548,363	\$3,180,886	48.7 %	Medium	3.00 %	\$432,195	\$0	\$53,668	\$0
2031	\$2,034,226	\$3,561,454	57.1 %	Medium	3.00 %	\$445,161	\$0	\$66,869	\$116,677
2032	\$2,429,579	\$3,846,035	63.2 %	Medium	3.00 %	\$458,516	\$0	\$80,434	\$28,723
2033	\$2,939,807	\$4,244,009	69.3 %	Medium	3.00 %	\$472,272	\$0	\$56,468	\$2,638,838
2034	\$829,708	\$1,954,343	42.5 %	Medium	3.00 %	\$486,440	\$0	\$32,513	\$7,938
2035	\$1,340,723	\$2,320,625	57.8 %	Medium	3.00 %	\$501,033	\$0	\$47,964	\$28,609
2036	\$1,861,112	\$2,691,916	69.1 %	Medium	3.00 %	\$516,064	\$0	\$61,441	\$198,205
2037	\$2,240,412	\$2,914,006	76.9 %	Low	3.00 %	\$531,546	\$0	\$74,098	\$140,090
2038	\$2,705,965	\$3,218,241	84.1 %	Low	3.00 %	\$547,492	\$0	\$90,361	\$17,771
2039	\$3,326,047	\$3,675,192	90.5 %	Low	0.00 %	\$547,492	\$0	\$109,491	\$0
2040	\$3,983,030	\$4,182,772	95.2 %	Low	0.00 %	\$547,492	\$0	\$129,053	\$27,707
2041	\$4,631,868	\$4,696,262	98.6 %	Low	0.00 %	\$547,492	\$0	\$144,234	\$327,141
2042	\$4,996,453	\$4,933,880	101.3 %	Low	0.00 %	\$547,492	\$0	\$140,482	\$1,303,033
2043	\$4,381,393	\$4,181,675	104.8 %	Low	0.00 %	\$547,492	\$0	\$141,121	\$30,874
2044	\$5,039,132	\$4,738,650	106.3 %	Low	0.00 %	\$547,492	\$0	\$161,254	\$22,487
2045	\$5,725,392	\$5,343,501	107.1 %	Low	0.00 %	\$547,492	\$0	\$178,311	\$273,469
2046	\$6,177,726	\$5,729,071	107.8 %	Low	0.00 %	\$547,492	\$0	\$189,870	\$418,066
2047	\$6,497,022	\$5,997,933	108.3 %	Low	0.00 %	\$547,492	\$0	\$205,087	\$56,058
2048	\$7,193,543	\$6,673,017	107.8 %	Low	0.00 %	\$547,492	\$0	\$223,993	\$205,946
2049	\$7,759,082	\$7,238,960	107.2 %	Low	0.00 %	\$547,492	\$0	\$243,172	\$75,913
2050	\$8,473,832	\$7,983,303	106.1 %	Low	0.00 %	\$547,492	\$0	\$250,411	\$1,029,423
2051	\$8,242,312	\$7,787,119	105.8 %	Low	0.00 %	\$547,492	\$0	\$245,803	\$869,329
2052	\$8,166,279	\$7,771,788	105.1 %	Low	0.00 %	\$547,492	\$0	\$252,613	\$269,484
2053	\$8,696,900	\$8,402,775	103.5 %	Low	0.00 %	\$547,492	\$0	\$254,793	\$1,187,371
2054	\$8,311,814	\$8,128,413	102.3 %	Low	0.00 %	\$547,492	\$0	\$261,138	\$0
2055	\$9,120,444	\$9,102,919	100.2 %	Low	0.00 %	\$547,492	\$0	\$285,458	\$18,088

Then take your balance sheet and disclose the monthly fully funded balance and report your percent funded. Here is an example:

	6.30.26	7.31.26	8.31.26
Reserve Study Fully Funded Balance	\$ 2,206,125	\$ 2,176,450	\$ 2,146,775
Percent Funded	45%	46%	48%