

July / August Newsletter Article on Finances

Let's Talk Money !!!

Other than looking at the snapshot of Association accounting in the newsletter, what do you know about the finances of our Homes Association? How is our money managed? How do we manage high dollar maintenance expenses when they occur? Is financial stability for the Homes Association important?

Walnut Creek South Homes Association is like a small cooperative in which each member property unit is a shareholder. The shareholders provide most of the revenue and in return, share in the use of Association facilities and benefits. Some use facilities and benefits more than others ... but these are available for use by all members in good standing in the Homes Association.

In Walnut Creek we are very fortunate to have a large number of properties (over 600) which help fund the financial needs of the Home Association. This has allowed our community to have a number of facilities and benefits not available in smaller Homes Associations. Often when I have described WCSHA facilities (clubhouse, fully staffed pool, playgrounds, park areas, etc) and benefits (including trash & recycling) to others, they are amazed at how this is accomplished at our membership dues level.

As a 'shareholder' in the Homes Association, the Board of Directors believes it is important for you to have information on our financial management, considerations, and fiscal health ! In this newsletter you will have the opportunity to learn about the basic components of our finances. Let's get started!!

Association Revenue:

The primary source of revenue comes from member dues. These account for at least 95% of our income annually. In a perfect world, the Association would collect 100% of dues owed from members each year. But this is not the case – members run into financial difficulties and sometimes are unable to pay their dues in a timely manner. Fortunately, this happens with a low percentage of our members! Our delinquency rate has been very relatively low for a number of years.

Another source of revenue is fees – primarily usage fees for facilities and service fees on delinquent member accounts. Members who reserve the clubhouse or pool for personal events pay a nominal usage fee. These fees are allocated for maintenance costs associated with the particular facility being used. (Example: If the microwave in the clubhouse needs to be replaced or if something in one of the bathrooms needs to be repaired, the cost may be covered by clubhouse event usage fees.) Delinquent member account service fees help defray some of our administrative costs.

Earned Interest is also revenue that comes from bank interest on money market and other interest bearing accounts the Homes Association uses. In today's economy these rates

are very low but the Board still looks at competitive options for higher rates on a regular basis. These options do not include ‘risk / investment’ opportunities that might involve the possibility of financial loss.

Association Expenses:

Expenses include all of the monies spent by the Association on an annual basis. These expenses generally fall with the areas of our Board Committee governance: Administration, Clubhouse, Community Relations, Finances, Grounds, and Pools.

A number of years ago, the Board recognized the need to distinguish between the expenses associated with maintaining the Association and its assets on an annual basis (operational expenses) and periodic expenses that involve major maintenance, repair, and/or improvement of Association assets (special projects).

Let’s use the Association Clubhouse as an example !!

Annual operational expenses for the clubhouse include normal maintenance costs such as utilities; cleaning; security; equipment maintenance; pest control; upkeep and maintenance of floors, carpets, bathrooms, etc; and periodic replacement of items such as tables/chairs, refrigerator, ice machine, etc. These expenses are considered ‘operational expenses’ in our budgeting process and are projected for the upcoming year annually. The Clubhouse Committee manages the operational expenses for the clubhouse during the year. If at any time, the Clubhouse Committee exceeds the operational budget allocation for the clubhouse, the Committee must request additional funds from the entire Board of Directors.

From time to time, the Clubhouse may require more expensive maintenance or improvement a new roof, replacement of air conditioning or furnace units, carpet replacement, new furniture, or new sound system. For these larger and more occasional expense items, the Clubhouse Committee must make a ‘Special Project’ request to the Board of Directors identifying the need, costs, and who will oversee the project. The Board deliberates the proposal and either approves or denies the ‘Special Project’ request. If approved, the expenses for the special project are included in budget reporting separately from the Clubhouse operational expenses.

Each Board committee submits an operating budget for the following year to include expenses within their responsibility and special project requests if needed. Special project requests may be submitted to the Board at any time during the year and approval is always subject to the project value and availability of funds to support the request.

This process enables the Board to focus on more major and exception expense decisions rather than having to approve every single expense for the Association on a monthly basis. This is one of the ways the Board has been able to better control association expenses for a number of years.

Cash Reserves:

Several years ago, the Board decided to work towards building and maintaining a cash reserve for the association to handle unexpected large maintenance / repair expenses, ups and downs of cash flow, and to provide some protection for economic trends that affect the consistency of association revenue.

In the 1990's, the furnaces for the clubhouse needed replacement and the Board (at that time) had to borrow money from the bank to complete the replacement. During the summer months our pool and grounds expenses peak creating cash flow challenges. Our pool and clubhouse periodically require major maintenance items. In 2015 after fifteen years, our pool needed a full resurfacing with a cost of around \$46,000.

Maintaining a strong cash reserve allows the Board to effectively manage cash flow and to handle large maintenance / repair expense items without creating 'special assessments' for association members. Currently the Board tries to maintain a cash reserve of at least \$65,000 at the end of each year. In some years, the cash reserve is higher based cost control and anticipated costs in upcoming years.

Expense Management and Control:

Trash pickup for members and pool operations are the two largest expenses of the homes association each year. Although our current trash pickup provider has provided services for the homes association for a number of years, prior to the renewal of contracts, the Board does encourage and entertain competitive bids for trash service. The ability to provide service to our members has always been a major consideration – having the capacity to handle a neighborhood of our size eliminates a number of single truck service providers. Through the bidding and negotiating process, Deffenbaugh has consistently offered the best deal for member services. And yes – they are not always perfect !!

Several years ago the Association experimented with outside pool management services. We found the overall cost to be higher and the service level to be lower. Currently we self-manage our pool operations by hiring our own managers and guard staff. The pool staff not only provides guard services but also takes care of the daily maintenance of the pool – chemicals, pool and area cleanliness, opening and closing, etc. Self management demands a lot of additional volunteer activity on the part of the Board Pool Committee. The cost savings, better facility condition, and improved service levels are worth the effort!

For ongoing services and special projects, the Board seeks bids periodically to make sure our costs are competitive. Like many organizations, the lowest cost bidder is not always awarded the contract. The Board uses the 'lowest and best' bid consideration for decisions. Prior history with the association, quality of work, dependability, and competitive pricing are all part of the equation.

Volunteerism helps control and reduce costs for the association. Almost every aspect of association activity benefits from those who volunteer their time, energy, and expertise. Social activities, 'clean-up days' in the clubhouse parking lot, and maintaining grounds and amenities are helped by those who volunteer. During the past few years, the Association has been the beneficiary of at least three Eagle Scout projects. Boy Scouts often help with the dumpsters on 'clean-up' days, and Girl Scouts helped with our children's Easter Egg Hunt this spring.

Partnerships is another way the Homes Association controls and manages costs. The Association has worked with the Platte County Storm Water Grant program to complete a number of storm water projects within Walnut Creek. Three major erosion problems along Verlin, storm water system repairs and improvements between Raintree and Verlin, new storm water control along 58th Terrace, and other storm water projects have been enabled by significant contributions from the County's Grant Program. Major renovations to the ball diamonds in the last couple of years would not have been completed without the partnership with ball teams utilizing the facilities. The Parkville Special Road District has been a valued partner on many of our storm water and other road improvement projects in the neighborhood.

A significant cost savings for the Homes Association is that we self-manage our association. Rather than paying an outside company to manage association activities, collect monies and pay bills, and provide customer service activities to our members, the Association has been self-managed since its inception. This would not be possible but for the time, expertise, and energy donated by Board Members, Friends of the Board, and Association Staff.

Conclusion:

Hopefully this has given you a better understanding of how our Homes Association works from a financial perspective. We are fortunate to have a community and Board who, for years, has been committed to making sound financial decisions for current and future members of our community! Feel free to address any questions or comments on this article to 'office@wcscha.org' or use the comment form on our website: www.wcscha.org.