

# PRINCIPAL PRESS

## BUDGET AND FINANCE

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Each homeowners association should have a financial plan that sets forth the proposed expenditure of funds for the maintenance of properties under the association's control which also outlines the management and operation of the association itself. A financial plan, or budget, is the foundation document for the association's financial operation and stability. It provides a preview of the proposed coming year expenses, and it provides a benchmark by which the previous year expenditures can be judged and evaluated.

The budget should be prepared annually by the association for a twelve month period. Upon adoption of the budget, the required annual contribution of each property owner in the community is also simultaneously set based on the budgetary needs of the association.

A homeowner's association budget should provide a detailed listing of all the expenses the community reasonably believes will be incurred during the coming fiscal year. The main categories or components of the budget will govern the regular and ongoing operations of the association. These operation categories will deal with the everyday, recurring expenditures of the association and should identify each proposed form of expense separately from administration to management and taxes to insurance.

The expenses for general operations should be listed by account and classification; they should report in a manner to show the total estimated monthly and annual expenditures for each classification.

A separate portion of the budget should be set aside for capital expenditures and deferred maintenance. These "reserve" categories of the budget are for items of expense that do not occur on a regular basis. These accounts will provide funds for the long term needs of the homeowners association which involve major capital repairs or replacements to the homeowner association's property.

If your homeowners association owns property, you should consider obtaining a Reserve Study. When preparing the reserve categories, the board of directors should attempt to establish a formula which will take into consideration the estimated useful life of the asset and the amount of money to be required to make the repair or replacement.

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The Associa Advantage Network is a free and voluntary **VALUE-ADDED SERVICE** available to members of the Associa Family. By leveraging the purchasing power of Associa's 8,000 communities and 2 million households, we are able to negotiate exceptional savings on household goods and services commonly used by our clients, maintenance groups and employees.

Through the Associa Exclusive Offers area members will find trade partners that are icons in their industry such as Lowe's, Sherwin-Williams, DoodyCalls, 1800-GOT-JUNK?, Budget Blinds and *Bulbs.com* to name a few.

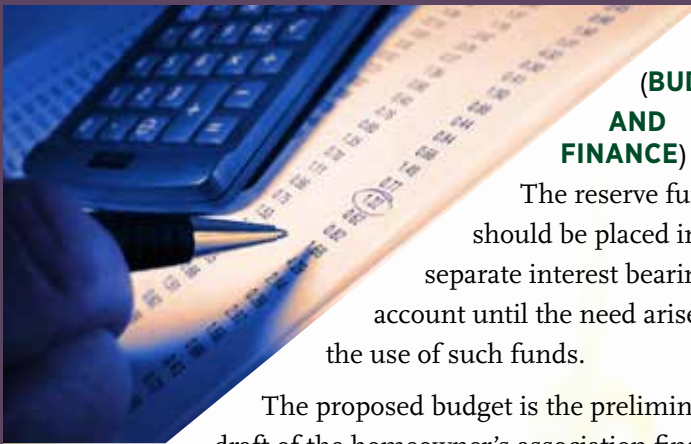
Choose the best and take advantage, [www.associaadvantage.com](http://www.associaadvantage.com).

“I recently placed an order with *Bulbs.com* through the Associa Advantage program and was extremely pleased with their pricing and service. I received a quote from our normal supplier and *Bulbs.com* beat their price by 50%! The ordering process was easy and we received our shipment fast. This is a phenomenal program and I look forward to sharing the savings information with my Board of Directors and using their services for future orders.”

-BLAKE ROSE, CMCA® COMMUNITY MANAGER

“I was getting ready to order more bags for our pet stations and thought this was my chance to experience Associa Advantage for myself. There was definitely a huge savings! For \$115, I received 4000 bags from DoodyCalls! The closest competitor would have cost the Association \$250. In times like these the Association definitely appreciates the savings.”

-MAYEA HENDERSON, CMCA® AMS®  
BEECH TREE COMMUNITY MANAGER



### (BUDGET AND FINANCE)

The reserve funds should be placed in a separate interest bearing account until the need arises for the use of such funds.

The proposed budget is the preliminary draft of the homeowner's association financial plan and once approved is adopted by the board as the association's formal budget. The development of a proposed budget may be by the association's treasurer, a financial committee, the community association's management company, the board of directors itself or a combination of any of the above.

The board should bring as much expertise as possible to the development of the proposed budget. The preparation of account classifications for the proposed budget will be based on the association's financial history and the experience of the previous year's expenditures. New anticipated expenses can be estimated from comparisons in the marketplace, from the experience of other homeowners associations or obtaining proposals for needed repairs. Each classification should be based upon realistic estimates and should be set forth in sufficient detail so each category can be understood and

evaluated by the members of the association and by the board of directors.

To fund the homeowner's association budget, the board of directors in almost all circumstances is granted authority to assess individual property owners for their share of the community's funding requirements. The recorded declaration of covenants, conditions and restrictions and the bylaws of the association must be consulted to determine the basis for the assessment allocation.

The total required revenue for the fiscal year of the association is set once the budget is adopted. Before allocating the assessment shares among the members of the association, the board should first deduct the sums which will be generated, if applicable, from other revenue sources such as interest, rental income and any usage fees for the common area property.

Even if one assessment goes unpaid or short-paid, anticipated projects may not be carried out. The association may find themselves in a position to withdraw from the reserve account to make up for the loss in revenue. Therefore, the board of directors may have to budget for bad debt and plan for uncollected assessments.

Timely remittance of assessments and assessment installments from each member is essential to a smooth functioning homeowners association which will also assist in the proper maintenance of the community's property, thus protecting member's property values and investments.

# PMG-H Resale Flow Chart

## MANAGEMENT COMPANY Role

1

Management Company sends documents to Community Archives either electronically or in hard copy format to be loaded on to the Management Company website or Community website.

2

Management Company sets up and maintains profile accessible at [www.pmg-houston.com](http://www.pmg-houston.com)

- a) Set up office contacts for notification purposes.
- b) Manages documents online.
- c) View pending and approved requests.

3

Office contact is notified when request is made for documents.

4

Documents are marked as "Pending" and processed in order received. If there is an issue with the order, the Management Company will contact the original Requestor.

## BUYER Role

1

Requestor visits Management Company website.

- a) Selects "Place Order Here".
- b) Select documents for purchase.
- c) Enters required field data including method of payment and delivery.

2

When an order is placed, it shows up on the queue of orders for the Resale Department to process. The orders are placed into different queues based on level of processing option.

- a) Regular Order : 4-10 business days
- b) Expedite Order: 2-3 business days
- c) Priority Order: 2 business hours

3

Requestor is notified via email of order confirmation and issued a transaction code.

- a) Requestor can revisit Management Company and select "Place Order Here" and enter transaction code to gain entry with links to community documents.

4

Requestor is notified via email once Management Company has approved resale documents for release.

MANAGEMENT COMPANY

# The Function & Importance of a Resale Department

**H**omeowner associations are dedicated to facilitating the transfer of ownership for both condominiums and single-family homes while protecting the interest of the Association.

While most management companies roll the cost of resale documents into their management company fees, Principal Management Group strives to keep the management fee down and only charge the entities involved in the actual closing transactions. This, in turn, helps the HOA keep the dues low across the board and not charge owners for an expense that may not be applicable to their unit.

At Principal Management Group of Houston, we utilize a web-based processing service called Community Archives. Community Archives offers versatility, customization and flexibility which allows title companies, lenders, real estate agents and residents to request necessary community documentation required for closing transactions in a secure online environment.

Through the Community Archives system, clients (title companies, realtors, etc.) are able to offer a varied menu of specialized products to their clients that not only provide the standard resale packages but also additional items such as Realtor Reports, Appraiser Reports, Lender Questionnaires, Covenant

Compliance Inspection (CCI) and other specialized items they have not been able to offer in the past. Key documents are available in multi-tiered expedited time frames per product and by community.

One may ask “what do these documents mean?” Management companies generally spend 40 percent of their time answering questions through the resale department that are either repetitive or asked by the wrong person. This takes up valuable time that could be utilized in a different way. As such, the specialized products, i.e. standard and custom lender questionnaires, help these individuals get the

*“Community Archives offers versatility, customization and flexibility which allows title companies, lenders, real estate agents and residents to request necessary community documentation required for closing transactions in a secure online environment.”*

information that is needed without giving them information that would bog them down or is unnecessary for their client.

The most commonly requested documents for closing transactions are the Statement of Account and the Resale Certificate Package. These documents provide the payoff amounts that need to be collected at closing for the HOA. The Resale

Certificate Package includes the payoff amounts in addition to the Governing documents, the current financial position of the Association, the Association budget and the known/potential liabilities of the Association. This document is normally requested by the title company prior to closing but through the shopping module, it can be ordered by any party involved in the transaction at any time. The cost of the Resale Certificate is normally paid for by the Seller.

It is Principal Management Group of Houston’s philosophy to not only be the tool but the service provider which allows our company

to provide a service to our client that is superior to anything else in the marketplace today. Utilizing Community Archives’ technology, Principal Management Group of Houston can deliver rapid, dependable and

fully traceable (24/7) solutions and services to title companies, mortgage lenders, buyers, sellers, appraisers and other industry professionals.

**Rachel J. Richmond**  
Accounting Manager

**Jessica Patel**  
Resale Administrator

*Principal Management Group  
of Houston*

# Wedding Bells Were Ringing!



On June 1, 2011, there were plenty of bells ringing at Caesar's Palace. The bells were more than those of the slot machines. The bells heard by Erica Plock and Jesse Morgan were Wedding Bells. PMGH Community Association Manager and Customer Care Supervisor, Erica Plock became Erica Morgan as friends and family watched Erica and Jesse exchange wedding vows.

PMGH co-workers are very happy that Erica wed her soul mate and best friend, Jesse Morgan. We wish this new union a lifetime of happiness. Pictured on the left are Mr. & Mrs. Morgan.



## IS THERE VALUE IN TREE CARE?

When you think about the value of tree care two things should quickly come to mind; their beauty and their environmental contribution. However, because most urban trees require some form of regular care, they also represent an investment. In our community associations we should recognize their direct impact and recognize the great value they add to our overall quality of life. In order to protect these trees which lend safety, security, solitude and scenery to our communities we must plan to take care of them and in doing so protect their value.

In general, tree care can be provided from a wide spectrum of operators – from the professional, trained and safe, to the untrained, unsafe and uninsured. Therefore, the pricing will widely vary and you generally get what you pay for. You should consider a long term plan for the proper care of these trees in order to best protect this investment.

Proper pruning can last for several years and should last three to five years. More frequent pruning may be seen if there is poor quality from the job performed. Under-qualified or unethical operators will commonly prune only as needed to lightly raise the lower canopy and remove a few of the lowest water sprouts, leaving the upper canopy untouched and unhealthy. Thorough, selective thinning

has been proven to help reduce storm damage and sudden limb failure. It also promotes aesthetically pleasing limb structure. Improper pruning can cause problems later in a tree's life by providing entry points for disease. Therefore, seek qualified operators when spending association dollars for tree care.

Remember, when you pay for tree care you want to be sure the price you pay encompasses payment toward education, experience, equipment and insurance. To make sure you are getting the best value for your money, check for key elements like degreed Foresters, Certified Arborists, industry accreditation, a safety program, dependable tree care equipment and general liability insurance plus worker's compensation insurance.

Once you select a qualified professional, they will be able to identify problems early and help you prioritize work and establish a budget to fit the coming years of maintenance to properly protect the asset these trees represent.



## ***Do you ever wonder why we send you those manager reports after your last board meeting?***

Well, we believe it is extremely important to maintain open communications with board members and therefore, implementing a detailed manager's report is an excellent tool to keep track of issues and happenings from your board meetings. Our manager's report allows both the management firm and the board to know exactly what perceived expectations are forth coming each month; it also serves as a verification and guide for the manager to stay on track to accomplish reasonable expectations.

Board members and community managers may not always see eye-to-eye. However, with effort and teamwork, they can achieve and sustain a great working relationship that benefits the community. After all, a community association's primary goal is to enhance and protect the property values of the homes within the community; community managers work with the board to help achieve these goals.

A great working relationship between the board and the community management firm can significantly benefit the association. A long-term business relationship with your management firm brings continuity in improved institutional knowledge and perspective for accomplishing community goals.

We have found that in order for all of us to be successful in working together, sometimes we just need to synchronize

better. Therefore, our community managers prepare a board meeting report after each board meeting. Such reports are sent to the board for review to ensure there is open communication and complete understanding from all parties regarding the most important tasks to be accomplished within the following 30 days. The report also seeks communication back from the board should there be any concerns, criticisms, questions and or compliments that should be shared with the management supervisor. Withholding details or concerns can only harm the relationship and does not offer the manager or the management supervisor the insight in order that assistance can be provided if needed.

As always, we desire to maintain a successful relationship built on trust, respect, communication and education. We know both our managers and board members desire to always do what is best for the community. We "thank you" for partnering with us and ask that you always respond to our manager reports when submitted to you after your board meeting to ensure we achieve and sustain a good working relationship.

We thank you in advance for providing us with details and information if you ever feel you are not receiving the level of service you expect. Therefore, we ask your assistance in notifying us after each board meeting how productive or not so productive the meeting was from your viewpoint. If you are not giving us information, we will not know when and how to assist you! Remember, the old saying – "We cannot fix what we do not know is broken."

## ***Meet Natasha Merchant***

NATASHA MERCHANT joined Principal Management Group this past January 2011. She came to us with a background in accounting, warranty management and home builder experience all of which has served her well in our Collections Department. Natasha has a "can-do" attitude and excels in her work each day.

Additionally, outside the office, Natasha enjoys spending time with her family; being involved with her children's school activities; performs volunteer work; loves to camp; read; enjoys sampling fine restaurants and loves the color "pink"!!

We ask that you join us in congratulating Natasha as she has recently been promoted to our Time Share Division where she will be able to continue to contribute her skills in assisting our Time Share clients.

