

Strategic Roadmaps, Long-Term Plans, Budgets, Reserve Studies, And Funding Plans – What’s the Deal?

By Sandy Draper, Treasurer

In April, the HOA will be conducting its annual meeting, during which four new board members will be elected. As part of their candidate statements, many aspiring board members will say they want to do strategic planning, or they want a long-term budget, or they want to cut the dues and focus on amenities. These candidates will allude to financial shenanigans perpetrated by former boards. They will suggest that they have an easy solution to our finances, the full details of which will be revealed after they are elected to office.

Does this sound familiar? Most of us know that candidates of all parties often say whatever they think the voters want to hear in order to get elected, regardless of whether it makes sense. Since I will not be seeking reelection, I have the liberty of sharing with you what I believe to be the “real deal” regarding our finances.

We have a long-term plan. It is called the Reserve Study and Funding Plan. The HOA hires certified experts to update the plan every year. Every HOA member gets a copy, and it is available on the website. If we already have a plan, why do some candidates keep saying we need more planning? Because they don’t like what the existing plans conclude. Our recent Reserve Studies (and Audits) have all recommended we continue with substantial contributions to the reserves. Why – because our roofs are failing in record numbers and when the HOA is forced to replace them, it is going to be the highest expense ever experienced throughout the 40 year history of Beachwalk. Plus, we have all the other major capital expenses like painting, lighting, sewers, and roadwork all chipping away at our reserves.

If the HOA follows the advice of its various financial advisors (Auditors, Management Company, and Reserve Analysts) and keeps making those substantial contributions to reserves, we should be able to replace the roofs in 5-7 years without a huge special assessment. This is going to be hard for future board members to achieve, since there will always be people clamoring for lower dues, despite whatever negative effects may result.

What are some of the negative effects that may result from future boards having to enact very large special assessments? There are many residents of Beachwalk that are not on the delinquent list; however, they are stretched very thin. If those folks are hit with a major special assessment, it is going to push them over the edge and they won’t be able to pay it. If they go delinquent, it takes many months, and thousands of HOA dollars for us to foreclose on them. We lose far more than just the amount of the special assessment. To date, we have not been able to recover anything from any of our foreclosed accounts, especially since many end up filing bankruptcy. In other words, the debt becomes a “write-off” and the rest of the members of the HOA end up making up for the missed payments. In the last two years, we have written off \$50,000 in bad debt and we have another \$50,000 in the works.

Do you want to buy your neighbor's new roof? Probably not. To prevent this, and to make sure the people depleting the assets are actually paying for the replacement of the assets, it is essential that the HOA continue to fund the reserves at the rate recommended in the Funding Plan section of the Reserve Study. Collecting a small portion of the required funds each month is much more manageable than trying to collect a large lump sum via special assessment.

Do not be misled by those who want to keep planning, budgeting, discussing, and delaying the proper funding of our reserves; or those who say we have enough on hand already. The plans to guide the HOA toward a secure financial future for Beachwalk already exist; suggestions to the contrary are smokescreens to divert focus in support of another agenda. The way to pay for what Beachwalk needs over the next several years is to keep focused, keep saving our money, and persevere through this

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