

COURTESY OF

HOMEOWNERS ASSOCIATION MANAGEMENT COMPANY

222 WEST GURLEY STREET . PRESCOTT ARIZONA . (602) 776-4479

PLANNING AHEAD FOR SPRING

by Justin Scott



Your Board of Directors can best prepare for the Spring and Summer busy periods by simply planning ahead, working with contractors and getting an early start on the bids.

1. Make sure that your Landscaper and or the Landscaping Committee checks the grounds for the needed replacements and enhancements for the 1995 budget year. It's best to start early so to avoid planting in the summer heat. During the winter months you can place your order and receive a considerable price break over the busy summer period.
2. Make sure that the pools and spas are inspected as soon as possible to avoid last minute repairs to delay the opening of the pools in the summer.
3. Inspect all outdoor furnishings and equipment, before the busy summer months. Plan to purchase replacement furnishings in March or April so that they can be ready for the Memorial Day Weekend and or the opening of the summer pool season.
4. Now is the best time of year for the Board of Director's and Architectural Control Committee to make a tour of the development. The committee should note whether there have been Architectural changes made without the approval of the Board of Director's and or the Architectural Control Committee. The Architectural Control Committee should plan a tour of the development at least twice yearly on a regular basis with the Board of Director's to plan ahead for future repairs or improvements. Again the winter months are an ideal time to take advantage of the winter schedule of your contractors to get bids and monopolize on their slow period.

The Board of Directors should be planning now for all their painting, repairs and street work for the 1995 budget year now. Again to reiterate an important

On The Inside

Association Organization & Structure

**Does Your Association Have A
Collection Policy?**

point, the winter months are slow for most contractors and most of your bids can be obtained this time of year with a considerable saving to the Association.

When your Association is in the process of reviewing potential contractors, you should verify with your local office of the Registrar of Contractors whether the prospective contractor has the necessary licenses and bond required by State. Most of the contractors are required by the State of Arizona to have a bond in the amount of \$5000.00. Depending on the size of the job being contracted it may be necessary to request that the contractor provide the Association with a performance bond for the amount of the contract. Another prerequisite is to verify with the contractor's insurance company the amount and type of coverage. Ask the contractor to verify that they have the ample amount of equipment and employees to do the required job. By doing this the Association can verify if the perspective contractor has the required equipment or if they will be using sub-contractors to do a portion of the work being contracted. Associations that are managed by Homeowners Association Management Company do not need to assume the responsibility of verifying of Contractor's Licenses, etc. This is done automatically by the Management Company. The Management Company also will require the successful contractor to fill out a contractor's agreement and the necessary forms required to protect the Association. The Management Company will also obtain copies of the necessary licenses, workman's compensation insurance and liability insurance.

If our office can be of assistance to any Association in obtaining any of the above recommended information, please contact our office.



YOUR ASSOCIATIONS COLLECTION POLICY

by Cathy Clitherow



Homeowner's Associations, by their nature, are businesses just like Sears, J.C. Penney's, Visa or Master Card. The main difference is that an Association is operated on a not for profit basis. This does not mean that you should ignore delinquencies in assessments. On the contrary your collection policy should be clear, concise and rigidly enforced. (You Do Have A Collection Policy, Don't You?)

One of the many responsibilities of the Board of Directors and Officers of an Association is to enforce all the Rules and Regulations and Policies of the Association. You have a fiduciary obligation to enforce the Associations collection policy. In our office this is probably the biggest concern we hear from Board Members and Officers because the homeowner may be their friend or neighbor. Unfortunately there will be times when you have to set aside your personal feelings of friendship and make decisions that are in the best interest of the Association.

Most Associations have guidelines mandated by their governing documents as to when their dues' assessments are due, how they must be paid (monthly, quarterly or annually). These documents may also provide guidance on late fees. The Arizona law that became effective July 17, 1994, gave Association Board of Directors the power to impose a late charge on homeowners that were delinquent in their assessments. Where the law did not give us any guidelines what dollar amount is reasonable. We recommend that Associations use the California standard that is \$10.00 or 10% which ever is less. These are only recommendations but we have found that Arizona tends to follow the California standards and laws for Homeowners Association.

For most Homeowners Associations, there only source of income is through monthly or quarterly due's assessments. For this very reason they must have a

strict collection policy. When an association chooses not to enforce the collection of assessments, they may find that it is almost impossible for the Association to operate smoothly on a day to day basis. The Board of Directors is having to make decisions on what work can be accomplished and at times it may be necessary to postpone work that needs to be done. This is because they do not have the funds available, on a timely basis, to pay the for the daily operational needs of the Association.

Another area of concern to the Association is when a homeowner tries to sell or refinance their property an appraisal is done and in most cases a mortgage questionnaire called a Homeowners Association Certification Questionnaire. Both of these forms require information on the Associations finances as well as the percentage of Homeowners that are more then one month delinquent in their dues and the dollar amount of the delinquency. These questionnaires can severely impact the ability of the homeowners to get financing for their property. In addition the mortgage company receives certain financial statements. These reports include a Budget Spreadsheet and an Income and Expense Spreadsheet. They ask for three year's activities, so that they can clearly see the action that the board takes concerning collections.

When an Association does not enforce or have a collection policy the Association may find it self having to borrow funds from other sources such as reserves, or even bank loans to meet their daily expenses. Again we at the Management Company are very much aware of the difficult situation some Board Members and Officers face when put in a position of enforcing the collection policy among their friends and neighbors. Nothing can make a homeowner more disgruntled, then to find out that the Association is facing a sizable dues increase or special assessment because the Association can not pay its bills, as a direct result of delinquent assessments. Your Association is no different then any other business or family today. We are all effected by inflation each year and trying to make the dollar stretch further. However if your collection policy is pre-

sented in a positive manner to the Homeowners they will at least understand the reasoning behind such a decision, and the necessity for the Board to rigidly enforce the Associations collection policy. The homeowners will appreciate the effort that their Board Members and Officers have put forth if they can see a positive effect on their property values and the overall soundness of the Association.

Board members need to remember when establishing or enforcing the policies of the Association, that every member must abide by these policies. All homeowners should be treated equally and there should never be any favoritism shown among Homeowners and Board Members.

TAX REMINDERS

All incorporated Associations are required to file Federal & State returns even if they did not have taxable Income. Deadline for Corporate Returns is March 15, 1995, for all Associations that have their tax year ending December 31, 1994.



All Associations are required to prepare and mail Form 1099 and the accompanying return for any unincorporated individual or firm that they paid more than \$600.00 during the past year irrespective of when your tax year ends. Deadline: Forms January 31, 1995>Returns: February 28, 1995. {See Note: 1}

All incorporated Associations are required to file a Corporation Commission Return and the required financial reports with the Corporation Commission. Deadline-February 28, 1995. {See Note 1}

Note: 1 - Associations Managed By H.A.M.C. under a full contract or accounting service only contract will have this done automatically by the Management Company provided we have a full year of financial data. Associations that are served in an advisory capacity only will have to see this is done by their accounting firm.)

ASSOCIATION ORGANIZATION AND STRUCTURE

Often we are asked by Board Members and Homeowners alike to explain the governing structure of their Association. First, most Associations are incorporated under a state charter and operated as a not for profit business. Please do not confuse the term not for profit with that of an informal social organization. Your Association, just like any other corporation in America, is primarily a business and must be operated as such. In the chart below you will see how your Association's structure compares with other corporations.

Business Corporations Profit & Non Profit

Board of Directors

The Board of Directors are elected for a term specified in the corporate charter by the shareholders. These Directors may be paid a director's fee or a small stipend. The Board of Directors is usually under the leadership of a senior Board Member, elected by the Stockholders or Board members depending on the corporate charter. This person is referred to as The Chairman of The Board. The Board of Directors is elected by the shareholders the authority and responsibility for all the Corporations activities rests with this group.

Executive Officers

The President, Vice President, Secretary and Treasurer are the senior employees of the Corporation hired by the Board of Directors and directly responsible for the day to day operations of the corporation. They are under the direct authority and control of the Board of Directors who may replace them at any time. In some cases the President may also be the Chairman of The Board. When this happens that person is usually referred to as the C.E.O. (Chief Executive Officer)

Association Corporations Non Profit

Board of Directors

The Board of Directors are elected for a term specified in the governing documents by the Homeowners. These Directors are usually not paid and serve as a volunteer in service to their Associations. Under rare occasions the governing documents may allow a director to receive a small stipend and/or reim-

bursement for out of pocket expenses. The Board of Directors is usually under the leadership of a senior Board Member, elected by the Homeowners or Board members depending on the governing documents. This person is referred to as The Chairman of The Board. The Board of Directors is elected by the Homeowners and the authority and responsibility for all the Association activities rests with this group.

Executive Officers

The President, Vice President, Secretary and Treasurer are the senior voluntary executive leaders of the Association elected by the Board of Directors and directly responsible for the day to day operations of the Association. They are under the direct authority and control of the Board of Directors who may replace them at any time, with or without cause, with a majority vote of the Board. In all but a few Associations the Officers, just as the Directors, serve as a volunteer in service to their Associations without wages. In some cases the President may also be the Chairman of The Board. When this happens that person is usually referred to as the C.E.O. (Chief Executive Officer)

In an Association it is customary that a major portion of the responsibility that would normally be the assumed by the Associations Officers is transferred to a "Managing Agent" or a "Management Company." When this happens the Officers, to some extent, sit in an advise and consent position. Management Companies activities are usually monitored by the Associations President and other executive officers however whether an Association is self managed or employs a Management Company the ultimate authority and responsibility for all activities remains with the Board of Direc-

QUESTIONS & ANSWERS

What is the function of Committees within an Association and what are their responsibilities and limitations?

Committees are generally appointed by the Board of Directors to study at length, evaluate and make recommendations for solutions to their assignment to the Board of Directors or Officers of the Association. Normally Committees are informal and have sufficient time to fully evaluate the problem and decide on the recommended solutions, costs and possible ramifications of any actions. Committees are limited to study, evaluation and recommendation. They do not or should not have the power to act on their own. The final decision for approval and implementation should always rest with the Board of Directors who will be held fully accountable for actions taken or not taken. An exception to this would be an Executive Committee that is composed of the Officers of the Association. They may take actions depending on the scope of authority granted to them by the Board of Directors.

What is a Statutory Agent?

When a Corporation Charter is issued the State artificially creates a person who is the Corporation. A Statuary Agent is an actual person who is available to primarily accept legal service on the Association. The Statutory Agent is usually the Associations Attorney or Managing Agent.



*Address Your Questions To:
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tors. All Corporations are similar when it comes to the removal of Directors or Officers. Directors may be removed, with or without cause, by a vote of the stockholders or homeowners. Officers are usually removed, with or without cause, and replacements appointed by a majority vote of the Board of Directors.

HOMEOWNERS ASSOCIATION MANAGEMENT COMPANY

Homeowners Association Management was established as an independent subsidiary of All American Investments. Today we are the largest Association Management Company in Prescott devoted solely to the management of Homeowners Associations.

We maintain a full staff of professionals ready to serve the needs of Homeowners Associations through out North-Central Arizona. Our company's philosophy is to provide excellence in service unsurpassed in the field of Association Management

Just A Few Of Our Services

Homeowners Hotline personally answered 24 hours a day. On call personnel available to assist in case of an emergency. Full in house accounting using the standards of American Institute of Certified Public Accountants for "Common Interest Realty Associations." In house analysis of reserve funding level and projections of future capital needs. Automated billing using South Data coupons or statements. Large on call roster of qualified contractors to serve the needs of the Association.

Customized contract structure to provide the desired level of service. Property inspections by our professional Project Manager. Professional advice on structure and operations of the Board.

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