



# NEWS AND VIEWS

*for Homeowners Associations*

## ANNOUNCEMENT...



*Beven & Brock  
is pleased to  
announce  
the recent addition  
- of -*

**ERIK MENDEZ**

as a new HOA  
Association  
Manager to the

Association Management staff of Beven & Brock. Erik is a Certified Manager and he has worked in the field of homeowner association management for ten years. In addition to having obtained a degree in accounting, Erik has worked in customer service positions throughout his career.

Erik has earned three designations in the field of Homeowner Association Management. He has obtained the AMS and the NBC-CAM, as well as the distinguished PCAM since he began work in this field in 2004. The PCAM Professional Community Association Manager) designation is the highest professional recognition awarded nationwide to managers who specialize in community association management. There are approximately 200 PCAM designees in California currently.

We are pleased to have Erik join our Association management staff and he has already proven himself to be a valuable member of the team.

## NEW LEADERSHIP RESOURCE FOR THE PRESIDENT!

*By Dave Brock, PCAM*

Approximately 40% of California residents live in community associations. The leadership of every Homeowner Association (HOA) is comprised of volunteer Board members who, in many cases, neither desire nor understand their role as Board member. Almost every Association struggles with finding owners who are willing to serve on the Board. However, Board members are responsible for millions of dollars of real estate and must make decisions that impact the value of real estate as well as the community life of the residents.

It is important that Board members fully understand how to handle their responsibility, but most importantly, that the President understands how to successfully lead the board. This is important not only for the purposes of legal responsibilities as a board member, but also so that the realities of board burnout and dysfunction do not occur. Excessive board turnovers and association conflict can be avoided so that Board members can actually come to a place where serving on the board is not a dreaded and undesirable position.

I have seen a few great Presidents that have led their communities well over the past two decades and well over 200 Association clients. However, sadly, there are too many Presi-

dents that have struggled in the position of President, and left the Board with the community and themselves feeling frustrated.

The role of President is the most important position on the Board and in the Association, and it mandates a certain set of responsibilities that must not be taken lightly. If the role of President is carried out by following some good strategies, your Board members may find that they actually enjoy serving on the Board and will desire to continue on as Board members for a longer period of time, and there will be less dysfunction and conflict.

In a new publication from Beven & Brock, Board Presidents can learn methods and strategies on how to effectively lead their association. Some of the issues addressed include a discussion on the role of President and what it does and does NOT entail as well as ideas on how to create a culture of effectiveness among the board members. Other important issues are addressed as well, such as fiduciary duty, communication, meetings, minutes, vendors, financial oversight and Association stability. For a copy of this resource, you may request one by writing us at:

[HOANewsletters@bevenandbrock.com](mailto:HOANewsletters@bevenandbrock.com)

## ANNUAL HOA DISCLOSURES: A LONG LIST and GROWING!

November is the month in which Homeowner Associations operating on a calendar year must distribute certain items to all of the owners. This has been true for many years, however, those requirements are changing beginning in 2014. Many of the disclosure items remain the same, however there are three new requirements, and in addition the organization of the information, which is required to be distributed, is also changing. There will now be two packets of information that owners must receive annually: "The Annual Budget Report" and "The Annual Policy Statement".

Since the law changes do not take effect until January 1st, 2014, most associations will not fully realize this until late in 2014. It is advisable to begin preparing early so that there is reduced pressure later.

For the 2013 disclosures, the following distributions are required:

- 1) Proposed operating budget
- 2) Summary of the Association's reserves
- 3) Reserve Funding Plan
- 4) Assessment and Reserve Funding Disclosure Summary (seven questions)
- 5) Statement as to whether repairs or replacement of a major component are being deferred
- 6) Statement from the Board as to the possibility of a Special Assessment

- 7) Statement from the Board as to how reserves will be funded
- 8) A statement which addresses the procedures used for calculating and establishing reserves
- 9) A statement as to whether the Association has any outstanding loans
- 10) Insurance summary and specific Insurance language as provided in the code
- 11) Notice regarding owner's right to receive individual delivery of notices
- 12) Right to receive copies of minutes
- 13) Notice of Assessments and Foreclosure
- 14) The approved Collection Policy
- 15) Association Rules and Discipline policy
- 16) Summary of Dispute Resolution policy
- 17) Summary of Architectural Change procedure
- 18) Mailing address for overnight payment of assessments

Currently, these eighteen items are the ones that are required. There are three additional items that will be required in 2014. Those are:

- 1) Name and address of designated persons to receive notices on behalf of the Association.
- 2) Right to request notices to owners be sent to two different addresses.
- 3) Posting location, if any, on the property.

The first ten items are the required

items for the "Annual Budget Report". The remaining eleven items will be a part of the "Annual Policy Statement".

These items are required to be distributed between 30 and 90 days prior to the start of the new Association's fiscal year. If the Budget (which includes the Reserve Information) is not distributed in the time frame required, the Board's ability to raise dues by up to 20% without membership approval is not possible. The proposed increase must then be approved by the membership.

While the list of required items may appear overwhelming, Associations that utilize the services of a management company should expect their management company to guide them through this process. "Self-managed" Associations will find the process to be more challenging.

Since a number of the items relate to the Reserve Study and related disclosures, it is advisable to retain the services of a professional reserve study preparer every year. Reserve studies are required to be updated every year and the disclosures are required to be distributed annually. A good Reserve study professional will handle almost all of the required items and may provide a price for a three-year relationship, which is cost effective given Board members time and potential liability.

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## RECRUITING BOARD MEMBERS! ADDRESSING EXCUSES!

While the position of Board Member for the Homeowners Association may be the least desirable volunteer position in the known world, it is imperative that the Board consists of capable and qualified individuals.

Often, the excuses to NOT serve on the Board range from "I'm too busy", to "Are you kidding? I would never serve on that Board!". These excuses and others typify many HOA's struggle to find qualified Board members to replace those who move away or have grown weary. Sometimes owners feel like they are not "qualified" to serve. When the despairing discussion occurs about who will serve on the Board, people begin talking of "receivership". Receivership is when the Court appoints someone to make all the decisions without input from owners on cost or any other issue. In reality, receivership is very rare and while it could conceivably happen it is not best to coerce owners to serve with this type of tactic.

Instead, let's address the "excuses":

First, the excuse that is most often heard - **"I'm too busy"**. The issue here is that their perception is that the role of serving on the Board takes too much time, or more time than they have available.

In a typical association that is NOT addressing major maintenance issues, the Board members should not have to work more than two to

to three hours per month. Board members, who currently work well in excess of that, and without major maintenance projects underway, are working too many hours and not delegating well. Typically meetings should last 60-75 minutes per month. The remaining time should be spent on meeting preparation and random small tasks related to the position. Most everyone can find two to three hours that are not spent well where time can be made available to the Association.

The second excuse of **"I travel too much"** can also be addressed. Meetings can be handled with all but one Board member on a speakerphone. There must be at least one board member at a location where owners can attend if they so choose.

What about the excuse of **"I'm not qualified"**? What are the qualifications for serving on the Board? The primary qualification is that of having the ability to think objectively, with an open mind, about what is best for the Association. Common sense and the ability to work as a team player are also important. If owners possess these qualities, everything else can be learned. It is not necessary to have a strong financial background.

As stated earlier, some owners will state, "Are you kidding? I would never serve on that Board". This excuse may be the toughest one to

respond to. Sadly, this objection may be appropriate if the Association Board is only viewed in a negative way.

If the only perception of the Board is one of increasing assessments and sending violation letters the perspective of outsiders to Board service will be terrible. Also, if Board meetings are long and disorderly, owners will have no desire to participate. What can you do? Change the reasons why owners form a negative impression about the Board. Consider changing how you conduct business. Go out of your way to keep owners fully informed on changes that will have a potential negative impact in the community.

How do you begin to find owners that might be interested in serving? Clearly, you have to be aware of the residents in your community. Perhaps they attended a meeting once or maybe you saw them in the common area. New owners are great candidates for the Board as they are generally more excited about their community. A great long-term plan is to create some casual social gatherings, as people are more likely to serve if they know someone on the Board already.

Finally, one strategy that may work with some is to mention the idea that this is one of the best ways to take care of your investment. Everyone wants their investment to grow over time, and without proper leadership and attention, the value of the property will diminish.

If you have found some ideas that have been successful, let us know at: [HOANewsletters@bevenandbrock.com](mailto:HOANewsletters@bevenandbrock.com).

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## IF I WAS PRESIDENT OF THE HOA BOARD.....

By Dave Brock, PCAM



1) I would serve only with a full Board of people who understand and accept their role.

2) I would expect

that all board members take on a specific task and do it well.

3) I would hold 10 meetings a year, and they would last no more than 75 minutes, and be productive and enjoyable.

4) I would hire the best vendors with the best insurance, and the best track record and expect the best results.

5) I would faithfully follow the recommendations of the Reserve Study.

6) There would never be a Special Assessment.

7) I would not communicate (by email or otherwise) about HOA business with Board members, the Association Manager or owners between meetings, unless it was an absolute emergency.

8) I would expect Board members to come to all meetings having read the material provided to them a few days prior to our meetings.

9) I would not tolerate special favors to anyone or exceptions to the Association policies unless absolutely justified and documented.

10) I would encourage owners to attend Board meetings to address their issues. I don't want to be a Board member between meetings. It's my home too.

No Association is perfect. But too many Associations are a great distance from that mark. While the above does appear extremely ideal, it is not intended to depress the reader, or suggest the insanity of the author. Rather it is to express hope that leading your Association can be done differently and with much better results. It is not expected that changes can occur easily or overnight, but change will never occur without taking small steps forward. For more information on how this can be done, request the document titled *"HOMEOWNER ASSOCIATION LEADERSHIP TRAINING - A Guide for the President"*.

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