

TRAINING FOR  
OWNERS' ASSOCIATION EXECUTIVE COMMITTEES  
IN SLOVAKIA

**TRAINER'S MANUAL**

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December 1997

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## INTRODUCTION

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The challenges facing Slovakia's owners' association executive committees are many. It can be said that the people who serve on these committees are pioneers exploring uncharted territory, paving the way for others to follow. Today, they operate with incomplete supporting legislation and largely without the benefit of professional property management businesses and similar service firms which associations in many other countries have come to rely on.

But not all condominium owners' associations around the world would hire employees or companies to manage their property. Some find the volunteers, dedication and talent within their membership to develop an effective self-management program and also find that to be the most cost effective method. Although Slovakia's economy is improving, the varying ability of residents to pay fees gives executive committees even more incentive to make every ruble count when it comes to managing the property. Slovak association executive committees are quickly making an art of self-management techniques, and are interested in learning the characteristics, methods, and systems associated with successful self-management.

This training course and course book are designed to provide executive committees of self-managed associations with some of the latest association management techniques, systems and programs which have proven universally beneficial to condominium associations, and have served as the fundamental tools for providing effective day-to-day management. Today, a self-managed association can perform each of these programs in large part through volunteers. In the future, the same association may be in better financial condition and elect to hire an on-site property manager to perform many of these duties. The techniques and materials provided during this course are easily transferable to that type of management.

The course is divided into 10 sessions which are listed on the previous "contents" page. Time limitations for this course do not allow us to cover in depth every topic which might be of interest or use to executive committees and managers. The sessions focus on the fundamentals of owners' association management.

## INSTRUCTIONS TO TRAINER

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The presentation of this course requires that the trainer read and become knowledgeable in all subject matter to be presented. This knowledge will come from reading and gaining an understanding of the materials in the Participant's Course Book. This Trainer's Manual does not contain complete information on each subject. Rather, it is designed to provide the trainer with the logistics, procedures, activities, and direction to establish the best possible environment for course participants to absorb the material through actual practice and experience.

Shortly before presenting each module in this course, review the related chapter of the Participant's Course Book. Carefully review and understand all of the material which appears in the session. Subjects which appear in the session are considered vital for the participants to learn, so attention must be given to each. You may want to highlight the relevant information in the Trainer's Manual as a reminder.

Always inspect the training room and test any equipment in advance. When presenting the course, have both the Trainer's Manual and the Participant's Course Book in front of you. You will need to refer to the course book from time to time along with the participants. Collect all supplies you will need in advance of each session (markers, overheads, flip chart, etc.).

### Training Tips:

- Don't be afraid to allow for brief silence in the room when people are considering their response to your question.
- To elicit more interesting responses, use *open ended questions*, such as... "What was the most challenging part of the task?", "How did your group approach this problem?", and "Why do you think this is important?" Closed ended questions will only result in a yes or no answer. Examples are, "Was the task challenging to your group?", "Do you want to tell us what you learned?", and "Is this technique important?"
- Don't concentrate your eye contact only on those in the front row.
- Say, "I don't know." when you don't know. Be honest with the participants at all times.
- Allow for disagreement.
- Create a warm, encouraging climate. Use your smile often! Do not allow your facial expressions or body language to send negative signals. Never react to a participant's question as if it is unimportant.
- Have scheduled breaks. Watch the time carefully, and don't let any sessions run much

over schedule. Be sensitive to the mood of your audience, and allow for an early break when your instincts tell you the audience is restless or losing concentration.

- Don't take omissions or mistakes too seriously. Use humor if you must go back to cover something you missed, or if you must correct yourself.
- Seek out different participants to share their opinions. Try to avoid allowing one or two participants to dominate conversation.
- Always stay calm and professional, even in the face of a participant who argues or becomes hostile.
- Make sure everyone is following you, not just a few people who always nod in agreement.

## SESSION 1

### LEGAL BASIS OF THE OWNERS' ASSOCIATION

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#### Session Objectives:

- Learn the legal basis for sale of residential and nonresidential spaces in a condominium, and the legal status of a unit owner
- Learn what laws influence the status and operations of an Owners' Association (OA) and an Executive Committee
- Learn what forms of administration and management of the property are available.
- Learn to prepare an association agreement and other contracts for carrying out the work of the OA and the Executive Committee

#### OVERVIEW

The purpose of this session to help the Executive Committee understand the legislative framework applicable to the sale of units in an apartment building, and the establishment and operation of an Owners' Association (OA) and an Executive Committee.

Act No. 182/93, as amended, is the legal basis for the sale of apartments and nonresidential units, both in buildings constructed by the state as rental housing and in newly constructed buildings. This law provides for the sale of a unit and a share of the common property of a building, which is recorded in the real property records of the appropriate jurisdiction. The law also describes the rights and responsibilities of ownership, including the owners; obligation to maintain his or her own unit and to share in the costs of maintaining the common property. This form of ownership conveys the right to rent, inherit, or sell the individually owned property, and to participate in decision about the improvement and management of the common property.

There are two basic options for management of the property under the law: the owners can enter into an association agreement and form an OA, or enter into a contract with an outside individual or firm to manage the property. The law has been interpreted to allow the owners to do both, that is, to form an owners' association and to enter into a contract with a manager. In that case, the OA itself would be a party to the management contract. If there is no OA, each individual owner would have to sign a contract with the manager. For this reason, it is recommended that an OA be formed in every condominium, whether there is a contract with an outside manager or the owners themselves manage the building.

The association agreement is the fundamental document for establishing and operating an OA. It provides basic guidance on how the OA will function, and facilitates the owners' ability to maintain the property in good condition and to improve it through major repair and renovation projects.

Purpose No. 1: To clarify Act No. 182/93, as amended by Act. No. 151/95 and Act No. 158/98, which provides for acquisition of a unit and co-ownership of common areas and facilities as a new form of ownership in common.

**A. *Subject and scope of transfer of existing housing stock.***

Act No. 182/93, as amended in Act. No. 151/95 and Act No. 158/98, provides for sale of a unit and co-ownership of common areas and facilities to the present tenants of residential and non-residential spaces. The Act defines basic concepts related to transfer of a housing unit, non-residential space, common areas and facilities, accessories, floor area, land plot, and adjacent plot.

According to the Act, each unit owner simultaneously becomes co-owner of common spaces and facilities. Ownership in common is inseparable from ownership of a residential or non-residential unit. The basic components of a unit, which may be owned by physical or legal persons, include the following criteria:

They are permanently assigned for housing, or  
They are non-residential spaces comprising one room or set of rooms, which are assigned by decision of the property office for other than for housing.

Other parts of the house -- that is, neither residential nor non-residential spaces -- are called common property. Unit owners are owners in common as far as these common spaces and facilities are concerned. Usually this includes the plot and adjacent plot, according to the language in the sales agreement. The unit owners own the common property proportionately. The ratio is usually expressed by a fraction according to the following formula: the floor area of one unit divided by the sum of the floor areas of all units.

**Purpose:**

The purpose of this Session on the legal basis for acquiring ownership of residential and non-residential units and the importance of establishing an OA are:

- To clarify Act No. 182/93, as amended by Act. No. 151/95 and Act No. 158/98, which provides for acquisition of a unit and co-ownership of common areas and facilities as a new form of ownership in common.
- To clarify how property can be assigned or transferred.
- To explain the important of the OA, its legal foundation, and how it is distinct from the position of an individual owner.
- To clarify the importance of foundation supplementing legal documents and their content.
- To clarify legal relations with other entities.

Ownership in common is a very important notion, because it indicates how an owner contributes to the costs of administration and maintenance of the common property, unless the owners have agreed to a different formula for calculating how costs are shared.

***B. Methods of Transferring a Unit***

A residential or non-residential unit may be assigned or transferred in the following ways:

By contract,  
By inheritance, or  
By decision of a state authority.

The law regulates two types of contracts:

Contract of assignment of a residential or non-residential space in a housing unit,  
Contract of construction, during or after construction.

The contract of assignment of a residential or non-residential spaces is concluded by a assignee and the house owner, being either the municipality or state, a commercial company, or another legal or physical person. Residential or non-residential spaces can be acquired by legal or physical persons in form of ownership in common for physical or legal persons, or ownership by entirety for spouses.

Ownership can be acquired only from the owner of a residential or non-residential space, not from a tenant.

On the basis of a contract, the purchaser submits an application to register the assignment with the property register, with the house documentation attached to the first application for assignment concerning the sale of the first unit in a given building. It contains information about the size and the location of the residential and non-residential spaces in the house, common area parts and facilities, and other accouterments.

The Act stipulates that the owners in the house are entitled to a lien to settle claims arising from legal relations concerning the house, its common parts and facilities. Thus, the owners are mutually bound as far their liability to pay is concerned.

If not all units are sold to their tenants, the owner continues to be owner of unsold units, while tenants of unsold units remain tenants of the owner. The owner of unsold units is governed by the same

rights and obligations as the other unit owners. If there is an OA, owner of unsold units is a member of the OA.

The Act defines the parts of the housing stock to which its provisions do not apply. It is not possible to acquire a unit of special assignment or a unit in a house of special assignment (§2 and §3 of the Act No. 198/92), or a unit approved by a town plan for sanitation. The Act does not apply to sales of units in family houses. The limitations of acquisition of property by foreigners are stipulated by §19 of the Act No. 202/95 on foreign currency.

Purpose No. 2: To express the importance of founding an OA, the legal position of a OA, and its relationship to individual owners.

In many countries, condominium laws require the establishment of an OA of any building in the condominium form of ownership. The OA is responsible for administration and management of the common property and decides on activities of the OA, and each owner of a residential or non-residential unit automatically becomes member of the OA. In Slovakia, Act No. 182/93, as amended, does not impose a duty to found a OA, but allows as an alternative management of the commonly owned property by concluding a contract on management with a legal or a physical person. Experience here as well as in other countries leads to the recommendation that an OA be formed in every condominium, with a written association agreement which shall be registered with the Association Register at the respective District Office.

An OA may:

manage and administer the property itself , or  
enter into a contract with a manager to carry out management and administration of the property.

An OA with clearly defined rules and legal authority based on a contract helps the owners make decisions about important issues and ways of administering and managing the property. This is especially true because there are two decision-making levels in a condominium: all individual owners can make decision about the maintenance and use of their own unit, but only a OA can act as a legal entity to decide issues concerning the common property. Without an OA, the owners do not have the structure required for organizing meetings, voting and adopting common rules and

decisions about the property in common. An OA represents the most suitable institutional form for decisions about maintenance and operation of a multi-unit house and about repairs or renovations. The owners must approve plans of repairs and amount of monthly fees for the maintenance and operational funds and to create sufficient resources for maintenance and reconstruction.

The importance of establishing an OA can also be seen also in the obligation of each individual owner to take care of the common property. Only on the basis of common decisions can the owners have a prosperous OA, and ensure that individual members participation in carrying out the decisions of the association and obey the rules adopted by the association, including the obligation to pay for maintenance and repairs.

Each owner has right and obligation to participate to decision-making about common issues and to vote in good faith. There is one vote assigned to each unit of residential or non-residential space. Each member has the right to express his/her opinion on management of the common property, the next steps in improving the property, and the obligation to respect the majority decision adopted during the owners' assembly.

An OA as a legal entity cannot own residential and non-residential spaces, or any other real estate.

Purpose No. 3: To clarify the importance and contents of sales documents.

Before signing the contract to purchase their unit, owners must express accord about the method of management of the building -- they have to choose one of the two main options - either to found an OA, or to enter into a contract for management. In either case, it must be a voluntary decision, to be discussed at meetings of the residents and approved by majority vote. It is important to clearly inform the future owners about the options and the general provisions to be included in the contract.

The main legal documents include a sales contract submitted by the seller and signed by the buyer and the seller. The contract must be in writing and must contain the following terms and conditions:

Identification of buyer and seller,  
Agreed price of a residential or non-residential space and land,  
Description of the residential or non-residential space,  
Specification of the size of the residential and non-residential space, identification number of the unit, its surface area including the unit equipment and non-residential space,  
Data about proportionate ownership of common property and plot,  
Determination and description of the common areas and common facilities, accessories, land, and which parts of the house, accessories and adjacent plot are used only by some owners of residential or non-residential spaces,  
designation of rights to built-up area and adjacent plot, defining the shared ownership of the adjacent plot based on an agreement between the acquirers of residential and non-residential spaces and the former owner,  
notification of acquirer of residential or non-residential spaces that he has acceded to the contract on the OA or to the contract on management,  
other rights and obligations to which both parties to the contract agree.

The seller submits the sales contract to the property register at the respective District Office. The application for registration must include the following:

name and permanent residence of a person submitting the application (the seller),  
identification of the cadastre office to which the application is submitted,  
subject of the application, together with the sales contract and technical documentation (in the case of the first sale in a building),  
proof of the seller's ownership of the plot and the house, or of the house if the owner does not own the plot,  
identification and number of appendices.

Before signing the sales contract, the future owners should be fully aware of the what they are buying, the price they are paying, and which of the two management alternatives they select. If an OA is established, they must agree whether:

the OA will manage the house itself, or

the OA will contract with a manager, either for part of the management responsibilities, such as accounting and audit, technical controls etc.

By the time of the sale of the first unit, the management of the house must be provided on the basis of new liability and decision conditions, and necessary services must be contractually provided for.

Governing bodies of the OA act on behalf of the OA as in the case of a legal entity. They represent all owners in negotiations with the third persons. OA bodies are elected by owners of residential and non-residential spaces. The supreme OA body is the General Assembly; statutory bodies (with right to sign) usually are the chairman and vice-chairman, and executive committee, which supervises the operation, maintenance and repair fund management. The number and composition of the OA bodies should be determined on the basis of the number of units. In case of an OA with large big number of unit owners, the OA executive committee and supervisory committee should be comprised of representatives from each house section (staircase).

Purpose No. 4. Clarify legal relations toward third parties.

The OA is established as a legal person to fulfil management and administration tasks, and not for entrepreneurial activities. Therefore, its legal relations with other persons must be governed by the principle of providing necessary services, and not that of gaining economic advantage.

The association agreement should clearly define activities which the OA will carry out itself or by its employees, e.g., cleaning of the common areas, and activities which must be contracted for commercially under the Commercial Code. They are:

- opening an account in a financial institution,
- building insurance,
- delivery of heat and hot water,
- delivery of water service,
- waste water treatment,
- electricity for the common areas,
- garbage collection,
- emergency service.

There are regulations relating to delivery of these services (e.g., safety precautions, protection of health at work, technical facilities, professional competence, fire regulations, etc.).

The association agreement also may describe other activities to be performed under contracts. These vary from building to building and depend on the size of the house, technical equipment and specific building facilities.

The OA can employ other persons, e.g., accountant, cleaner, technician, maintenance worker, to provide day-to-day services and small repairs, carry out regular technical equipment controls, prepare the OA accounts, and the like. Pursuant to relevant provisions of the Labor Code, the OA may enter into:

- employment contracts
- parallel employment contracts
- contracts to carry out specific work outside the employment contract
- single or multiple jobs or services.

Employment contracts require the OA to observe additional regulations:

- on paying income taxes,
- on social insurance (sick and pension insurance of employees),
- on health insurance (unemployment insurance)
- on contributions to the social fund (employer must create a social fund and administer it in a special account in a banking institution),
- on conditions and premium rates for statutory insurance for damages or liability related to an occupational accident or disease,
- on minimum wage.

To fulfill its duties, the OA may possess tangible property (computer, tools, etc.), to be acquired as needed. In case of larger items, the purchase should be approved by the General Assembly. For these purposes, the OA must comply with the contracting provisions of the Civil Code, particularly regarding contracts of sale, exchange agreements, performance contracts, rental contracts (for tangible assets), loan contracts, insurance contracts, delivery of equipment and building arrangements based on a public tender and selection. The OA can be authorized by decision of the owners to enter into lease agreements for non-residential spaces.

In order to provide more detail about how its work will be done and the property managed, the OA may issue bylaws in addition to an association agreement.

For the professional manager, the establishment of an OA is very important. This way, the manager has one partner for negotiating the terms of the management contract, rather than each individual owner acting on his own behalf. For everyday management issues, the manager can deal with the OA chairman; for more important issues, such as contractual arrangements for garbage collection and other services, or delinquencies in payment of condominium fees, the manager can deal with the executive committee. Serious matters such as year-end accounting and long-term planning of repairs, including proposals for their financing, must be discussed and approved by the General Assembly.

If there is no OA, the manager may enter into a contract with each individual owner, or may have one contract signed by all owners as individuals. To be effective, the manager must be in active contact with a representative of the owners, who helps him disseminate information among individual owners and make decisions without the legal structure of an OA. The manager can proceed only on the basis of majority consent of owners, but they have little opportunity to monitor and control the accumulation and use of maintenance or renovation funds except through review of an annual accounting report that the manager submits for approval at a General Assembly. If the owners do not attend such the meeting, the manager cannot proceed or must go ahead with management tasks without the owners' approval -- neither choice is likely to lead to good management and administration of the building.

After inspection of the technical condition of the building and inventory of equipment, a should prepare professional proposals for repairs or reconstruction for the owners' approval. He should present options, with cost calculations, and submit them to owners for decision-making for major repairs, installation of service equipment, roof repairs, and the like, including a proposal for tender procedures.

It is the owners' responsibility to determine the method of management of the building, and the qualifications and skills of the manager, how he will communicate and interact with the owners, and his remuneration.

## **DETERMINING THE OWNERS' LEVEL OF UNDERSTANDING OF LEGAL ISSUES**

It is useful for the executive committee to know the level of awareness and understanding on the part of the owners about such fundamental matters as sale and ownership of a unit and shared ownership of common property, and the legal basis for the operation of the OA and management of the property. If the executive committee determines that certain issues are not clearly understood by a significant number of owners, it can provide information to clarify these matters through such means as a newsletter, a brochure, or meeting with the owners.

The following questions may be used in a survey of owners;

1. What category of owner are you?
  - owner of residential spaces
  - owner of non-residential unit
  - other (specify)
  
2. Do you know what property you own and what is your share of ownership? (Check where appropriate):
  - unit
  - lift
  - roof
  - boiler room
  - corridors
  - balcony
  - windows
  - radiators
  - gas feeder line
  
3. Who administers and manages the common areas of your building?
  - property manager
  - OA
  - owners individually
  
4. Do you know that your unit can be transferred on the basis of contract by:

- sale
- inheritance
- execution (why?)

5. What items must be in the contract of assignment to be submitted to the property register?

- description of
- documentation
- association agreement
- residential or non-resid.
- unit

6. If an OA is established, then:

- it is a legal entity
- it is registered
- must be pursuant to the Civil with the register of association agreement Code associations

7. Do you think that an OA can manage the property itself?

- yes
- no
- it is better to have a management contract with a professional manager

8. Would you like to participate in the governance of the OA?

- on the Executive
- on the Auditing
- on an activities committee

9. Do you think the OA or property manager should make available to the owners documents concerning:

- co-ownership
- technical state of the
- plans of repairs
- status of the OA's property
- other (specify)

Any other comments?

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**SESSION 2**  
**ROLES AND RESPONSIBILITIES OF**  
**THE OWNERS' ASSOCIATION EXECUTIVE COMMITTEE**

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**Session Objectives:**

- Identify the powers and duties of the Executive Committee as defined by an association's governing documents.
- Learn Executive Committee requirements to apply the general principles of fiduciary responsibilities, and to use good business judgement.
- Learn what skills to bring with you when you serve on an Executive Committee; and what habits should be left behind!
- Identify tasks to assist the Executive Committee which owner volunteers or committees may perform.
- Review effective methods used by associations to conduct business in Executive Committee meetings, General Assemblies, and other meetings.

Generally, the members of a condominium association elect an Executive Committee to set policies for the association and to oversee the execution of these policies. This obviously incorporates a broad range of powers and duties which the association owners via the General Assembly turn over to their elected Executive Committee. Typically the Association Agreement for an owners' association does require that the General Assembly retain certain functions, and does not allow these to be delegated to the Executive Committee:

**Duties of the General Assembly which may not be delegated to the Executive Committee:**

Amend the Association Agreement

Approve and modify Bylaws and other internal regulations

Elect the members of the Executive Committee

Approve annual reports of the Executive Committee

Approve the annual financial statement of the Association

Approve hiring a professional management firm

It is necessary to delegate considerable authority to the Executive Committee in order to operate effectively. A condominium may include one hundred or more owners. For example, it would not be feasible to have all owners gather together to decide on items such as the cleaning schedule for the janitor or to analyze and come to a conclusion regarding a repair.

In their role as Executive Committee members, these owners who are elected representatives, have the responsibility to facilitate the operation of the physical plant, monitor and review financial activities, and deal with all administrative areas which may include legal actions, promulgating and implementing rules, negotiations with government entities, and general correspondence and record keeping.

Here is a detailed list, although not necessarily all inclusive, of Executive Committee responsibilities:

- Maintain, repair and replace all General Common Elements and any Limited Common Elements which are required to be maintained by the Association.
- Develop and implement effective financial procedures and record keeping to provide a system of checks and balances, protect association funds, assure accurate historical financial information, and create the mechanism for monitoring financial performance.
- Develop approve and enforce reasonable rules and regulations as needed to promote a safe, and peaceful environment for residents.
- Develop and approve administrative policies and procedures to put into place the plan, systems and controls to make each element of management of the property successful.
- Oversee the hiring and supervision of employees and contractors serving the community.
- Maintain an informed stance on all state and local legislation affecting condominium owners' associations.
- Communicate effectively with owners.

Executive Committee members must remember that they are acting as representatives of all owners. When they are serving in their Executive Committee functions, their individual concerns as an owner must be secondary. Their primary concerns are how an action will affect the interest of the condominium owners' association as a whole. In order to be successful in this endeavor, Executive Committee members must always avoid conflicts of interest. It is unacceptable for an Executive Committee member to decide on an action because it will benefit his or her professional or personal life. Secondly, Executive Committee members should always refuse unauthorized remuneration. Depending on the model of property management used, some Executive Committee members may be paid for their roles. However, if this is the case, it should be agreed upon by the owners in advance and a schedule of fees should also be disclosed in advance. Finally, an Executive committee member must refuse any discounts or rebates. For example, if a roofing company suggests that it will give Executive Committee members a payment if it is awarded the roofing job, the Executive Committee must refuse this offer.

One of the best ways to ensure that Executive Committee members act responsibly is to make certain that the Association Agreement,

the Bylaws and any other written materials such as Rules and Regulations are comprehensive, clearly written and very specific in how issues are to be handled. Communication with owners is also critical — to make certain that everyone is informed and understands what is happening and how an action will affect the condominium association.

### What is Fiduciary Responsibility?

Fiduciary responsibility pertains to a position of trust and confidence.

It has legal stature – a person who has agreed to act as an Executive Committee member and fails to exercise fiduciary responsibility to the owners is legally vulnerable. The legality is defined upon election to the Executive Committee. Members who accept the position are entrusted with the care, protection and use of someone else's money and property.

Executive Committee members may not allow the assets of the association to deteriorate. Assets may not be unduly exposed to abuse, theft, or misuse.

Executive Committee members may not speculate, experiment, or take risks with association assets.

Executive Committee members should act with absolute honesty in communications to owners of the property in their trust.

Executive Committee members' decisions should be arrived at on a *reasonable* basis by first conducting research, examination of alternatives, assessing risks, and obtaining cost comparison information. Making decisions on this basis means that the Executive Committee uses good business judgment.

**You Do have the Skills to be a Good Executive Committee Member!**

After reviewing the rather intimidating list of Executive Committee responsibilities it would be natural for a person to question whether they have the qualifications necessary to do a good job.

Many Executive Committees are comprised of 3–5 people with different interests and skills, and the combination of those skills makes for a winning team! It is always helpful to have some members with good heads for figures, someone who understands the mechanical and physical operations of a building, and someone with good management and leadership skills to help the Executive Committee work well together. But even these people need not possess a university degree in the subject, or extensive related work experience to be valuable, contributing members of the Executive Committee.

**The most valuable attributes Executive Committee members can bring to their association are:**

- Dependability – Be an Executive Committee member who can be counted on to come to meetings, and follow through on commitments made.
- The Ability to Do Your Homework – Be prepared for meetings. If the Executive Committee will discuss the approval of a contract, read it carefully ahead of time, have your questions ready. Read the minutes of the prior meeting before the next meeting, and have any recommended amendments ready.
- Good Listening Skills – appreciate the opinions of others, and respect their right to state their opinion.
- Communication Skills – When communicating either in speech or writing as an Executive Committee member, maintain a professional and courteous manner, and take the time to give a judiciously thought-through response.
- A Healthy Respect for Your Fiduciary Responsibilities
- Your Good Ideas, and the willingness to participate in a free exchange of ideas.

Even when new Executive Committee members are just learning how to read the financial reports, analyze a budget, or negotiate a contract, these attributes will see them through.

It is just as important to mention some things Executive Committee members should leave behind when they enter their role as a member:

Things to leave behind when serving on the Executive Committee:

**Personality Conflicts.** It would be unreasonable to expect that everyone you work with on the Committee would also be a close friend. Executive Committees often attract people with significantly different points of view. Some member's personalities may clash with yours, but it is important, especially during meetings to put aside personality conflicts and concentrate on the issues at hand, and making the right decisions for all of the owners.

**Personal Interests.** As non-Executive Committee member owner, you may vote on an issue in the General Assembly because it is in your personal interest. But as an Executive Committee member and a good fiduciary, you may no longer use this consideration as a priority when voting on issues. Instead, you must consider the best decision for the majority of owners, and base it on the needs of the association as a whole.

**Preconceived Notions.** Once in a while, a person may run for the Executive Committee because he/she feels uniquely qualified based on extensive experience. For example, an owner who works as the top maintenance supervisor for a property management firm may have great experience in all aspects of property management, and may believe the condominium should be managed in a certain way. Certainly his vast knowledge of maintenance and repairs will be invaluable to the association, but he will need to keep an open mind on how decisions are reached, and how contracts are let. As we will learn throughout this training program, condominiums put great value on the opinions of owners regarding the level of services they want and how much they are willing to spend. Deciding these issues is handled through a democratic form of government consisting of the General Assembly and the Executive Committee. This, and competitive bidding for maintenance services constitute a very different kind of management from that which was previously experienced.

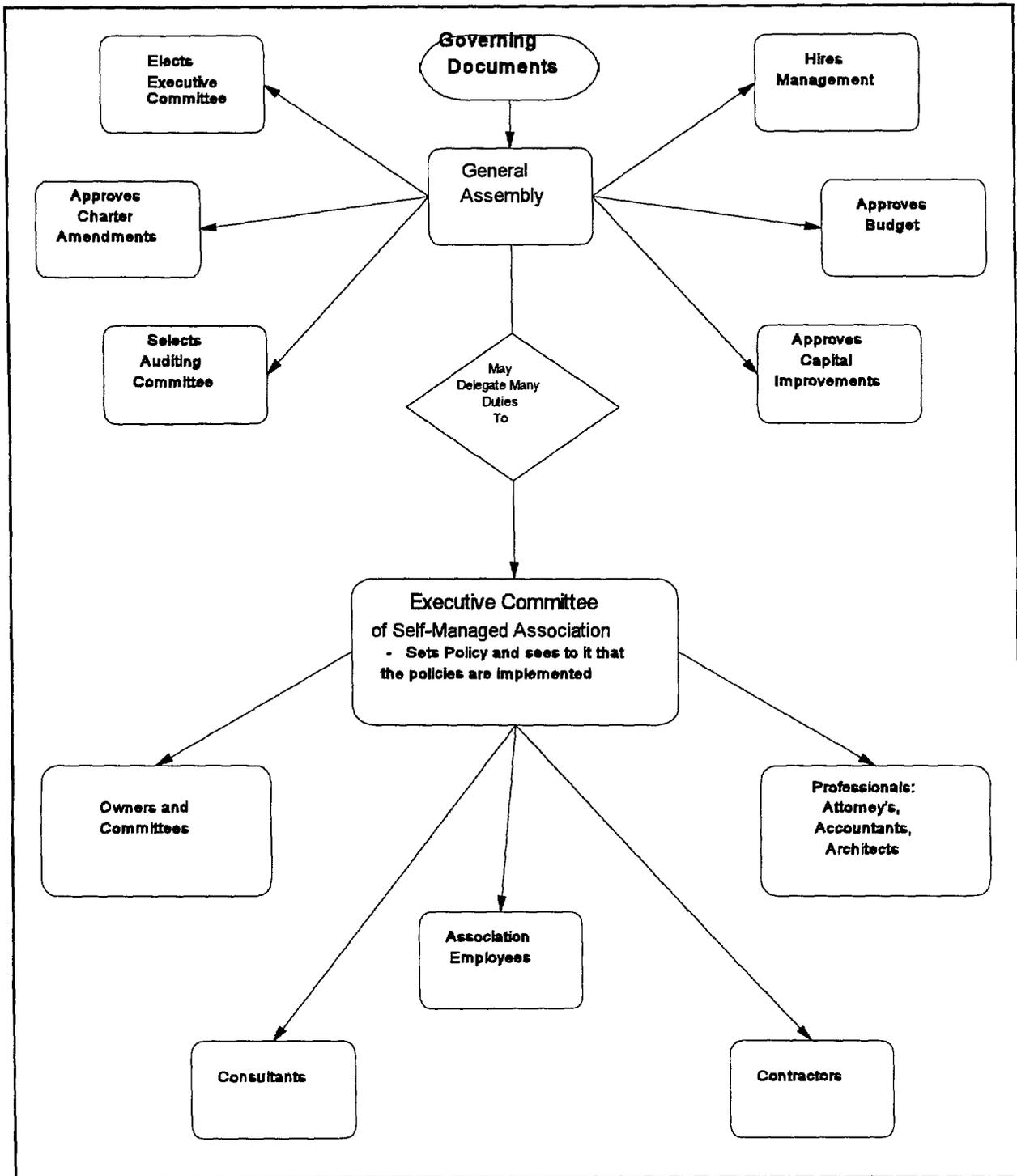
### **Using Individual Volunteers and Committees to Assist the Executive Committee**

Especially when an association chooses to self manage, the Executive Committee quickly finds that it could use some help in meeting its responsibilities. Committees and individual owner volunteers can make a tremendous difference in the volume and quality of work an Executive Committee completes.

The best policies and decisions Executive Committees make will be reached after carefully considering the history, facts, and statistics to make an EDUCATED decision. Gathering the history, facts, and statistics on many different issues is often a key service volunteer committees provide the Executive Committee. Only the Executive Committee may vote on most of the matters facing the association,

and they alone are responsible for the results. But when they have strong committees who help them by providing research, administrative support, and serving as the voice of the owners, the Executive Committee may find its job much easier and its decisions in tune with the associations needs. Another great benefit of committees is the training ground it provides for future Executive Committee members. Volunteering for a committee is a great way to begin to learn how the association is governed. Committee members of today often become the Executive Committee Members of tomorrow.

A look at the following organizational chart of a self managed association shows all of the persons or entities the Executive Committee must work with. Committees can do some of the legwork the Executive Committee would otherwise do. Additional reading materials on committees are included at the end of this session.



### **How The Executive Committee Conducts Business**

Of course, the day-to-day management of the condominium association is a major part of the business Executive Committee members conduct on behalf of the owners, and those duties will be covered in the following chapters of this course book. This section deals with the more formal process of conducting business, that is the arena of the Executive Committee meetings where the Committee discusses and votes on the policies, procedures, rules, contracts, etc. on behalf of the association.

The Executive Committee will meet on a regularly scheduled basis, typically not less frequently than once each month. A typical agenda for Executive Committee meetings will include discussions of recently completed, current and prospective maintenance projects, a review of the monthly financial reports and discussions of any problems or issues brought to the attention of the Executive Committee by owners.

A typical agenda may look like this:

TENTATIVE AGENDA  
OWNERS' ASSOCIATION  
EXECUTIVE COMMITTEE MEETING  
Tuesday, October 21, 1997  
7:00 p.m.

- |           |  |
|-----------|--|
| 7:00 p.m. | Call to order<br>Approve Agenda  |
| 7:10 p.m. | Open Forum for Residents' questions and comments to the Executive Committee  |
| 7:30 p.m. | Approve minutes of previous Executive Committee meeting  |
| 7:35 p.m. | Treasurer's Report   |
| 7:50 p.m. | Management Issues: <ul style="list-style-type: none"><li>• Review proposals and select new trash contractor</li><li>• Approve replacement of concrete front steps</li><li>• Personnel Issues</li></ul> |
| 8:25 p.m. | Unfinished Business – Establish Committee to publish a community newsletter  |
| 8:45 p.m. | New Business (whatever owners or Executive Committee members may want to discuss)  |
| 9:00 p.m. | Adjournment  |

**Should All Executive Committee Meetings Be Open for Unit Owners to Attend?**

Some Executive Committees have their entire meetings open to all owners while others take the position that only the first part of the meeting is open for owners to attend and bring their concerns to the Committee as a group; the remainder of the meeting is closed. There are benefits and limitations to both approaches. From time to time there may be issues that are confidential concerning individual owners. In order to maintain that confidentiality, the

Executive Committee may want to have a closed meeting. There is also a concern that it will be difficult to efficiently discuss an issue if there are too many people involved. At the same time, the Executive Committee will want to make certain that owners do not feel that they are being excluded from the decision-making process. One good compromise is to allow all meetings to be open for owners to *observe*, and reserve the first 15–30 minutes as an Open Forum for any owner concerns or ideas to be expressed to the Executive Committee. Closed meetings would only be held in special cases where confidentiality is important. In any case, owners should be informed of upcoming Executive Committee meetings and the proposed agenda so they can have input or attend as appropriate.

### **Recording the Minutes of Meetings**

It is essential to make a record of what took place at a meeting and what actions were taken. Such a record makes it possible to refer to past decisions and is part of the institutional history of the association.

The Executive Committee secretary is usually responsible for keeping the minutes of meetings. However, this member may find it hard to give full attention to issues which will need his/her vote if he/she must also be taking notes. For this reason, some Executive Committees find a willing owner or two to take turns recording the minutes. When the minutes are completed the secretary signs them. At the next meeting the Executive Committee reviews the previous month's minutes, makes any changes which are needed to accurately reflect what took place that month, and votes to approve them. Generally, minutes follow the agenda, and would include the following:

**Components of Typical Agenda of an Executive Committee:**

- Type of meeting (Regular Monthly or Special Meeting)
- Date, time and place of the meeting
- Name and title of person presiding at the meeting
- Record of whether each Executive Committee member was present or absent
- Business conducted
- Reports submitted
- Motions made
- Decisions made or actions taken

The person presiding over the meeting (usually the chairman) should use sufficient parliamentary procedures to keep order and ensure that work gets done.

**Conducting Annual Meetings of the General Assembly**

The Condominium Owners' Association members will meet at least on an annual basis at the General Meeting. At that meeting, elections for Executive Committee members will be conducted and there will be a discussion of the budget. It is likely that the Audit Committee will present its report at this meeting. This meeting also provides a forum for the Executive Committee to review the activities and projects of the prior year and present its proposed priorities and activities for the upcoming year. In addition to voting for Executive Committee members, other items may require a vote. Owners may also present new ideas or concerns that they wish to be considered for action. Although the requirements for annual meetings may vary from one Association Agreement to another, here are the requirements you will probably find:

**The annual meeting shall be held within 60 days after the end of each fiscal year, on a date set by resolution of the Executive Committee.**

**The members of the Executive Committee shall be elected at the annual meeting**

**The budget shall be presented for adoption**

**Other business as may properly come before them may be transacted by the owners**

**Notice of the meeting (including time, place and agenda) shall be given to owners at least 20 days in advance, by the secretary or other Executive Committee member**

**Order of business at all annual meetings of the general assembly shall be:**

**Role call**

**Proof of minutes of preceding meeting**

**Reading of minutes of preceding meeting**

**Reports**

**Election of the Executive Committee**

**Adoption of Budget**

**Unfinished business**

**New business**

**Adjournment**

Minutes shall be taken of the meeting, generally following the agenda, and should include much of the same information as in the minutes of the Executive Committee meeting, with the addition of any nominations and the results of the voting on nominations.

### **Conducting the Election**

Condominium Owners' Associations rely on a representative form of government. The representatives are owners, elected from among all the owners to represent the interest of the Association. The details of when elections are held, how many Executive Committee members there are and their term, are found in the Association Agreement. It is very helpful when the terms are staggered, so that each year only some of the positions are open for election. In this way, all Executive Committee members' terms will never be up at the same time, and there is always some continuity of experience on the Committee.

Typically, the election is conducted at the annual meeting. All owners are eligible to vote (however, it is possible that a condominium has a policy that only owners in good standing, who are current in their payments, are eligible to vote).

In electing Executive Committee members, it is helpful to have a variety of interests and skills represented on the Committee. Having members among them representing expertise in the fields of finance, physical maintenance and repair, law, and general administration is very helpful. It is also useful to have people of different ages who are likely to bring different perspectives and experiences to the Committee.

The election is a serious endeavor. It is important that it be done in accord with all legal requirements and that all owners be fully informed of an upcoming election, what they should do if they wish to run, and what their responsibilities and obligations are, if elected.

Here are the steps typically taken by the Executive Committee to prepare the community for the elections at the annual meeting.

1. The Executive Committee should select an Election Committee of two or three persons to handle all aspects of preparing for the election. This distances the Executive Committee members, many of whom may be running for re-election, from the process .
2. Approximately six weeks before the annual meeting date, the Election Committee should send out a letter to all owners entitled a "Call for Candidates." The letter will explain how many Executive Committee positions are up for election, and will tell owners how they may submit their name for nomination to the Committee. Owners will be asked to complete a "Statement of Qualifications" which is attached to the letter and to return it to the committee by a certain date. The letter will explain that all persons who have submitted the statement of qualifications by the deadline will appear on the ballot. A copy of a call for candidates letter and statement of qualifications form is enclosed at the end of this session.
3. Approximately three weeks before the annual meeting the notice of the annual meeting is sent, along with the meeting agenda, the statements of qualifications for any candidates,

and a proxy ballot to allow owners who cannot attend the meeting to vote. This letter also explains that nominations will also be taken from the floor at the meeting. A system should be designed so that proxies received are private. This is usually done by providing an envelope with the proxy ballot, the envelope being pre-marked with the owner's name and unit number. Samples of a meeting notice and proxy ballot appear at the end of this session.

4. The committee should make up a checklist of supplies it will need for the annual meeting. This checklist may include: a ballot box; a copy of the Association Agreement; any applicable legislation which the board may need to refer to on questions of order or procedure; extra proxy ballots for people who come but cannot stay for the entire meeting; pencils, adding machine with tape, sign in sheet; list of delinquent homeowners; ballots; and a copy of the notice which was sent to all owners.
5. Owners should plan to arrive at the meeting a little early to sign in and receive a ballot. The committee should see to it that each person is an eligible voter, and check off that unit number on the sign in sheet when the ballot is given out so that a second ballot will not be given out for the same unit again. Before the first owner arrives, all units for which proxies were received should also have been checked off on the sign in list. Then if a unit owner who sent a proxy also comes to the meeting, his proxy should either be returned to him, or he may choose to use it as his vote and not take a ballot.
6. When the time comes for the election during the meeting, the presiding officer should call for nominations from the floor. Then, all candidates should be given a few minutes of equal time to make a short statement about themselves and their qualifications to be an Executive Committee member.
7. When owners vote, their ballots should go into a sealed ballot box. To insure accurate counting of the votes, the Executive Committee will often call for a couple of owner volunteers to either witness the counting of the votes or help with the process.
8. Results of the election may either be announced by the

committee at the end of the meeting, or if counting takes too long, the results can be announced by posted notice the next day.

9. It is a good idea to keep the ballots, proxies, and adding machine tapes of the counting for a month or so, in case anyone contests the results.

**Call for Candidates  
for  
Upcoming Annual Meeting and Elections**

\_\_\_\_\_ OWNERS' ASSOCIATION

Dear Owner:

It is once again time to schedule the Annual Meeting and Elections, which will be held on \_\_\_\_\_, 1997. An official notice of this meeting will be sent in a few weeks. Please mark your calendar and make plans to attend this important meeting.

Three Executive Committee members' terms of office expire at this meeting, and the three vacant positions will be filled by an election from the homeowners.

Unit owners interested in becoming candidates for the Executive Committee should submit a written Statement of Qualifications to (Name) of the Elections Committee at (address). Statements should include your name, address, background, your candidacy statement and any other information you choose to include. You may use the enclosed form if you wish. Only candidates whose Statement of Qualifications are received by (date) will be listed on the ballot.

If you should have any questions regarding the duties, responsibilities and time commitment required of Executive Committee members, please contact me at (phone number).

We look forward to seeing you!

Sincerely,

Chairman  
\_\_\_\_\_

**CANDIDATE STATEMENT OF QUALIFICATIONS**

NAME \_\_\_\_\_

UNIT # AND  
ADDRESS \_\_\_\_\_

**BACKGROUND/QUALIFICATIONS**

**EXPERIENCE/BACKGROUND:**

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**CANDIDATE'S STATEMENT:**

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MAIL OR DELIVER TO :

(NAME AND ADDRESS OF ELECTION  
COMMITTEE CHAIRPERSON)

## NOTICE OF ANNUAL MEETING

Dear Owner:

The annual meeting of the Association of Owners of \_\_\_\_\_ Condominium will convene at 7:30 p.m. on (date) for the purpose of electing three (3) Executive Committee members and to consider any other business properly coming before the General Assembly. The meeting and election will be held at (location).

Enclosed is your voter package for the election:

1. Agenda for the meeting
2. Candidate information submitted by the candidates
3. Proxy form with instructions
4. A pre-addressed, return envelope for your proxy.

Nominations will also be accepted from the floor.

We encourage your attendance and participation at this meeting. If you are unable to attend, you can still be present and vote if you wish, by proxy. A stamped pre-addressed envelope is enclosed for the return of the proxy if you cannot attend the meeting.

Your attendance at this meeting is very important. If you cannot attend, please be sure to enclose the proxy form that is included. A quorum of ( %) of the total votes of the owners must be present either in person or by proxy before any business can be conducted at this meeting. Whether or not you wish to vote, please return the proxy if you can't attend the meeting.

Sincerely,

Chairman

Enclosures

**KUZMANYHO**

**OFFICIAL EXECUTIVE COMMITTEE BALLOT**

**FOR 1997**

Owners Name: \_\_\_\_\_

Unit Number: \_\_\_\_\_

Beneficial Interest: \_\_\_\_\_

Please cast your vote for 2 people. Ballots with votes for more than 2 people are null and void.

\_\_\_\_ Otilia \_\_\_\_\_

\_\_\_\_ Jarmila \_\_\_\_\_

\_\_\_\_ Ladislav \_\_\_\_\_

\_\_\_\_ (write in) \_\_\_\_\_

\_\_\_\_ (write in) \_\_\_\_\_

Signed: (owner or proxy\*)

\*proxy; please attach completed authorization form

\_\_\_\_\_

**KUZMANYHO**

**MEETING MINUTES**

Meeting Date: 16 September 1997

Recorder of  
Minutes: Otilia

Persons Present: Otilia  
Ladislav  
Alexander  
Milan  
Oldriska

Issues Discussed/Decisions made:

- A. Review 15 August 1997 meeting minutes reviewed and approved.
- B. Ladislav presented his report on his recent meeting with Urban Institute/USAID. They will be sending a representative to our Annual Meeting in October as an observer. Ladislav also reported that he has formats for ballots and proxies for the Annual Meeting and that announcements of time and date will be distributed next week.
- C. Oldriska reported the lifts were serviced last week and 2 of the 3 are working adequately for now. She also reported that the third one has a problem with the motor and may have to be replaced.
- D. Alexander reported that he has begun to meet with the new trash removal company about contracting with them for trash removal. Alexander reported that the new enterprise called "Business Is Picking Up" is anxious to do the work and will be more reliable than the company currently handling the job. It was decided that we should investigate other new companies and get prices before concluding any new contracts. Alexander agreed to continue looking.
- E. Otilia and Milan reported that the audit committee is progressing well with its analysis of the association's finances for the fiscal year just completed and with preparation of the budget proposal for next year and will be prepared to make a detailed presentation to the owners at the annual meeting. Although their work was not ready for presentation at this meeting, they indicate that everything looks favorable.

Next Meeting: Annual Meeting

October 21, 1995 at 19.00 in Foyer (remember to bring a chair!)

**KUZMANHYO CONDOMINIUM**

**\*\*\*Proxy\*\*\***

I/We, \_\_\_\_\_, unit owner  
of Unit \_\_\_\_\_ (the unit number),  
hereby grant to \_\_\_\_\_ (name of Proxy Voter)  
\_\_\_\_\_ (address of Proxy Voter)

a complete and absolute proxy to vote the entire beneficial interest of my unit at the Annual Meeting of Kuzmanyho to be held on 21 October 1997 for hte purpose of electing two (2) new members to the Executive Committee and any other issue that will require a vote at the meeting.

The undersigned understands that this proxy is revocable at any time by written notice to the Annual Meeting prior to any vote at said meeting.

Signature \_\_\_\_\_  
(Unit owner)

Date \_\_\_\_\_

Signature \_\_\_\_\_  
(Proxy)

Date \_\_\_\_\_

\*\*\*\*\*

**\*\*\*Proxy Voter: BRING THIS SIGNED PROXY TO THE MEETING.**

**EFFECTIVE USE OF COMMITTEES  
IN CONDOMINIUM OWNERS' ASSOCIATIONS**

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When you stop to consider:

- the size of the job and the responsibility that a condominium association elects its Executive Committee to carry out, and
- that Executive Committees often consist of only three to five persons who also hold down full-time jobs along with their volunteer service on the Committee;

you wonder how they can possibly do it!

The Executive Committee is responsible for seeing that a large piece of real estate is maintained properly and reaches its potential to increase in value, but it is also responsible for providing a clean, safe and peaceful living environment for the hundreds of people who live there, as well as serving as good fiduciaries in protecting the association's financial assets.

The best policies and decisions Executive Committees make will be reached after carefully considering the history, facts, and statistics to make an EDUCATED decision.

Gathering the history, facts, and statistics on many different issues is often a key service volunteer committees provide the Executive Committee. Only the Executive Committee may vote on most of the matters facing the association, and it alone is responsible for the results. But when it has strong committees who help it by providing research, administrative support, and serving as the voice of the owners, the Executive Committee may find its job much easier and its decisions in tune with the association's needs.

Another great benefit of committees is the training ground it provides for future Executive Committee members. Volunteering for a committee is a great way to begin to learn how the association is governed. Committee members of today often become the Executive Committee members of tomorrow.

**THINGS TO KEEP IN MIND IF YOUR EXECUTIVE COMMITTEE PLANS TO  
ESTABLISH COMMITTEES**

Committees serve solely at the pleasure of the Executive Committee, and do not have authority to vote on matters. Committees may be established and abolished only by vote of the Executive Committee.

When an Executive Committee decides to establish a committee, the committee should be given a

mission statement, to explain clearly to all members what is expected and what is not expected. If there are deadlines for completing their mission or specific tasks, spell them out.

Committees do not have to be a large group of people. Often they consist of 1-7 persons, depending upon the tasks they have been given by the Executive Committee.

Committees may be established to function for a full year, or only for the term of one special project the Executive Committee is working on.

Committees should be recognized, thanked for the work they do for the Executive Committee. Make sure to show your appreciation.

Many associations start early recruiting members for various committees. Executive Committees find there are at least two other benefits to having committees: an increased feeling of community when people are helping people; and less suspicion of Executive Committee actions when it is known that several other owners are giving input.

A sample notice is attached which invites all owners to a "Committee Seminar". You will notice that the Executive Committee planned this committee seminar to be a fun social event, where owners can have dessert and meet their neighbors. It is a great way to get started.

Another attachment is entitled "Seven Steps to Keeping Your Committees Active, Productive, and on the Right Track". It provides some good tips for getting the most out of committees and allowing committee members to get the most out of the experience.

Finally, we have attached a description of several committees which historically have been most useful to condominium owners' associations.

**CONDOMINIUM**

**COMMITTEE SEMINAR**

**Thursday, August 27, 1997**

**8:30 P.M.**

**At the Community Center**

Find out how you can have a positive impact on your community, provide valuable input, and get to know your neighbors all at the same time!

Make plans to attend the Committee Seminar. The Executive Committee has scheduled this important event in order to provide information to the residents regarding the operations of the association and to establish five important committees to assist the Executive Committee in carrying out its duties.

Many of you attended the Annual Meeting in May and expressed your interest in participating in one or more of the following committees: *Communications Committee; Rules Committee; Facilities Committee; Finance and Budget Committee; and the Security Committee.*

Our management company will conduct the seminar, which will include an overview of the operations of condominiums and information about the role of each committee. We welcome your participation and questions. The committees will be formed at this seminar, and we know you will not want to miss this opportunity to join the committee of your choice.

**Have Dessert and Meet Your Neighbors!**

**SEE YOU THERE!**

**SEVEN STEPS TO KEEPING YOUR COMMITTEES ACTIVE,  
PRODUCTIVE AND ON THE RIGHT TRACK**

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3. Set an agenda and meeting format which will allow for an informal and comfortable environment, but will also allow the chairperson sufficient control of the meeting to keep it productive and within a reasonable length.
4. Keep good minutes and written reports to the Executive Committee.
5. Be a good listener. Encourage and welcome new and different ideas. Respect other committee members' differences of opinion.
6. Keep committee volunteers busy! Do not have one or two persons do all of the work. Give everyone an assignment whenever possible, no matter how small. People want to contribute, but they will lose interest if they do not feel they have anything to offer.
7. Be aware of, and respect the limits of the committee's authority. When in doubt, check with the Executive Committee or the Property Manager.
8. Be flexible. Committee members and the Executive Committee are volunteers with busy lives. Sometimes deadlines must be extended, and your flexibility and patience will be of great benefit.
9. Do not forget to give recognition to committee members for their accomplishments and service to the community.

## COMMITTEES THAT NEED YOUR HELP

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1. *Activities Committee*

Advises and assists the Executive Committee in planning and conducting a diverse social and recreational program serving the various age groups and interests in the community. Will promote such things as seasonal parties, activities using the recreational facilities, trips, etc.

2. *Finance Committee*

Advises and assists the Executive Committee in administering the Association's financial assets in order to meet both the requirements of the Association's documents and the needs and desires of the owners. This committee shall perform the following functions: preparation of draft budgets for the Executive Committee's review and approval; assistance in developing a risk management program; and assistance in developing a proposed investment program.

3. *Ad Hoc Elections Committee*

Responsible for arranging for and conducting the election of owners to the Executive Committee in accordance with the Association's documents, including soliciting candidates, briefing candidates on their responsibilities, preparing voting materials, soliciting proxies, conducting the election, and tabulating results. This committee will be dissolved once the election results are certified.

4. *Covenants Advisory Committee*

Advises and assists the Executive Committee in covenants administration. Duties include: educating unit owners regarding the importance of respecting rules through positive and upbeat articles for the association newsletter; reviewing and indexing all decisions to date on applications for design review and making preliminary recommendations; and working closely with other committees as they develop policy recommendations to the Executive Committee that may affect members' rights and/or obligations to assure that the proposal is suited to the need and that such proposals are consistent with the governing documents.

5. *Communications Committee*

Advises and assists the Executive Committee in performing the many communications functions that are a part of a healthy community. Responsibilities include: preparation of an association newsletter, preparing a community directory, and assisting other committees in informing residents about those committee's activities.

### SESSION 3

## MANAGING THE PROPERTY: THE ELEMENTS AND THE OPTIONS

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What does the term "to manage" encompass in an owners' association? It is often confused with the term "maintenance" but the two are very different functions.

The definition of the word "manage" is to direct, control, or handle. Whether your owners' association is being self-managed by the Executive Committee, managed by a property management firm, or a hired on-site manager employed by the association, the job will be to direct and control numerous association efforts, following the policies set by the Executive Committee, to get the best possible results. It is a job of coordination and leadership. The easiest way to understand what the "association efforts" are, is to look at the titles of sessions 4-10 in this course book. These are the components of owners' association property management. This does not mean that the person(s) doing the managing must perform all of the physical labor required, although sometimes special skills in one area or another come in handy. Rather, their job is to have a general understanding of what is needed in each effort, and to generally oversee the people and contractors involved with the work.

When we use the term "maintenance" it will always refer to actual physical work needed to repair or maintain some physical aspect of the property. A plumbing repair, oiling a motor, and housekeeping work are examples of maintenance.

The title of this session may suggest that the *physical* elements or components of a property needing management will be discussed, as well as choices you have to get the job done. Actually, the following sessions in this course together will provide the tools and techniques for managing everything from maintenance and repair of building equipment, housekeeping, financial affairs, and day-to-day administrative functions.

The purpose of this session is to (1) provide a clear understanding of the *elements* associated with property management which make it *distinctly different* from the kind of management people have been accustomed to; and (2) to demonstrate to Executive

Committees how their faithful adherence to the property management philosophy presented here will speed up the evolution of their building's residential units into a better place to live today; and a valuable asset tomorrow.

### SESSION OBJECTIVES

- Learn the unique elements inherent in association property management
- Learn to recognize the earmarks of a higher standard of care which is a trademark of association property management
- Explore the options for obtaining the best possible property management program for your association.

Take a moment and reflect back to the state of residential property management in your building before private ownership of flats, the emergence in Slovakia of owners' associations, and the movement toward a market economy.

From your personal perspective as a resident, list some of the elements that would characterize the property management system and service you were familiar with. To help you make your list consider the following questions:

- > Who determined what would be included in the housekeeping service and how often it would be done?
- > What were the mechanisms, if any, for making changes in management or maintenance if service was poor?
- > To what extent were residents kept informed and given a voice in management matters?
- > What system was used to monitor the quality of work performed?
- > Were the management decision makers accountable to anyone?
- > Could you tell what the main goals of management were?
- > What grade or score do you think the residents of your building would have given the management organization overall?

Now, make a list of the characteristics which most accurately describe property management as you remember it. We will use this list later on in the session.

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Since private ownership of apartments is still a fairly new concept in Slovakia, owners of flats are only just now beginning to get a sense of the long-range positive impact that owners' association property management can have on their lives. The hurdles and obstacles facing new Executive Committees can make measurable positive impact seem to be attainable only in the distant future. But owners' associations learn to tackle their challenges by "chipping away" at problems one at a time. And they find that there is a good supply of ideas and creative solutions within their membership with which to gain momentum, fueled by three powerful ingredients:

Having a Voice in Decisions

Taking Responsibility

Exercising Freedom of Choice

These three "ingredients" are found to be dominating factors associated with most of the key elements generally associated with condominium management. Lets take a look:

### ***Elements Inherent in Condominium Association Management***

- Is progressive and forward thinking, does not limit itself to doing things the way they have always been done in the past.
- Strives not only for clean and well maintained common areas, but also to develop community spirit and address quality of life issues.
- Implements management procedures developed by owners through a representative form of self government.
- Is directed by elected association leadership who serve *constituents*; real estate owners who have entrusted them with the care of their jointly owned property.
- Puts an appropriate burden of responsibility on owners to contribute their fair share toward maintaining and respecting the property through budget development, assessment collection and rules development and enforcement.
- Includes systems for monitoring service and quality of all management functions.
- Includes the mechanism for owners to vote to change management if not satisfied.
- Places a high value on the individual owner's right to be informed and be treated fairly, using good communications and due process.
- Sets goals for quality maintenance which includes prompt, courteous service to residents.
- Standards for care and upkeep are based on the desires of unit owners.
- Keeps an open mind to all options; uses competitive bidding, always with the goals of obtaining the best possible service at an affordable price.

### ***The Mandate of a Higher Standard of Care***

Another distinguishing element of association management is a generally higher standard of care, and the higher standards stem from the discipline that Executive Committees espouse in their role as a fiduciary. They are mandated as fiduciaries to use a different level of standards when making decisions on behalf of the

developing the goals for its efforts in each area of managing the association.

They begin with the end in mind. For example, if they are addressing housekeeping in the building, the first thing they do is to decide exactly what level of cleanliness is acceptable to the owners. That goal, that level of cleanliness, is the end they have in mind; the results they want. They don't take their eyes off of this goal, and whether they decide to hire a management firm, use volunteers in the building, or hire an individual to do the cleaning, the decision will be driven by who is most likely to achieve the desired results at a price the association can afford.

### ***Exercising Your Right to Choose***

In the future, as the number of privatized apartments grows in Slovakia, private real estate property management companies will emerge in large numbers. They will offer a wide array of services including hiring and supervising on-site maintenance staff, collecting fees, managing the association's funds, preparing financial reports, paying bills, writing specifications and supervising contracted work. Although the services they perform may sound similar to those of the former state firms, the big difference is that the management company will work under a contractual agreement and will take all of its direction from the policies set by the association leadership. It must produce results to keep its contract, and as marketplace competition with other management companies develops and increases, there will be additional incentive to provide good service. In the future, many owners' associations will consider using this type of full service management company. But this is just one option.

Today's Slovak Executive Committees are wise to exercise their right to choose and keep their options open when it comes to management and maintenance services. Some associations in newly privatized buildings start by entering into a new contractual relationship with the former management company which requires the company to produce the results the association seeks, including better housekeeping, more responsive service to owners requests, and a higher standard of maintenance. Then, if the company does not perform adequately, associations seek those who can provide better service, and in the absence of other management *companies*, they find and hire *individuals* who will work as on-site property

association. The following scenario demonstrates this.

Have you ever had renovations or repairs completed in your home by a relative or friend? Perhaps the work is done for pay, or perhaps for free in the name of friendship or family. But whether or not payment was involved, you probably made a casual verbal agreement and did not investigate other contractors, which is typical in this situation. If all goes well, you probably saved some money. Of course, some risk is involved in making casual agreements and in hiring family or friends. For example, if you are not satisfied with the work, you may end up spending extra to re-do the job, or you may have to live with the unsatisfactory results. It can be difficult to criticize the work of friends or family (or worse, your spouse's family!) But these are risks you have the right to take because it only affects your home; no one else's property, money or quality of life is involved.

All that changes when you become an Executive Committee member and a fiduciary. Higher standards must be used when your decision will affect *someone else's property*.

Whereas things were handled more casually when having renovations done to your unit, we learn that the Executive Committee's job is not a casual role. It has legal stature by virtue of being elected representatives. Executive Committee members who remain faithful to their duties as fiduciaries always use the higher standards for decision making. These include using the test of good business judgment, avoiding conflicts of interest, doing research and considering options before making decisions, and avoiding risks. If, for example, it had been an Executive Committee making renovations to a condominium's common areas, they would draw up written specifications, look at two or three different contractors whenever possible, and enter into a written contract to have the work done. They would not hire a relative or friend unless it was disclosed to the owners ahead of time, and the relative/friend's bid compared favorably in all respects to make it the best choice.

### ***Results-Driven Management***

The higher standards mandated by the fiduciary role have to do with the process Executive Committees use to reach decisions. The Executive Committee also adheres to higher standards when

managers, and can provide these services with attentive and personalized management. This on-site property manager is an employee of the association, and works at the property full-time, supported by other employees, contractors, and association volunteers. Sometimes, two separate associations will "share" a good manager by entering into an arrangement where he splits his time between the two properties.

Self management is a viable management option many Slovak owners' associations are choosing. To give you a better idea of exactly what an on-site property manager does, a typical job description is enclosed at the end of this session, and an organization chart is also attached to show you where a property manager would fit into the picture.

There are other options. In another form of self management the Executive Committee acts as the on-site property manager, using a combination of people and services to get the different management jobs done. They look at each job that needs to be done, and determine whether there are dependable volunteers within the membership (committee members or otherwise) to help, or whether the job requires a licensed or more skilled person. In the latter case they consider persons in the trade or companies, i.e. outside contractors. They may also hire employees, part time or full time, to do some of the work. A handy checklist of most association property management functions, and the options for getting each job done, is attached at the end of this session.

The overriding message of this session is not which type of management is best for your association, but to exercise your right to choose, and to keep an open mind to the options, always keeping the end, the results you want, as your motivating factor.

### **Property Manager's Job Description**

#### **A. Duties and Responsibilities**

The Property Manager is responsible for the on-site general administration and physical operations of the property. The Property Manager will provide direction to the on-site staff, and assure that the management program is properly executed. The Property Manager will be responsible for the effective operation and cleanliness of the buildings; for ensuring performance of established preventive maintenance programs of the buildings and equipment; for the hiring, training, and supervision of qualified, competent personnel; and for the establishment of excellent relations with residents.

The Property Manager reports to and answers to the Executive Committee. The Property Manager is authorized to operate within the confines of the approved budget.

**B. Staff Supervision**

1. Responsible for all job assignments, explanation of employee duties and performance; informing and educating operating staff on policies and procedures.
2. Periodically review employee performance, conduct periodic employee critiques, and schedule training programs as needed.

**C. Facilities Inspection**

1. Conduct weekly inspections and submit a written report of the buildings and grounds, noting any property deficiencies, physical appearance of the property, and deferred maintenance.
2. Inform the Executive Committee of observed deferred maintenance and property deficiencies in writing, noting specific locations, conditions, and recommendations for corrective measures.
3. Inspect mechanical areas of buildings with particular emphasis on the proper performance of maintenance, to ensure the success of the preventive maintenance program.
4. Conduct daily inspections of the common areas of

the buildings and the grounds, and know work in progress areas.

D. Vendor Contractor

1. Be responsible for the responsiveness of vendors and contractors providing services to the property and report any problems to the Executive Committee.
2. Purchase the necessary supplies and replacement items required for property operations and buildings maintenance.
3. Supervise appropriate receipt and purchasing records.
4. Approve all purchases under \_\_\_\_\_ (Slovak Crowns).

E. Public Relations

1. Issue move-in or welcome packages to all new residents (e.g., rules and regulations, bus routes, school locations, church locations, current data sheet of the Executive Committee, etc.).
2. Be responsible for the proper flow of suggestions, grievances and inquiries to the Executive Committee.
3. Utilize all possible communication outlets to keep residents informed as to developments within the property. This might include such things as: (1) utilizing a bulletin board; (2) writing letters to individual residents and/or owners, whether individually or collectively; (3) contacting all new residents within seven days of move-in; and (4) assisting the communications committee in preparation of monthly newsletter.

F. Administration – Record Keeping and Correspondence

1. Prepare and submit accurate and complete essential

reports, various data-input forms, and other required correspondence.

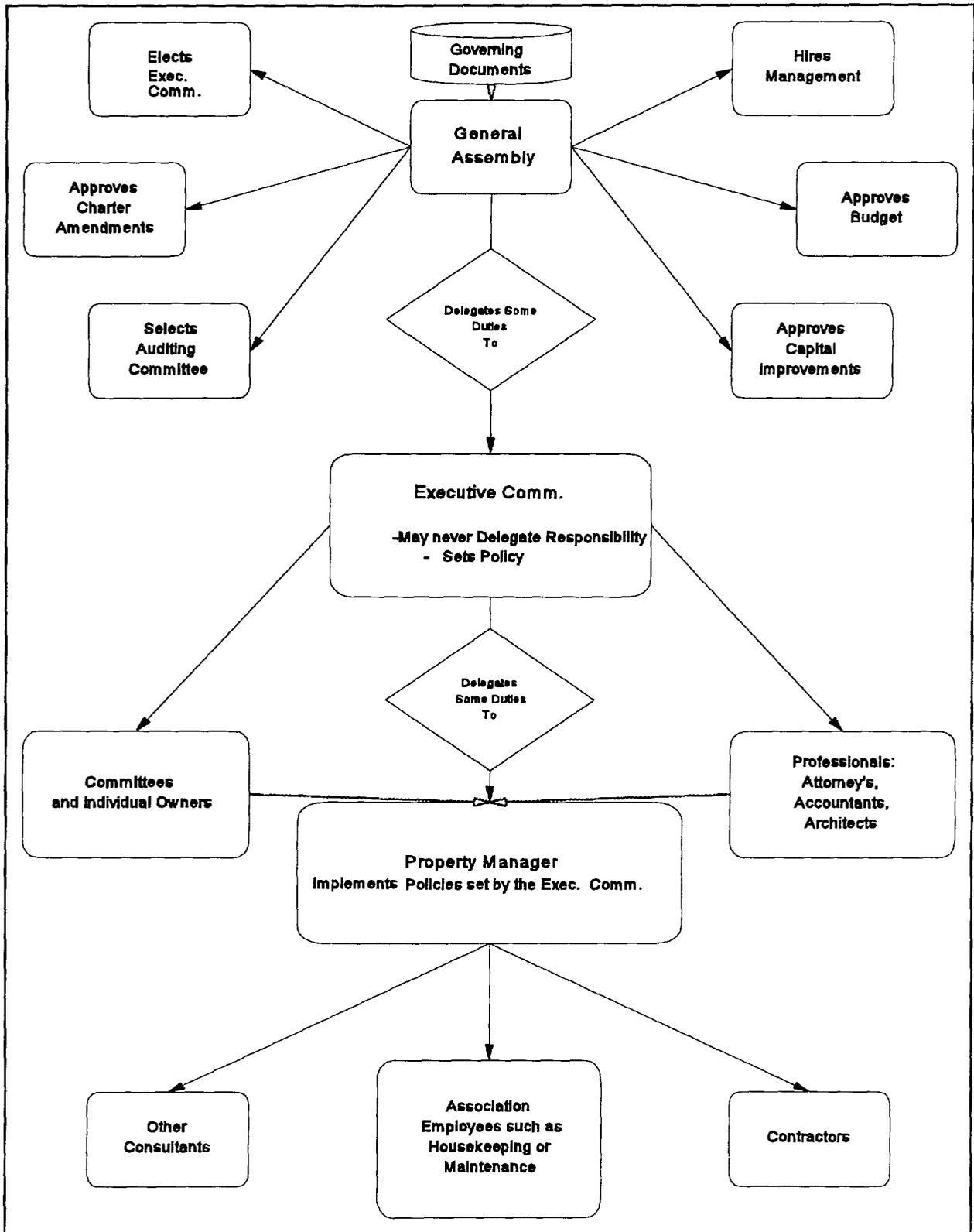
2. Monitor all maintenance records to ensure proper documentation of all maintenance and preventive maintenance work accomplished. Ensure the proper scheduling of all required preventive maintenance.
3. Key control is the responsibility of the Property Manager. The Manager must maintain a key control system which would provide for the proper security and accessibility of keys. One critical part of this control is the key sign out register.
4. Prepare a monthly management report for the Executive committee which should include, but not be limited to, the following categories:
  - a. Financial
  - b. Administration
  - c. Contracts
  - d. Maintenance
  - e. Personnel
  - f. Legal
5. Prepare and verify time records of all employees for payroll.
6. Organize all office operations.

G. Service to Individual Residents

All service to residents must, without exception, be based on the following priorities:

1. Emergency requests always come first. All other requests are based on a first-in, first-out system.
2. Each request should be handled individually based upon the substance of the complaint or request.
3. At no time, should any Manager allow himself or herself to react to the personality of the person

instead of the merits of the complaint or the request.



**CHECKLIST FOR  
CONSIDERING THE OPTIONS  
MANAGEMENT AND MAINTENANCE TASKS  
IN AN OWNERS' ASSOCIATION**

ACTIVITY	RESPONSIBILITY							
	Exec. Com. Members	Other Owner Volunteers (Individuals or Committee)	Management Firm	Use Contractor	Hired On-site Employee	Attorney	Audit Committee	Independent Accountant
<b>FISCAL</b>								
Assessment Collection								
Delinquency Follow-up								
Lien Filings								
Foreclosure Proceedings								
Invoice Approval								
Invoice Payment								
Payroll Accounting for On-Site Personnel								
Financial Report Preparation								
Tax Return Preparation								
Year-end Financial Report								
Year-end Audit								
Budget Preparation								
Reserve Analysis (Long-range planning)								
Other _____								
<b>ADMINISTRATIVE/CLERICAL</b>								
Executive Committee Meeting Attendance								
Special Meeting Attendance								
Annual Meeting Attendance								
Minute Transcription, Executive Committee and Annual Meetings								
Annual Meeting and Election Coordination								
Resident Roster Maintenance								
Records and Files Maintenance								
New Resident Orientation								
Newsletter: a) Editing								
b) Typing								
c) Distribution								
Special Mailings								
Special Photocopying								
Specification/Bid Preparation and Coordination								
Contract Awarding								
Yearly Management Plan								
Monthly Assoc. Status Report								

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ACTIVITY	RESPONSIBILITY							
	Exec. Com. Members	Other Owner Volunteers (Individuals or Committee)	Management Firm	Use Contractor	Hired On-site Employee	Attorney	Audit Committee	Independent Accountant
Standard Operating Procedures Reviews								
Periodic Inventory of Assn. Property								
Legal (Attorney) Liaison								

ACTIVITY	RESPONSIBILITY							
	Exec. Com. Members	Other Owner Volunteers (Individuals or Committee)	Management Firm	Use Contractor	Hired On-site Employee	Attorney	Audit Committee	Independent Accountant
Municipality Liaison								
After-hour Answering and Emergency Asst. Service								
Work Orders: Recording and Processing								
Rules and Regulations Enforcement								
General Correspondence								
Hiring/Firing/Supervision of On-site Personnel								
Other: _____								
<b>BUILDING MAINTENANCE</b>								
Janitorial								
Plumbing, painting								
Minor repairs/maintenance								
Inspection of outside contractor performance								
Periodic building/amenity inspection and report								
Other: _____								
<b>GROUNDS MAINTENANCE</b>								
Landscape Maintenance								
Street and Walk Sweep.								
Trash Collection								
Snow Removal								
Inspection of outside Contract performance								
Periodic Grounds Inspection and Report								
Other: _____								
<b>MISCELLANEOUS</b>								
Security Issues								
Information concerning Laws and Ordinances								
Other: _____								

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## SESSION 4

### FINANCIAL MANAGEMENT

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#### SESSION OBJECTIVES

- Learn the necessary steps for preparing the association's operating budget and to consider the benefits of establishing a capital reserves budget.
- Learn what is included in an effective accounting system; the financial procedures and recordkeeping.
- Discuss the uses for periodic financial reporting documents.
- Learn to develop an assessment collection policy.

#### OVERVIEW

The preparation of an association's operating and reserve budgets, and developing and monitoring a comprehensive financial management system may be *the* most important responsibilities of an Executive Committee. The best way to assure that accurate historical information is maintained and that there is a mechanism for monitoring financial performance, is to establish a complete financial management system, including the records and books, accounting procedures and financial reports. Tax issues, assessment collection procedures, and policies for investing association funds should be incorporated into the system. After the system is established, periodic audits should be conducted by outside independent auditors to evaluate the entire system for accuracy and appropriate procedures.

The most important financial tool any association should begin with is the operating budget. Therefore, the operating budget procedures will be given the greatest emphasis in this session. This is not to minimize the importance of the other objectives listed above, which will be covered extensively in written materials provided herein.

## PREPARING A FINANCIAL PLAN FOR A CONDOMINIUM

### *Statement of Purpose*

Preparing a financial plan can accomplish several results:

1. portray the objectives of the condominium membership in financial terms;
2. reinforce owners' commitment to paying common charges;
3. obtain subsidies to which condominium owners are entitled;
4. compare the results of condominium operations to the stated objectives of the members.

### *Stage 1. Establishing the Process of Preparing and Approving the Financial Plan*

- A. Who is entitled to make comments on the financial plan and approve it?

*All owners of condominium units must be given a chance to comment on the financial plan.* Approval of the plan is the responsibility of the Executive Committee. However, the budget can only be approved by vote of the General Assembly of the association, and the financial plan should not vary by more than 10% from the approved budget. Thus, the owners of condominium units ultimately have control of the financial plan. There will be different types of ownership in different condominiums.

- B. Who should prepare the financial plan?

Normally the financial plan is prepared by the Property Manager. If the condominium association has contracted with a person, a private company or a municipally-owned company to manage its property, they should prepare a financial plan and present it for review by the Executive Committee. If the condominium is managed by the Executive Committee itself (paid staff or volunteers), then a sub-committee of the Committee would prepare the financial plan and present it to the Committee.

The Committee will analyze the proposed financial plan, recommend changes if necessary, then approve the financial plan.

Owners' associations then divide into two types. In one type of condominium the Executive Committee is required to present the financial plan to the annual meeting of owners for approval. In the other type of condominium the Committee has the power to adopt the financial plan without approval of the owners. There are arguments for both approaches. If the Manager and the Committee have worked hard to understand the results the owners want and are sensitive to their capacity and willingness to pay, then they do not really need to have the annual meeting approve the financial plan. But then also they do not need to fear a discussion of the financial plan at an annual meeting either. Probably it is preferable at this stage in Slovakia to have the annual meeting of owners approve the proposed financial plan, because building a condominium democracy is essential if there is to be support for improving the property and its management.

***Stage 2. Establishing the Objectives of the Condominium in Preparation for Developing the Financial Plan***

**Step 1: Collect Information from the Owners**

Strategic planning is a process of identifying desired results, then developing an approach to achieve these results.

In order to know what results the owners want, it is necessary to talk to them. This can be done in a meeting but it is preferable to survey them individually, since people may be influenced or intimidated by their neighbors when meeting together.

The survey can be done by the Executive Committee members or the Property Manager or jointly by both. The survey can be done by handing out a form to be filled out anonymously, because people will be more honest in their opinions if their identity is unknown.

The survey might be structured as follows:

1. What type of owner are you?

Residential    Commercial    Other, please specify: \_\_\_\_\_

2. Do you occupy the unit or rent (lease) it to someone else?

Occupy                       Rent (lease)

3. In the coming year, what are the most important results you want for your grounds (attached territories)? Please list them in order of importance.

Number One Result \_\_\_\_\_

Would you pay more to get this result?

a lot more               some more               a little more               no more

Number Two Result \_\_\_\_\_

Would you pay more to get this result?

a lot more               some more               a little more               no more

Number Three Result \_\_\_\_\_

Would you pay more to get this result?

a lot more               some more               a little more               no more

4. In the coming year, what are the most important results you want for your building common areas (this does not include your unit/flat)? Please list them in order of importance.

Number One Result \_\_\_\_\_

Would you pay more to get this result?

a lot more               some more               a little more               no more

Number Two Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Number Three Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

5. In the coming year, what are the most important results you want for your communal services (heat, hot water, garbage collection, etc.)? Please list them in order of importance.

Number One Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Number Two Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Number Three Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

6. In the coming year, what are the most important results you want for this condominium? Please list them in order of importance.

Number One Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Number Two Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Number Three Result \_\_\_\_\_

Would you pay more to get this result?

- a lot more       some more       a little more       no more

Please add any other comments or suggestions here:

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Step 2: Collect Information About the Building

If strategic planning is to succeed, it is critically important to know and to document the environment for the desired results: it is essential to document the physical condition of the elements of the building and grounds. To do this the property must be surveyed to establish a baseline. The baseline becomes the measure of what needs to be done and how well it is done. In other words:

*A baseline is a document which presents, represents and identifies the existing components of the property and their condition.*

It will be necessary to organize the information. There are many ways to do this, but the following structure is logical and common for condominiums:

1. Grounds (including improvements to the grounds such as paved roads, playgrounds, furniture, etc.).
2. Building exteriors (including roofs, walls, windows, doors and foundations).
3. Building interior common areas (including public and administrative spaces, heating and electrical, elevators, fire protection, communal service pipes, conduits and equipment, etc.).
- 4.\* Residential units.
- 5.\* Commercial units.

(\*NOTE: If the condominium association itself owns residential or nonresidential units, and for those communal services which pass through units but which are maintained by the association.)

A detailed baseline model which would be used to survey conditions would contain the following necessary information:

Item Category	Type	Quantity	Estimated Age	Condition
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There are some critical decisions to be made before the survey is done.

1. How many categories should be used? How detailed should the baseline be?

Initially the baseline should be fairly simple, but each year or each time a repair or service is made to a sub-element of a category, it can be added to the plan. Thus, for the category "entry", in the beginning you might just have the following:

Item Category	Type	Quantity	Estimated Age	Condition
Entry				
Entry Doors	Wood & Glass	1 double door	25.00	Replace
Steps	Concrete	2 square meters	25.00	Poor

However, if the condominium owners' association adds a security system and lighting and replaces the entry doors, it might revise the baseline as follows:

Item Category	Type	Quantity	Estimated Age	Condition
Entry				
Entry Doors	Steel & Glass	1 double door	1.00	Excellent
Steps	Concrete	2 square meters	25.00	Poor
Security System	Intercom	1	1.00	Excellent
Entry Light	Incandescent	1	1.00	Excellent

The baseline model can become very detailed. Condominium

associations must pick and choose categories appropriate for them and adopt a level of detail that works best for them.

2. How accurate should the quantities be?

A general rule is that the quantity estimates for areas (m<sup>2</sup>) and lengths (m) should be within 15% of actual. The more important or expensive the item is, the more closely it should be measured. Here estimates need to be within 10%. For many items, such as the number of emergency lights or elevators, the estimates can be exact.

3. If I do not know the age of the equipment, what do I use?

You can learn from the municipality the age of the building. If you think an element has not been replaced since the time of construction, then you should use that age. Otherwise, make the best estimate or guess, or simply indicate "N/A" (Not Available) or "U" (Unknown).

4. Why do I need to know the age?

The age can be a guideline to help estimate when you might have to replace the item based on the experience of others.

5. How can we agree on the condition?

This is an important question. If possible, there should be a common definition of the terminology for physical conditions, to reduce the possibility for different persons to interpret the actual condition differently.

There are two ways to agree on definitions. One way is to have a written definition with several examples. Here are sample definitions of "repair" and "replace".

*Repair:* To restore to a sound and acceptable state of operation and appearance which will last as long as a new item over the same period of time when compared with the annual cost of replacement.

*Replace:* To remove an existing item and to construct or install a new item similar to the existing one, when the existing item cannot be repaired or it is financially uneconomical to make a repair.

*Example:* To replace an elevator which is expected to last 30 years will cost 2.9 million crowns. The money is borrowed and the association pays a monthly installment including 10% interest over 30 years (the expected life of the elevator). This costs 305,400 crowns a year. In addition it will cost 5,800 crowns a year to service this new elevator. On the other hand, the old elevator can be repaired each year and made to work like new. If it is repaired and serviced so that it works like new, it will cost the association 730,000 crowns a year for repairs and service. Which is better? Assuming that timely and proper servicing and repairs are made to the new elevator, then clearly over the 30 year period the installation of a new elevator will result in substantial savings to the association over repairing and servicing the old elevator. In addition, residents will appreciate the fact that they can rely on the new elevator being in good working condition.

Another way to agree on the condition is to have a group inspect the property together and negotiate by consensus the descriptions of the elements and their conditions.

6. What categories of conditions should I use?

Generally it is good to use about four and to define them.

*Replace:* To remove an existing item and to construct or install a new item when the existing item cannot be repaired or it is financially uneconomic to make a repair.

*Poor:* It needs a lot of repairs and is very close to needing to be replaced.

*Average:* It needs some repairs.

*Excellent:* It is either new or needs no repairs.

Step 3: Estimate the Cost of All Repairs and Replacements

Although this is a difficult task, if approached seriously, it will help the Executive Committee make the right financial planning decisions. Clearly the Executive Committee has a duty to make repairs and to provide services. From Step 2 above, the Committee can prepare an estimate of the total cost to correct all deficiencies by estimating repair and replacement costs of individual elements. There are two ways to estimate these repair and replacement costs.

1. Estimate the materials, labor skills, labor hours and equipment needed to make the repair or replacement.
2. Secure a quotation from a contractor.

Step 4: Prioritize Physical Work (Repairs and Replacements)

There are three inputs which contribute to setting priorities.

1. From the Owner Survey, from the Property Manager and the Executive Committee, there is a list of desired results in some order of importance.
2. From the baseline survey there is a list of deficiencies which stand in the path of securing the desired results. Most of these can be matched up with the lists of desired results.
3. The cost estimates will guide prioritization, particularly if resources are insufficient to achieve some of the desired results.

In setting the plan for the coming year, the Executive

Committee needs to balance these objectives and constraints.

For example, perhaps the survey established that one of the most important results desired by the owners is to make sure that the lifts work properly and reliably. The baseline survey established that there were severe deficiencies in the four lifts, requiring extensive repairs but not requiring replacement. The cost estimate was high but could be afforded, provided that no other repairs were needed that year. However, in the survey, people said that they were afraid of thieves because the exterior doors were not secure. The baseline survey determined that the only cost effective approach to the exterior doors was to replace all eight of them. The Executive Committee might decide to propose to the owners that all four elevators be repaired, that all eight doors be replaced and that fees be increased to pay for both. They might have learned from the survey, for example, that people would be willing to pay more to have these problems fixed at once. On the other hand, perhaps people would be unable to afford to pay higher fees. In this case the Executive Committee might recommend repair of two elevators during the current year and two in the following year, while replacing all eight exterior doors immediately.

**Step 5: Estimate the Total Cost of All Property Services**

Repairs are not the only expenses of the condominium association. Grounds must be maintained; stairways must be cleaned; trash must be removed, etc. From the baseline survey, the Executive Committee should be able to combine these expenditures for inclusion in the plan.

1. The first task is to set out for every element of the property on the baseline, the type of service needed, its frequency, the equipment needed, the estimated time for each service and the minimum skill required to do the work. The following chart presents an example:

Item Category	Type of Service	Frequency	Effort in Hours/Task	Equipment Needed	Minimum Skill	Materials Needed
Grounds						
Paved Areas	Sweep	Monthly	4.00	Brooms	No Skills	None
	remove snow and ice	when snow depth exceeds 8 cm	3.00	snow plough	none	

2. The second task is to use this chart to estimate service and janitorial costs by either:
  - a. Calculating the costs of materials, labor hours and equipment needed to conduct the services or janitorial functions.
  - b. Securing quotations from contractors.

As with repair and replacement (Steps 3 and 4 above), decisions must be made about how frequently these services are needed, which ones can or need to be done under contract, and what is the priority.

For example: Servicing the elevator monthly may be required by government regulation. Certainly it is required by the desire of the Executive Committee to ensure the longest possible life for the elevators and the desire of the owners to have reliable and safe elevator service. On the other hand, volunteers could inspect the lighting in the elevators and replace light bulbs when burnt out.

**Step 6: Collect Information About the Finances**

*Strategic planing is a process of identifying desired results, then developing an approach to achieve these results. Successful strategic planning depends on knowing what resources are available.*

For example: The Executive Committee decides to make extensive improvements to the property. The cost of these improvements will be 1.15 million crowns. Owners cannot afford the capital cost at this time. So the Committee decides that it will establish a Capital Improvement Fund. To do this, it has three options.

Option A. The Committee may increase fees or reduce expenses, and put the surplus into an investment fund which brings an investment return greater than inflation. The target is to accumulate sufficient money within five years, accepting (judging) that the action can be postponed for those five years without creating consequential damages to the property.

Option B. The Committee decides that the improvement has to be done as soon as possible because there are consequential damages being caused as long as the problem persists. The cost per unit is calculated, and the Committee issues a special assessment, which must be paid by all owners within three months (for example).

Option C. The Committee borrows the money and has every owner sign for the loan and agree to pay their share of the loan payments each month. All owners agree to have a lien on their unit and if they do not pay their share, the condominium association has the right to have the subsequent owner pay the amount due plus interest. In the meantime, the other owners have to pay a share of the loan payments of those owners who are not paying.

One of the challenges in budget preparation or financial planning is to make appropriate use of information from the past. Skillful interpretation of historical information can give valuable guidance. On the other hand, incorrect usage can lead to significant errors, especially where prior years' data are blindly projected into the future. In other words, historical information about spending and revenues must be used with careful judgement as to its relevance.

For example, just because electricity cost 5.75 crowns per KWH this year does not mean that it will cost the same

next year. Even if it did cost the same, or went up or down in price, this could not be treated as "normative" when planning next year's expenditures. All factors must be considered. For example, the Committee might replace all the electrical light bulbs in the common areas with new energy efficient ones, thus reducing electrical consumption.

***Stage 3: Develop a Draft Financial Plan (Budget)***

To develop a financial plan, one must prepare a draft budget. This declares where the money is coming from and where it will be spent. It states in monetary terms the results which the condominium owners' association wants to achieve.

For example, the association wants to clean hallways throughout the year and also reduce the mud and dirt being brought in from outside by paving some of the paths on the attached territory. It budgets 17,250 crowns for this.

In other words, a financial plan "represents and presents the desired outcomes of the condominium association in monetary terms."

**Step 1: Establish the Budget Categories**

At the end of this section is a "Sample: Chart of General Ledger Accounts" which shows the many accounting and budget categories which an association might use in establishing the budget. Although it contains more categories than an association will probably use, additional categories can be added as well. It is important to consider every category when making the plan, so that an item of expense or income is not inadvertently overlooked. So even if the final budget excludes many of the categories, they should be considered during the planning phase.

Budget categories are known as "The Chart of Accounts". These are the same categories used in a financial report. So if a Property Manager or an Executive Committee wants to know what was spent on snow removal, there needs to be a budget category for snow removal.

**A budget portrays the flow of money.**

While a financial plan may show that a lot of work is going to be done by volunteers, a budget will only show work that is done for which money is spent by the condominium association.

For example, a financial plan may show that some of the heating costs of the association are paid for by the municipality. But because that subsidy is not paid to the owners' association directly (because the heat is sold to the owners at a reduced cost), the budget will only show as income what owners pay to the association for heat and will only show as an expense, what is paid by the association to the heating supplier. If individual owners pay the supplier directly for heating, such payments will not show in the budget. Whatever the municipality pays directly to enterprises to subsidize the cost of heat, does not show in the budget.

**Step 2: Draft the Initial Budget Expense Amounts Including Supporting Details**

The desired outcomes from Stage 2 are translated to a budget form, even if they exceed the income received in the prior year or which is expected this year.

It is important that the Executive Committee begin with the desired results, even if they must later reduce the desired expenditures because of resource constraints (lack of income). The Committee needs to be able to tell its members what it could not do because of lack of money, so that members know that the desired result was considered by the Committee and only taken out because of this resource constraint.

A draft budget being considered by the Committee should contain detailed information to explain how amounts (income and expenditures) are calculated or estimated, even if the final budget as presented to the members, does not show these details.

So, a part of the draft expense budget front page might look

like this:

Budget Expenses		
500	Administration	
501.00	Committee Chairperson	57,500
502.00	Bookkeeper	28,750
503.00	Office Supplies	5,750

The numbers on the left are the account numbers, which are helpful if the accounting is done by hand, but essential if the accounting is done by computer.

Attached to this budget would be *Supporting Documentation*, for example:

- Item 501    Committee Chairperson  
 The Committee chairperson has a contract with the Executive Committee to manage the condominium association. The contract pays him each month. This has been increased by 15% over last year because of inflation.
- Item 502    Bookkeeper  
 The bookkeeper has a contract with the Executive Committee to record all income and expenses and to produce a monthly financial report for the Committee, and an annual report for the association members. The contract pays him weekly. This amount reflects an increase of 15% due to inflation, as well as a salary increase of 10%.
- Item 503    Office Supplies  
 Office supplies are estimated as follows:
- |              |       |
|--------------|-------|
| Paper        | 2,875 |
| Envelopes    | 1,150 |
| Ledger Cards | 575   |

File Folders	575
Pens	275
Miscellaneous	300
Total	5,750

These have been increased over last year by 10% which means that because of inflation, we have actually reduced our planned expenses in this category. We stocked up on ledger cards and file folders last year so we anticipate less purchases this year.

Item 605 Payroll Taxes  
The payroll taxes are calculated at 40% on the Committee chairperson and bookkeeper.

Total Payroll	86,250
Taxes @ 40%	34,500

As you can see, there is not only a decision about what the condominium wants to spend this coming year, there is also an inflation factor to take into account as well.

The more complete expense budget might look as follows:

BUDGET EXPENSES		
500	Administration	
501.00	Committee Chairperson	57,500
502.00	Bookkeeper	28,750
503.00	Office Supplies	5,750
600	Taxes	
605.00	Payroll Taxes	34,500
800	Repair/Replacement	
803.00	Elevators	86,200
804.00	Exterior Doors	28,700

**Step 3: Draft the Initial Budget Income Amounts Including Supporting Details**

As with expenses, start with the desired outcome, which for most condominium associations is "no increase in fees". In fact, the most desirable outcome is a reduction in fees! This is unlikely to occur unless, for example, the condominium association were to receive income from a new source, such as rental income.

The draft budget must include all sources of income received by the association.

1. The first task in preparing the income sheets for the budget is to enter last year's income, hoping that it will be enough to cover the proposed expenses.
2. The second task is to adjust it by the inflation factor so that members will be paying the same amount in real terms as last year. If fees are not adjusted to keep up with inflation, then members will have to receive lesser services. One way to make the adjustment would be to take the official inflation rate of the government and

multiply the line items for income received last year by that rate if you think inflation will be the same the coming year.

A part of the draft income budget front page might look like:

Budget Income			
	100.00	Condominium Maintenance Fees	
	101.00	Condominium Residential Owners	575,000
	102.00	Condominium Commercial Owners	145,000
	200.00	Service Fees	

Attached to this budget would be *Supporting Documentation*, which might look like:

- Item 100     **Condominium Maintenance Fees**  
 Maintenance fees for both residential and commercial owners have been increased by 15% to adjust for inflation only.
  
- Item 201     **Elevator Service Fees**  
 Elevator fees have been kept the same as last year because we have negotiated a new contract with a private firm and the cost, after adjusting for inflation of 15%, will be the same.
  
- Item 202     **Trash Chute Fees**  
 We will close the trash chute because it is too smelly and dangerous. People will carry their own trash to the bins in the yard. There are 33 elderly and five disabled people who cannot carry their rubbish and we will pay a person to pick it up. The income from these people will amount to 11,500 crowns.
  
- Item 305     **Capital Repair Fund**  
 We have taken our capital repair fund and

deposited the funds in the "We Pay More" Savings Bank. The interest it pays is 16% compared with 14% from the "We Don't Care" Bank. So this amount is substantially greater than last year.

- The third task is to calculate the difference between income and expenses and adjust the condominium fees to meet the proposed expenses. Assume there is a gap of 115,000 crowns. So we need to increase the maintenance fees by 16% (over and above inflation). As a result the revised part income budget front page might look like:

Budget Income			
100.00	Condominium Maintenance Fees		
101.00	Condominium Residential Owners		667,000
102.00	Condominium Commercial Owners		168,200
200.00	Service Fees		
201.00	Elevator Fees		28,750
202.00	Trash Chute Fees		5,750
300.00	Investment Income		
305.00	Capital Repair Fund - Bank Interest		57,500

**Step 4: Calculate a Draft of the New Fees to Be Charged to Owners**

The fourth step is to calculate the difference in the condominium fees so that the Executive Committee can see the impact on the owners and decide whether they can afford the increase or whether they need to reduce expenses. The following might be an example of how this would be presented to the Committee for consideration by those who prepare the budget.

Unit Number	Unit Owner	Old Fee	New Fee with Inflation	New Fee with Inflation and Budget Increase
-------------	------------	---------	------------------------	--

101.00	Commerce Bank	5,750	6,612	7,650
201.00	City of Kosice	2,875	3,306	3,835
202.00	G. Bauer	2,300	2,645	3,068
307.00	N. Slatinsky.	5,175	5,951	6,903

**Step 5: Redraft the Budget**

The budget may go through several revisions before the Executive Committee decides to accept, approve and present it and the proposed new fees to the owners.

After reviewing the proposed increased of 16% after adjusting for inflation and knowing each owner of the condominium, the Committee decides that everyone except three owners can afford the increase, though they may not like it. They are going to meet with the municipality to see if some assistance can be provided to the three owners. If not, the Executive Committee is prepared to loan the fees to those owners and place a lien on the unit to secure the loan. The loan will be repaid when the owners can afford to pay or when they sell the unit.

**Stage 4. Develop a Financial Plan**

The final financial plan will include the budget and all other proposed actions.

For example, the Executive Committee has reviewed the proposed expense and income budget increases and decides that it will submit the budget in this form for approval. Included as part of the budget is assistance to the three owners who may not be able to afford the fee increase. Further, the Committee has concluded that the association can afford to replace eight exterior doors and make major repairs to two of the four elevators during the coming year without depleting the Capital Repair Fund.

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## ACCOUNTING SYSTEMS AND FINANCIAL PROCEDURES

Proper accounting systems and financial procedures are necessary in order to:

- assure funds are adequately protected,
- assure that appropriate and necessary records are maintained, and
- assure that summary information adequately reflects the financial condition of the property.

The Executive Committee may delegate to the Property Manager the authority to maintain a financial management system, but it is the Committee's responsibility to see that the system is adequate and appropriate to the situation, and to the protection of the association's funds. A good accounting system and financial procedures will assure that the Committee has adequate information in its periodic financial reports about the current financial condition of the association and good historic information to use as a basis for subsequent budgets. A proper system of internal controls for handling association funds will protect those assets against inadvertent or deliberate loss.

### *Accounting Systems*

A process for systematically maintaining accurate cost and revenue information is important to the production of reliable information on financial status, evaluation of current budget experience and for providing a baseline for future budget preparation and decisions.

The components of an accounting system include:

1. A Chart of Accounts

A systematic array of categories for the maintenance of financial data and information. This list of accounts may be done on a line item basis with each major income or expense category listed separately. Another option is to lump together into one account all expenses related to that

particular project, such as snow removal expenses, lawn maintenance service, lighting. The words describing the accounts must contain sufficient detail to support summary information in financial reports. A sample chart of accounts is enclosed at the end of this session.

2. Ledgers, Books, Records, Files

These are the hard copy records of financial transactions of an association which give support to the data reflected in the chart of accounts. They can be maintained in the traditional hard copy fashion with accounting books, ledgers, vouchers, etc., or these same types of reports, ledgers and journals can be maintained through a computer system. However, the files should reflect the hard copy backup of originals and support for all transactions.

**Consistency and Accuracy** -- The primary goal of any accounting system is to achieve an accurate and consistent record of information on financial transactions. Failure to achieve these goals will result in inadequate and unreliable financial reports and poor historical data for future budget preparation.

**Narrative Descriptions** -- The chart of accounts and the accounting records, ledgers, files and systems must be supported by a narrative description of the purpose and utilization of each component. This is particularly important with the chart of accounts in order to achieve consistency. The Executive Committee must see that a narrative description of each of the accounts and the information to be stored is prepared.

***Financial Procedures***

The primary goal of good financial procedures is internal control, which is a system of checks and balances to minimize risk of errors and losses resulting from honest mistakes as well as theft. The optimal level of internal control would be one in which no one person has responsibility or access to more than one function of financial operations. Though this is not achievable in most association situations, some level of that control can be accomplished in each of the major financial functions of the association.

1. Income Receipts and Accounts Receivable

The largest source of income for most associations is the assessment income. For each unit, be sure to maintain accurate and up-to-date monthly assessment records, whether computerized or by hand, to be able to properly administer assessment collection procedures.

Careful monitoring and record keeping measures may be necessary to keep track of assessments paid by the municipality, a developer, or others who own large blocks of units and pay for many units at once.

When assessments are paid at the manager's office, make daily deposits to the association's account so funds are not left in a desk drawer overnight. A cash receipts ledger should be kept of all income received.

An association should have a monthly reconciliation of its bank account statement and this should be presented to the Executive Committee.

A monthly list of outstanding money due to the association (accounts receivable) should be prepared and presented to the Executive Committee.

As explained in more detail below, the association should adopt a firm assessments collection policy and follow it.

2. Expenses, Cash Disbursements and Accounts Payable

The Executive Committee must establish a policy on who may incur an expense obligation on behalf of the association and how that obligation may be made. Generally, written purchase orders and contracts are the most common instruments for incurring an expense. As a rule, only the Property Manager and Executive Committee members may issue purchase orders, and there should be limits above which a Property Manager would have to obtain permission from the Committee in order to exceed the limit, and/or the amount budgeted.

Invoices should be checked for accuracy against the quoted

price on a purchase order or contract, and approved and counter-signed by the appropriate authority on the Executive Committee or the Property Manager.

All invoices received but unpaid, represent accounts payable and a monthly report of unpaid invoices should be prepared which will also show how long the invoice has gone unpaid. This report should be presented to the Committee.

Proper control of cash disbursements is a critical element of financial control and should be based on an adopted policy of the Executive Committee, which should include:

**Components of a Cash Disbursements Control Policy**

- A procedure for requesting and authorizing a payment to be made in written form.
- Establish who may authorize payments and how many Committee signatures are required for approval of payments to be made.
- Establish a good technique for providing an element of control in which an individual other than the one sending out payments approves the expenditure before payment is made.

3. Fixed Assets

In addition to financial assets, the association's Executive Committee is also responsible for maintaining and protecting major physical assets owned by the association, such as furniture, equipment, tools, etc.

An inventory should be established and updated periodically to keep a record of the existence, condition and costs of all physical assets. This is essential for budgeting the replacement reserve budget. If the association insures this property, the insurance company will need this information. This inventory should include an identification system of using serial numbers or a permanent marking system to facilitate recovery of lost property.

4. The General Ledger

The general ledger is the basis of accounting records for the association. The general ledger maintains, in numerical order, the information on the various accounts reflected in the chart of accounts. The various transactions throughout the month are reflected in the general ledger, from which summaries are prepared for the financial statement.

The basic supporting documents from which posting are made to the general ledger include:

- Cash Receipts Journal
- Accounts Receivable (Assessment) Journal
- Cash Disbursements Journal
- Accounts Payable (Invoices) Journal
- Payroll Journal.
- General Journal.

## **FINANCIAL REPORTS AND STATEMENTS**

Periodic financial statements provide a summary of transactions and financial condition of the association and permit an assessment of the progress achieved against an approved budget. Periodic financial reports are the primary tool utilized by the Executive Committee during the course of a year to monitor performance and guide mid-year decision and adjustments.

### ***Balance Sheet Statements***

A report which gives the association's financial condition at any given point in time--where the association really is in terms of its financial health and condition. It includes a comparison of the assets of the association, less the liabilities or debts of the association, resulting in a net worth or member's equity. It portrays what would happen if the association were dissolved as of the date of the balance sheet. All assets would be converted to cash, all debts and liabilities would be paid, and then the remaining balance, the member's equity, would be available for distribution. Typically, the asset accounts on a balance sheet would include any cash in the association's account, all accounts receivable, the face value of any investments vehicles, any prepaid expenses such as taxes paid in advance, fixed assets as explained above, and any other assets.

Typically, liability accounts on the balance sheet would include accounts payable, short or long term debts, accrued salaries, withholding taxes, and any other liabilities.

### ***Income Statements***

The income statement provides information about how well the association operation is going in comparison to the current budget, by summarizing all income and expenses during the current budget cycle. This statement is probably the most important management report for the Executive Committee and management in assessing progress and potential trouble spots as compared to the developed and approved budget and operations plan.

The typical income statement shows actual income and expenses for the current month compared to budgeted income and expenses, as well as a comparison of year-to-date actual experience to year-to-date budgeted amounts. It is also helpful if the statement shows the percentage deviation from budget for both the current month and year-to-date.

The accounts reflected in the income statement are the major accounts for activities of the association as described in the chart of accounts developed earlier. Generally, these accounts will match the accounts (in the same order) on the association budget. For the purposes of the income statement, an association may want to combine some accounts from the chart of accounts for summary totals. For example, the chart of accounts may have separate accounts for engineers, housekeeping, and manager salaries, but the income statement may show a summary total under "personnel-salaries."

## **GETTING PROFESSIONAL HELP IN MANAGING FINANCIAL MATTERS**

Other important financial issues facing the association are the payment of taxes and safe investment of the association's funds. With the complexities of tax laws, and new rulings and regulations, it is strongly recommended that the association seek competent professional accountants to assist it in these procedures. With the quickly changing financial scene in Slovakia, an experienced and well-versed accountant can be on the lookout for the most advantageous handling of association's financial affairs and corporate status, as well as protect the association from legal consequences by insuring that the books are kept in a proper fashion.

### ***The Independent Financial Audit***

The Executive Committee is handling the members' funds and an independent review of the manner in which those funds are handled and reported gives protection to the Committee and to the owners. It can assure them that appropriate financial procedures are in place and the financial statements accurately portray the financial condition of the association.

A party independent to the ongoing financial operation reviews procedures in place and renders an opinion as to the adequacy of those procedures in protecting funds and producing accurate financial reports. He produces a financial report to compare against the association's generated report to identify significant differences or mistakes. This independent audit is not intended to have as its direct purpose to find fraud or theft, but it does so only as a byproduct of the audit if such dishonesty exists.

The independent audit should be conducted at the end of a fiscal year and upon any significant change in operating conditions, such as when the developer transfers control of financial operations to the owners, as in the case of a newly constructed condominium.

### ***Investment Policy***

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The Executive Committee should establish a written policy statement for handling all association funds, including savings. This policy should focus on the important responsibilities of protecting the investments of the association against the loss of principal while endeavoring to optimize the investment income returned to the association.

Although investment options are not plentiful in Slovakia at the present, it should be clear that investment in risky ventures, even when recommended in a misguided effort to help the association's funds grow, should be considered imprudent, and should be specifically prohibited in the investment policy statement. A savvy and trustworthy investment counselor will be aware of the latest offerings of financial institutions which may be a safe investment vehicle for associations.

## **DEVELOPING ASSESSMENT COLLECTION POLICIES AND PROCEDURES**

The association's Executive Committee is not only required to determine appropriate fee levels to cover the expenses in the association's budget, but must also make a good faith effort to collect delinquent assessments from homeowners.

The Executive Committee will likely use a team approach to collect delinquent fees, delegating the responsibility to the Property Manager and the association's attorney. When an owner's account first becomes delinquent, the Property Manager takes steps to collect the fee. If these steps do not bring results, the account is referred to legal counsel, and further steps are taken, which may include filing suit for a court judgement. Condominium associations in Slovakia are just beginning to take these cases to court. Municipal court judges may be somewhat unfamiliar with an association's legislative authority to assess and collect fees, but case history is being made on this subject, and courts have awarded judgements to associations. When the circumstances warrant, the association should not hesitate to take this step. For condominium owners who are financially able but remain seriously delinquent in paying assessments, the threat of a legal judgement, compounded with late fees and added legal costs may be all that is necessary to get them to bring their account current as quickly as possible. Although delinquent owners' accounts are generally charged with any legal fees the association incurs in collection attempts, owners who struggle to pay their assessments will have no easier time paying legal fees. So it makes sense to establish collection policies and procedures aimed at collecting the greatest percent of delinquent assessments through the efforts of the Property Manager and/or Executive Committee, before the account must be turned over to an attorney. The attorney will want the association to pay for these costs shortly after his services have been rendered, and the association in turn must hope it can be reimbursed by collecting from the delinquent owner.

### ***Using Communications to Keep Delinquencies Low***

Even before collection policies are adopted, the Executive Committee can help keep the delinquent assessments balance to a minimum with a good communications policy, which will be

covered in detail in Session 9. Early, honest, complete and positive communications between the Executive Committee, the Property Manager and the owners should keep owners informed about the purpose of and any increases in assessments, and the association's policy for collecting delinquent accounts. The more owners know about the impact their assessment has on the quality of their environment and the value of their unit, the more cooperative they will be in paying promptly. This ongoing communication is especially important for Slovak condominium associations because inflation and increasing communal service expenses may require frequent budget adjustments and notices of fee increases.

**Communication Tips for Keeping Delinquencies to a Minimum**

- Develop an effective collection policy and procedure, and give the owners an opportunity to comment on it before it is adopted.
- Post or send notices to owners well in advance of the meeting where the budget will be approved.
- Give owners notice of large or unanticipated expenses, even before the expense is incurred, if possible. The community newsletter is a good place to do this.
- Provide new owners with orientation material to acquaint them with their obligations regarding payment due dates, amount, and the association's collection policy.
- When appropriate, the Property Manager may use direct communication, on the phone or in person with a delinquent owner to discuss collection of assessments. This personal form of communication is effective in certain conditions.
- All correspondence related to collections, whether it is a first friendly reminder, demand letter, or notice of legal action, should be written in a business-like, professional style. It should include all information which the owner will need to understand why, how much, how and when the assessment should be paid, and what the consequences may be for continued non-payment.

Let us look at what an effective collections policy would include. The following is an example of an association's policy.

**Delinquent Assessments Collection Policy, \_\_\_\_\_ Condominium Association  
Adopted on \_\_\_\_\_**

**WHEREAS, Article \_\_, Section \_\_ of the Association Agreement of \_\_\_\_\_ Condominium Association states that the Executive Committee shall have the powers and duties necessary for the administration of the affairs of the Association; and**

**WHEREAS, Article \_\_, Section \_\_ of the Association Agreement establishes the obligation of the unit owner to pay the share of estimated expenses, based upon the adopted budget and proportionate to his respective percentage interest on the first of each month; and**

**WHEREAS, Article \_\_, Section \_\_ of the Association Agreement authorizes the Executive Committee to take prompt action to collect any assessment due from any owner which remains unpaid for more than 10 days from due date, and further states that the Executive Committee may impose a financial penalty; and**

**WHEREAS, there is a need to establish procedures and policies for the collection of delinquent assessments; and**

**WHEREAS, it is the intent of the Executive Committee to establish the policies and procedures for the collection of delinquent assessments;**

**NOW, THEREFORE, BE IT RESOLVED THAT the following administrative policies and procedures be adopted:**

1. Any assessment payment not received at \_\_\_\_\_ by the first of the month shall be termed delinquent. Owners may not withhold payment of assessments due to dissatisfaction with association services.
2. A late fee of \_\_\_\_\_ shall be levied against the delinquent owner as of the 15th day of the month.
3. Management shall contact the delinquent owner as of the 15th day of the month, by hand-delivered notice or phone call.
4. A certified letter shall be sent to all delinquent owners as of the 30th day of the month stating that if the account is not paid in full within 15 days, the account will be forwarded to the Association's attorney for legal collection action.
5. The attorney will contact the delinquent owner regarding the intent to file suit in municipal court to obtain a judgement in an amount which will include the delinquent assessments due, interest at a rate of \_\_\_\_\_%, late fees, costs of attorney's fees, as well as other fees to be pursued.
6. The attorney will file suit (as explained above in #5) by the 90th day on all delinquent owners.
7. All owners who remain delinquent after 90 days will lose the following association membership privileges: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.
8. Any fees paid shall be applied to the oldest outstanding debt first.

There are several approaches to designing letters sent when an owner first becomes delinquent. The following are three such notices, which might follow each other if, after the friendly reminder is sent, the assessment is still not received.

FRIENDLY REMINDER NOTICE

Date: \_\_\_\_\_ Regarding Unit No.: \_\_\_\_\_

Dear Unit Owner:

—

We have not received the condominium assessment for the above-referenced unit for this month. You have an excellent payment record and we normally receive your payment prior to the late charge date. Please check your records, and if you have paid, please call \_\_\_\_\_ so we can correct any errors and locate the payment.

If you have overlooked or forgotten to pay, please remit payment before the last day of this month.

Thank you for your cooperation.

The Management

Payments may be made in person at the following address: \_\_\_\_\_  
\_\_\_\_\_

IMPORTANT NOTICE

Date: \_\_\_\_\_

Unit No.: \_\_\_\_\_

Dear Owner:

Please note the delinquent balance on your condominium fee account. If you have sent this amount in the last few days, please disregard this notice. The Condominium Association cannot meet its financial obligations unless all unit owners pay their fees in a timely manner. The Executive Committee has instructed us to refer your account to the Association's attorney if the delinquent assessments are not paid within ten (10) days of this notice. To avoid further collection actions please pay the balance due immediately. In the event your account is referred to legal counsel, you will also become responsible for legal and collection costs incurred. If the amount in question does not agree with your records, please call \_\_\_\_\_.

Total Condominium Assessments Due: \_\_\_\_\_

Total Late Fees Due: \_\_\_\_\_

Regards,

The Management

Payments may be made in person at the following address: \_\_\_\_\_  
\_\_\_\_\_

Late Payment Notice

Date: \_\_\_\_\_

RE Unit No.: \_\_\_\_\_

Dear \_\_\_\_\_:

In accordance with Article \_\_, Section \_\_ of the Condominium's Association Agreement, and the Association's Approved Assessments Collection Policy, all payments not received by the due date are subject to a late fee in the amount of \_\_\_\_\_ and an interest charge of the unpaid balance at an annual percentage rate of \_\_\_\_%.

Our records show that your monthly assessment for the month(s) of \_\_\_\_\_, \_\_\_\_\_ has not been paid. Therefore, the late fees and interest as described above have been assessed against your account. The total due now is \_\_\_\_\_.

As an owner in \_\_\_\_\_ Condominium Association you have a legal obligation to pay the assessment on or before the first of each month. The Executive Committee is required to collect the assessments from owners, and to take firm legal steps as necessary with delinquent owners.

Please submit your payment for the balance due no later than \_\_\_\_\_ to avoid legal action and the additional expense of legal fees on your account.

Sincerely,

The Management

Please remit your payment to (address): \_\_\_\_\_  
\_\_\_\_\_

Any collections policy should not be so restrictive as to prohibit the Executive Committee from allowing owners to make payment arrangements to bring their account up to date, when the Committee determines that the circumstances warrant it. The Committee should weigh the potential incurred for collecting legal fees against the potential to collect the assessments through payment arrangements with the owner. Even after the account has been referred to an attorney, payment arrangements may be made through legal counsel, and thus avoid some court costs if legal

counsel deems it advisable.

When there are several months assessments due, as well as other charges on the account, be prepared to give the unit owner a good breakdown of the charges in written form. A sample Statement of Account is enclosed at the end of this session.

### ***Referring the Account to the Attorney***

After the case has been referred to an attorney the Executive Committee should not negotiate with the owner. This can lead to confusion and unnecessary legal fees if the attorney is in the middle of negotiations and the owner works out a different deal with the Committee. After an account is referred to an attorney, all payments should either be made directly to the law offices or, if pre-arranged with the attorney, they may be made to the association but with immediate notification to the attorney.

Legislation in some countries and local jurisdictions allow for condominium associations to use other remedies, which may be considered in Slovakia where legislation does not prohibit their use. They include placing liens on a unit so the owner cannot sell the unit until all condominium fees are paid; foreclosing on the unit; and the acceleration of fees. To describe how the acceleration process works, associations' Association Agreements and collection policies may include language stating that unit owners actually owe their proportionate share of assessments for an entire budget year, and are given the privilege of paying monthly installments only if they pay promptly. If they become chronically delinquent, the association will have the right to *accelerate*, that is to demand the full remaining years assessment amount to be paid immediately.

The association attorney should provide the Executive Committee with a monthly report of all actions being taken, and the dates they have been taken, to assure the association that collections are being followed up on promptly. A sample collections summary from a law office is attached at the end of this session.

The association should also be ready to provide the attorney with regular updates of all delinquent accounts. These updates should include at a minimum the unit number, owner's name, the monthly amount due, date of last payment, ending balance, and a breakdown

of any late fees assessed, interest or other charges. It is also a good idea to advise how many times the owner has been late.

### **IN CONCLUSION**

It is the association leadership's obligation to understand and effectively utilize any remedies available in developing and enforcing uniformly an assessments collection policy to ensure the financial health of the association. Although legal actions are sometimes necessary, good communications, consistent enforcement and good follow-up by the Executive Committee will help keep serious delinquencies to a minimum.

SAMPLE

CHART OF GENERAL LEDGER ACCOUNTS

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ASSETS	ACCOUNT NO.
Cash on Hand (petty cash)	1000
Cash in Bank, Operating Account	1001
Cash in Bank, Tenant Security Deposit Account	1002
Cash in Bank, Operating Reserve Account	1003
Cash in Bank, Reserve for Replacement Account	1004
Accounts Receivable	1006
Pre-Paid Expenses	1007
Fixed Assets - Equipment and Furnishings	1008
Fixed Assets - Building	1009
Fixed Assets - Land	1010
(Less Depreciation of Equipment, Furnishing and Building)	
<b>LIABILITIES</b>	
Accounts Payable	1500
Short-Term Notes Payable	1501
Long-Term Notes Payable	1502
Principle - 1st Mortgage	1504
Principle - 2nd Mortgage	1505
<b>CAPITAL (Owners' Equity or Net Worth)</b>	
Owners' Equity	2000
<b>INCOME</b>	
Assessment Income (Gross Potential - as if all owners paid their assessments)	3000
Rent - Commercial Owned by the Association	3004
Rent - Furniture, Appliances, Equipment	3005
Rent - Community Space	3007
Rent - Residential Units Owned by the Association	3011
Rent - Parking Space or Garage	3013
Interest Income - Operations	3020
Interest Income - Reserve for Replacement Account	3030
Other Income	3050
Laundry Income	3051
Late Charges	3052
Communal Services Charges	3053
Returned Check Fees	3054
Legal Fees (Reimbursed by Owners)	3056

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Miscellaneous Revenue 3057

**EXPENSES** —

Administrative

Office Salaries	6030
Office Expenses (Materials, etc.)	6035
Office Rent	6040
Management Fee	6045
Manager's Salary	6050
Rent for Manager's Apartment	6055
Legal Fees	6060
Auditing Fees/Tax Return Preparation	6065
Accounting/Bookkeeping Fees	6070
Computer Services/Supplies	6075
Telephone	6080
Bad Debts (Uncollectible Amounts Written Off)	6085
Employee Training	6090
Community Affairs	6095
Miscellaneous Administrative Expenses	6100

Utilities

Fuel (Oil/Coal)	6210
Electricity	6215
Water	6220
Gas	6225
Sewer	6230

Operating and Maintenance Expenses

Janitor and Cleaning Payroll	4010
Janitor and Cleaning Supplies	4015
Janitor and Cleaning Contract	4020
Exterminating Supplies	4025
Exterminating Contract	4030
Garbage Removal	4035
Security Payroll	4040
Security Contract	4045
Grounds Payroll	4050
Grounds Supplies	4055
Grounds (Landscaping) Contract	4060
Repairs Payroll	4065
Repairs Supplies	4070
Repairs Contract	4075
Elevator Maintenance/Repairs	4080

Elevator Service Contract	4085
Heating/Air Conditioning Repairs	4090
Snow Removal	4100
Painting/Decorating Payroll	4210
Painting/Decorating Supplies	4215
Painting/Decorating Contract	4220
Vehicle and Equipment Repair	4300
Uniform Expense	4400
Miscellaneous Operating Expenses	4500
<b>Taxes and Insurance</b>	
Real Estate Taxes	5010
Employee Payroll Taxes	5015
Miscellaneous Taxes, Licenses, and Permits	5020
Building and Liability Insurance	5025
Fidelity bond	5030
Worker's Compensation Insurance	5035
Employee Benefits	5040
Automobile Insurance	5045
Other Insurance	5050
<b>Financial</b>	
Interest on Mortgage (1st)	7100
Interest on Mortgage (2nd)	7105
Interest on Notes Payable	7110
Mortgage Insurance Premium or Service Charge	7115
Miscellaneous Financial Expenses	7120

PREPARED BY \_\_\_\_\_

**STATEMENT OF ACCOUNT**

ASSOCIATION NAME: \_\_\_\_\_  
\_\_\_\_\_

UNIT NO.: \_\_\_\_\_

DATE: \_\_\_\_\_

COMPLETE NAME AND UNIT ADDRESS OF OWNER(S)  
AND CO-OWNER(S)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RESIDENCE OR MAILING ADDRESS IF DIFFERENT:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SETTLEMENT DATE: \_\_\_\_\_

MO./YR.	CURRENT ASSESSMENT	PREVIOUS BALANCE	TOTAL ASSESSMENT DUE	AMOUNT PAID	DATE PAID	ASSESSMENT BALANCE	LATE FEES	RETURNED CHECK FEE	COLLECTION AND LEGAL COSTS

COLLECTIONS SUMMARY FOR:

LAW OFFICES OF:

MONTH OF:

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**HOMEOWNERS ASSOCIATION**

DATE TURNED OVER	UNIT ADDRESS	OWNER	SEE LEGEND								AMOUNT COLLEC TED	FEES COLLEC TED	FEES BILLED	COMMENTS
			1	2	3	4	5	6	7	8				

**Legend:**

1 = Lawsuit Warning Letter Sent

5 = Court Judgement Received

2 = Lawsuit Filed

6 = Foreclosure Warning Letter Sent

3 = Court Date Notification Letter Sent

7 = Payment Plan Implemented

4 = Final Warning Letter Sent

8 = Account Closed

## SESSION 5

### FACILITIES MAINTENANCE

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This session is about exercising the right of every condominium owners' association to decide the standards owners want for the service, maintenance, and upkeep of their building. In a newly privatized building owners may continue to use the services of the previous management company, but these services must meet new, often higher standards. Some associations will choose other options for maintenance services. Another session in this course will deal with WHO is the best choice to perform the work. This session will help you develop the standards and procedures for maintenance suited to your association's particular needs.

#### SESSION OBJECTIVES

- Review and discuss the obligations and benefits of a good maintenance program.
- Define the different types of maintenance to be expected in an association situation.
- Learn how to Clarify Responsibilities for Maintenance of Units, General Common Elements and Limited Common Elements.
- Learn the basic steps to take in designing a comprehensive maintenance program; finding satisfactory levels of service.
- Tie all the above together and create the basis for a maintenance program.

#### OVERVIEW

Although we will learn during this training course that there are many components to association property management, the first thing that comes to mind when people think of property management is usually the maintenance, repair, and preservation of the association's largest asset – the building and grounds. The professional Property Manager understands that simply reacting to maintenance problems as they arise is not good enough. He sets higher, long-term objectives to: extend the life of equipment

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through preventive maintenance; minimize costly emergency repairs and interruption of services through proper maintenance; and provide a safe, clean living environment for the owners. During this session, you will be given the incentives and tools to develop your association's maintenance program.

## THE ASSOCIATION'S OBLIGATION TO PROVIDE EFFECTIVE MAINTENANCE

The Executive Committee is elected to serve the best interests of association members, and in large part this means providing proper care of the common areas. The Committee recognizes its obligation to properly maintain the common areas from four perspectives.

### Commitment to Quality Maintenance

The Executive Committee recognizes its obligation to properly maintain the common areas from four perspectives:

***The Governing Documents*** – The Association Agreement gives the Committee a clear mandate – to maintain, preserve, and enhance the property which is commonly owned by all of the owners.

***Business Judgement Requirements*** – Looking at a one year period, you may likely see that the largest portion of the association's budget is devoted to maintenance and maintenance-related activities and services. With this significant portion of owners' condominium assessments going towards maintenance, the Executive Committee has a significant legal and business responsibility to devote attention and care to the development of an effective program of maintenance to ensure that the money is spent wisely, always placing high priority on preventive maintenance to minimize unnecessary and expensive repairs caused by earlier neglect. Simply put: operate the facilities in the most economic way, achieving the lowest life-cycle costs for building components.

***Meeting the Owners' Quality of Life Expectations*** – In preparing an association's property maintenance plan, the homeowners' sense of comfort and safety should be one goal. Generally the association should strive to provide an attractive, clean living environment, free of hazards, minimize emergencies and disruptions of building operations, and meet resident expectations for routine services and repairs.

***The Commitment not only to Maintain but to Enhance*** – The maintenance program should include a plan for making timely capital investments and improvements.

## THE BENEFITS

There are many incentives for the Executive Committee and the owners to start a maintenance program. When a good maintenance program is working, the benefits abound for everyone involved. It is a Win/Win situation!

*From the Executive Committee's Perspective:*

- It is organized; in control of the situation, it can be responsive to residents questions by referring to the plan.
- It finds that the cost and effort put into a preventive maintenance plan begins to pay off in the budget when the number of expensive emergency repairs and replacements is reduced.
- It receives more cooperation and participation from residents who appreciate how the Committee's maintenance program improved their living environment through responsive attention to their maintenance requests.
- The maintenance program gives the Committee confidence and a sense of pride. They do not have to wonder what level of service will please the owners, or what priorities should be. The plan spells out the level of service, financial guidelines and the calendar of maintenance events required.
- The Committee is responsible for looking after one of the most basic and personal of human needs: families' homes and shelter. They must keep "all systems go." A good maintenance program gives the Committee peace of mind that they are doing the best possible job to meet the owners' needs.

***From the Owners' Perspective:***

Most residents will know little about the workings of the maintenance program, they see and feel the results directly and they will give credit to the Committee when they:

- bring friends home and are proud of their condominium association's well lit, clean lobby and hallways;
- report common area damage and the repair is made in a timely fashion, and
- see the new benches installed in front of the building, affordable because money earmarked for replacing some water pumps was not needed after all. They have been maintained so well, they are lasting much longer than expected!

## TYPES OF MAINTENANCE

There are four basic types of maintenance activities that typically need to be established in a condominium owners' association.

1. **Regular Routine Custodial Maintenance Activities** – The basic housekeeping chores which are carried out on a scheduled daily, weekly or periodic basis to maintain cleanliness and an attractive appearance and to prevent subsequent major problems. They would include: mowing the grass; trimming shrubs and trees; vacuuming and sweeping halls; cleaning common areas, driveways, sidewalks, etc.; snow removal; cleaning light fixtures and changing the light bulbs; washing common area windows.
2. **Scheduled and Preventive Maintenance** – A program of inspections, routine upkeep and repairs to provide regular care and to detect problems early to avoid serious problems, breakdowns or service interruptions. Components include:
  - a. An analysis of current baseline condition of the property through a comprehensive inspection and assessment of all equipment, buildings, common areas and services provided to residents. (Through this initial procedure the association learns what problems it faces and can then set priorities and calculate what resources are needed to solve them).
  - b. Frequent, regularly scheduled inspections of building common areas, grounds and the building structure, and all related building systems and facilities to identify and correct problems and faults that may exist.
  - c. A system of follow-through to assure prompt correction of deficiencies found during the inspections.
  - d. The scheduling and completion of manufacturer recommended routine maintenance of equipment and systems.
  - e. Cleaning and lubrication of all equipment and systems on a schedule designed to extend the useful life of the equipment.
  - f. Scheduled application of appropriate chemicals for the prevention of disease, weeds or other problems in the grounds and on plants.
  - g. Monitoring procedures to assess the progress and effectiveness of the preventive maintenance program.

3. **Emergency and Responsive Maintenance** – Completion of work in response of service requests generated by residents or staff for unanticipated maintenance or repairs. This refers to maintenance or repair activities that arise on an unscheduled basis such as a plumbing problem, sudden roof leak, etc. Whereas, the other types of maintenance are scheduled, known and can be planned for, responsive maintenance occurs on an unscheduled basis. Incoming requests should be categorized and staff should respond to the service requests based on their priority by category.

Categories would include:

**Emergency Requests:** Situations that immediately threaten life, health or safety of residents or the integrity of the property. (Example: no electricity, no heat.)

**Urgent Requests:** Situations that are a major inconvenience or hardship to owners and/or would result in health or safety hazards to owners, or further damage to the property if left uncorrected. (Example: clogged sink drain.)

**Routine Requests:** Conditions that warrant repair but are not of an emergency or urgent nature. (Example: leaking faucet.)

4. **Deferred Maintenance** – Those maintenance activities which are known and can be scheduled for some time in the future without incurring damage or financial harm to the association. Deferred maintenance activities typically are the long term items such as painting, caulking, concrete and asphalt repairs, etc. Some maintenance items may have to be deferred due to lack of proper planning or inadequate funding. Ideally, however, deferred maintenance should be a conscious choice on the part of the Executive Committee after carefully analyzing the benefits, cost, and risks of deferring the maintenance item. Even then, it should be deferred only for a limited time, with plans for setting a date in the future when it will be completed.

## WHO IS RESPONSIBLE FOR WHAT IN A CONDOMINIUM?

Before developing a maintenance program, you must identify:

- Which facilities, equipment, and structural elements are to be maintained and budgeted for by the association, and
- Which facilities, equipment and structural elements are to be maintained at the responsibility and expense of individual unit owners.

The association has the responsibility of maintaining the common areas, but not individual units or parts of units.

You may think the answer is easy: The unit owner maintains and pays for everything inside the walls, ceiling and floor of his unit, everything else is the common area for which the association is responsible. But exactly where does the unit begin and the common area end? For example: Is the entry door part of the unit, or is only the interior surface of the entry door part of the unit? If that is the case, who owns and maintains the door knob system since it extends entirely through the door?

Drawing the line to show where the unit ends and where the common elements begin is not always easy. A solution to this is to develop a Maintenance Responsibilities Chart.

First, take a careful look at the definition of maintenance responsibilities that is explicit or implicit in any applicable legislation and within the condominium's Association Agreement. Then, the Executive Committee should prepare and provide to all owners and residents a chart of maintenance responsibilities of the association and the unit owners. This chart should deal specifically with each major element or component of the community, with particular attention given to those elements touching upon or involving the unit where the greatest confusion regarding maintenance and financial responsibility typically arises.

As with other activities of the association, the Executive Committee is charged with the responsibility to exercise good business judgement in administering its maintenance program. In some instances, the Committee may decide, exercising good business judgement, to take on the maintenance of certain elements that it is not required to maintain under the charter, because of the economies or efficiencies that can be achieved over individual maintenance. The Committee may also make such a decision because it may not be feasible to expect owners to perform the maintenance on an individual basis. Examples are caulking around exteriors of windows and repairs to balconies.

## STEPS TO DEVELOP A MAINTENANCE PROGRAM

**NOTE:** STEPS 1 AND 2 MAY BE DONE TOGETHER. They both entail walking the entire property, inside and out. Plan to do this in good weather, and depending on the complexity of your association's property and equipment, you may want to have with you a knowledgeable contractor who can accurately estimate the age and condition of certain equipment.

**REMINDER:** A Facilities Committee may be of great help to the Executive Committee in doing some of the legwork and research.

### *Step 1. Inventory the property, facilities and equipment.*

Develop an **exhaustive** list of those aspects of the property and equipment that the association is required to maintain. Do not ignore the grounds, plants, bushes, trees, as well as less visible components such as underground pumps, roof surfaces, etc.

### *Step 2. Conduct a physical inspection of the inventoried property, facilities and equipment to assess the current condition of each component and to identify any problems that need maintenance now.*

Steps 1 and 2 may be done in one inspection. Have a columned list ready to fill in. For each item on the list you may want to ask the following questions:

- What is the approximate age of the equipment?
- What is its current condition (excellent, good, fair, poor)?
- What needed repairs or maintenance were observed?
- Who is the manufacturer (if applicable)?

### *Step 3. Identify warranties and service contracts on equipment.*

Determine the extent to which any facilities or equipment are under warranty or existing service contract arrangements with a manufacturer or supplier.

Here is an example of a property inspection list. You may want to add other questions.

**Comprehensive Baseline Inspection and Inventory of Property Components**

Property Name: \_\_\_\_\_ Date: \_\_\_\_\_ Completed by: \_\_\_\_\_

Item Inspected	Current Condition	Under Warranty or Contract?	Note any Needed Repairs or Maintenance
<b>EXTERIOR:</b>			
Lawns			
Shrubbery			
Sidewalks			
Steps			
Roadways			
Parking Areas			
Trash Dumpsters			
Playgrounds			
Fences			
Benches			
Exterior Lights			
Exterior Painting			
Roofs			
Chimneys/Vents			
Exterior Brick			
Gutter/Downspout			
Antennas			
Balconies/Railing			
Pumps/Valves			

Item Inspected	Current Condition	Under Warranty or Contract?	Note any Needed Repairs or Maintenance
<b>INTERIOR:</b> Entrance #1:			
Mailboxes			
Floors/Tiles			
Stairs			
Stair Railings			
Entrance Door			
Windows			
Security System			
Hall Lights			
Trash Rooms			
Unit Doors			
Hallway Walls			
Hallway Ceilings			
Fire Extinguishers			
Signs			
Boilers/ Central System Equipment			
Water Pumps			
Cut-off Valves			
Clean-outs			
Electric Panel			
Conduit			
Pipe Insulation			
Fire Equipment			

**Step 4. Define maintenance goals and standards.**

The most important function of the Executive Committee in developing the maintenance process may be the establishment of the association's goals — the quality and level of maintenance service to be provided. The standards set for maintenance will have a great impact on cost variations. Although the Committee has the responsibility to maintain the property, the greatest cost implication is determined by HOW WELL the property is maintained. Here are some steps which, when taken, will help you define the best maintenance standards for your particular association, both in terms of satisfaction of owners and affordability.

**Steps to Take and Factors to Consider in Establishing Standards for Maintenance in a Condominium Association**

- Review the Association Agreement to determine whether any standards, level of service or quality are stated.
- For mechanical systems or equipment, identify any manufacturer's or supplier's recommended maintenance levels.
- Consult with experienced contractors regarding recommended levels of maintenance for building components when there is a question as to what type or amount of maintenance is best.
- Be very specific in setting forth maintenance standards in writing, to help guide those who will be responsible for doing the maintenance.
- Be prepared to make compromises because of cost considerations.
- If you are unsure what level of maintenance will be satisfactory to the majority of owners, as in the case of cleanliness of the hallways and grounds, survey the community through questionnaires or meetings to get feedback.

**Step 5. Developing a Maintenance Policies and Procedures Manual.**

Now, for each type of maintenance – Routine, Scheduled and Preventive, Emergency and Responsive, and Deferred — it is necessary to develop the procedures and schedule to make the initial determination of how the work will be performed.

Chapter one of the Maintenance Policies and Procedures Manual:  
Writing Procedures for Routine Maintenance (Housekeeping)

Beginning with routine (housekeeping) maintenance, the following information will give you what you need to develop policies and procedures for routine housekeeping maintenance to include daily, weekly or monthly schedules for staff or contractors to follow in performing the work.

Here are the steps to take.

**Steps to Creating Routine Housekeeping Policies and Procedures**

1. Inspect the property inside and out, and develop a complete list of all housekeeping functions which will be necessary to keep the premises clean.
2. Develop a housekeeping schedule which lists the functions and how frequently each function should be performed.
3. For each function that requires detailed instructions, prepare a written guide for the worker to follow.
4. Put each function on a weekly housekeeping schedule to be given to the worker as his weekly work instructions.

To complete steps 1 and 2, you will need to create a comprehensive chart which lists all areas and building components inside and outside the building which will need regular cleaning. This is not difficult! Plan to do a complete property inspection on a day with clear weather, and you may want to bring with you an experienced housekeeping maintenance person who sets high standards for cleaning. The chart you fill in as you inspect the property should list each area or component, the cleaning function (e.g., dusting, damp mop, polish, etc.) and how frequently it should be cleaned. The following "Sample Routine Housekeeping Schedule" is a good example of such a chart.

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**SAMPLE ROUTINE HOUSEKEEPING SCHEDULE**

**NOTE:** Semi Weekly means two times per week  
 Semi Monthly means two times per month  
 Semi Annual means two times per year.

FUNCTION	FREQUENCY						
	Daily	Semi Weekly	Weekly	Semi Monthly	Monthly	Semi Annual	As Assigned
<b>Hallways in All Buildings</b>							
Sweep all floors and damp mop.							
Clean and damp mop trash rooms.							
Clean and wipe trash chute door.							
Clean and empty cigarette urns and waste receptacles.							
Dust lamp covers including exit lights.							
Clean and damp wipe doors including fire exit door and trash doors.							
Clean and vacuum elevator thresholds.							
Dust fire alarm pull stations.							
Polish elevator thresholds.							
Wash lamp covers including exit lights.							
Clean baseboard molding.							
Shampoo all carpet.							
Dust hallway vent louvers.							
Clean plates on bottom of trash room doors.							
Dust fire extinguishers.							
<b>Lobbies, All Buildings</b>							
Vacuum carpet.							
Wet mop floors.							

FUNCTION	FREQUENCY						
	Daily	Semi Weekly	Weekly	Semi Monthly	Monthly	Semi Annual	As Assigned
<b>Lobbies, North &amp; South Buildings</b>							
Spray buff floors.							
Dust and clean furniture. Vacuum upholstered furniture.							
Empty and wash ashtrays.							
Clean glass doors.							
Clean and wash windows.							
Clean and damp wipe elevator doors, bucks and electric eyes.							
Dust and damp wipe mailboxes.							
Damp wipe cigarette urns.							
Empty waste baskets.							
Clean and vacuum elevator thresholds.							
Dust window framing (interior).							
Strip and wax floors.							
Polish door edges and metal work.							
Polish mailboxes.							
Polish elevator thresholds.							
Damp wipe and clean walls							
Clean baseboard molding.							
Wash lamp covers including exit lights.							
<b>Public Toilets</b>							
Clean sink and toilet.							
Clean mirrors.							
Wash and clean interior of waste cans.							
Sweep and damp mop floor.							

FUNCTION	FREQUENCY						
	Daily	Semi Weekly	Weekly	Semi Monthly	Monthly	Semi Annual	As Assigned
<b>Community Room</b>							
Clean, dust furniture.							
Vacuum carpet, or sweep and damp mop floor.							
Clean windows.							
Empty waste receptacles.							
Damp wipe trash containers.							
<b>Stairwells</b>							
Inspect.							
Dust railings.							
Dust fire extinguishers.							
Clean and dust window sills.							
<b>Storage Rooms</b>							
Police inspect.							
Damp mop.							
Remove unauthorized items.							
<b>Management Office</b>							
Empty waste receptacles.							
Sweep and damp mop floors.							
Vacuum rugs and carpeted areas.							
Hand dust and clean office equipment furniture, replacing and dusting said equipment.							
Empty, dust and wipe cigarette urns.							
Empty and wash ashtrays.							
Remove fingerprints, smudges, scuff marks, etc., from all vertical surfaces							
Dust blinds, wash curtains.							
Clean windows.							

Keep in mind that from this schedule you will develop actual instructions for housekeeping workers to follow. Some cleaning duties may warrant a few words to describe exactly what standard of cleaning is expected. Here are some things to consider when writing housekeeping instructions.

**Things to Consider When Writing Housekeeping Instructions**

- Safety instructions for both the worker and residents (e.g., use ladder, post wet floor signs when floors will be slippery, etc.).
- What cleaning products to use, what cleaning products should not be used.
- Detail what the work includes. For example, cleaning common area doors may include dusting the frame around the door, polishing any brass work on the door, cleaning the threshold.
- Minimum standards. For example, mop water must be changed twice for each hallway mopped.

Once you have completed a chart for the interior and exterior of your association's property, the only remaining step is to incorporate the information you have gathered to write a daily or weekly schedule for the staff to follow.

The following is an example of such a schedule for the housekeeping staff or contractor to follow on a daily or weekly basis. Notice that it includes a place where the person supervising the housekeeping staff approves the work done each day by signing the schedule.

**SAMPLE WEEKLY HOUSEKEEPING SCHEDULE**

BUILDING ADDRESS: \_\_\_\_\_ (Seven Story Building)

Week of: \_\_\_\_\_

Janitor: \_\_\_\_\_

MONDAY		TUESDAY		WEDNESDAY	
<u>Morning</u>	<u>Afternoon</u>	<u>Morning</u>	<u>Afternoon</u>	<u>Morning</u>	<u>Afternoon</u>
Sweep/mop lobby and elevator floors	Trim shrubbery and weed flower beds	Sweep/mop lobby and elevator floors	Spot clean lobby walls and woodwork	Sweep/mop lobby and elevator floors	Cut grass
Pick up litter on grounds		Pick up litter on grounds	Clean all surfaces of elevator cabs	Wax lobby and elevator floors	Wash lobby windows
Put trash out for pickup		Put trash out for pickup	Clean and disinfect trash room	Pick up litter on grounds	
Sweep/mop floors 2-4 hallways		Sweep/mop floors 5-7 hallways		Put trash out for pickup	
Approved: _____	Approved: _____				

THURSDAY		FRIDAY			
<u>Morning</u>	<u>Afternoon</u>	<u>Morning</u>	<u>Afternoon</u>		
Sweep/mop lobby and elevator floors	Clean public restroom	Sweep/mop lobby and elevator floors	Sweep/mop all interior stairways		
Pick up litter on grounds	Clean community room	Pick up litter on grounds			
Put trash out for pickup		Put trash out for pickup			
Sweep/mop floors 2-4 hallways		Sweep/mop floors 5-7 hallways			
Approved: _____	Approved: _____	Approved: _____	Approved: _____		

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Common sense will guide you in developing the initial schedules, but expect your first policies and procedures to be subject to change, depending on several factors: changing opinions of owners regarding what the minimum cleaning standards should be; changing occupancy and demographics in the building which affects how quickly certain areas become soiled and need cleaning; budget constraints; staffing levels; new methods of cleaning; and new products.

Chapter Two of the Maintenance Policies and Procedures Manual:  
Writing Procedures for Scheduled Preventive Maintenance

The steps you just followed to write routine housekeeping procedures also work well for writing preventive maintenance procedures, with a few wording changes.

**Steps to Develop Scheduled Preventive Maintenance Procedures**

1. Complete a property inspection; develop a list of all building components which should receive preventive maintenance to prevent breakdowns and extend their useful life. Determine the age of each piece of equipment, its current condition and remaining useful life.
2. Using manufacturer's recommendations and the advice of experienced contractors, develop a one page fact sheet and Preventive Maintenance Tasks List for each item on the list. Give the item an identification number, state its location, and record the following: age of the item; date inspected and current condition; any warranties or service contracts and expiration date; what maintenance tasks are needed; and how frequently they should be performed.
3. Develop a monthly preventive maintenance schedule to be used by maintenance staff or contractor. It should include all the preventive maintenance tasks for each piece of equipment and the month in which the work should be performed.

If you will refer back to page 5–10 of this course book, you will see the "Comprehensive Baseline Inspection and Inventory of Property Components" form, which is one good example of a form you can use to complete Step 1. From this checklist, you can develop the list of all equipment and components which will be scheduled for preventive maintenance.

Now let us see how this list is incorporated into a schedule for the maintenance staff to use as their weekly or monthly task list. First, you will need to do a little research on each piece of equipment or component. For each item on the list, complete a one page Preventive Maintenance Task List. The sample shown below, records an identification number which you assign to each item, its location, manufacturer, warranty (if any), and the maintenance tasks to be performed and the frequency. You will determine the maintenance tasks by referring to manufacturer's recommendations, and/or experienced contractors' and engineers' recommendations. These lists should be kept in a notebook in numerical order by item identification number, with a table of contents for easy reference in the future. When a piece of equipment is replaced, the list should be updated.

**SAMPLE  
PREVENTIVE MAINTENANCE TASKS LIST**

DEVELOPMENT:	Charming Gardens	W = Weekly
MAINTENANCE:	Heating Boiler, Office	M = Monthly
NUMBER:	1	Q = Quarterly
LOCATION:	Office	A = Annually
MANUFACTURER:	Crane Co.	
SERIAL NO. OR IDENTIFICATION:	ABC 6-552	
WARRANTY:	None	
SERVICE CONTRACT:	None	

<u>Skill</u>	<u>Frequency</u>	<u>Perform the following tasks during the heating season</u>
1	M	1. Check all relief valves for free operation.
1	M	2. Check all water, gas gate and globe valves for free operation and leakage.
1	M	3. Check all manifolds for leakage.
1	M	4. Check all water and gas piping for leakage.
1	Q	5. Check condition of gas pipes, burners, valves.
1	W	6. Check operation of electrical hardware and connections.
1	W	7. Check operation of all automatic controls.
1	W	8. Check low water cut-offs.
1	W	9. Check condition of boiler pressure and temperature gauges, record readings.
1	W	10. Check all safety controls and equipment.
1	Q	11. Check condition of paint.
1	W	12. Secure any loose guards or access panels.
1	W	13. Check operation of boiler, witness starting and shutdown, check for excess smoking.
1	W	14. Check operation and condition of flue.
1	A	15. Perform internal and external annual inspection.
1	M	16. Check condition of expansion tank.
1	M	17. Bleed air from boiler.

**Other Component Information**

**Record of Major Repairs**

Date	Type	Cost	By

Next, following the same procedure used to develop the Weekly Housekeeping Schedule, incorporate each maintenance duty on all

TRAINING FOR  
OWNERS' ASSOCIATION EXECUTIVE COMMITTEES  
IN SLOVAKIA

**TRAINER'S MANUAL**

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December 1997

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## INTRODUCTION

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The challenges facing Slovakia's owners' association executive committees are many. It can be said that the people who serve on these committees are pioneers exploring uncharted territory, paving the way for others to follow. Today, they operate with incomplete supporting legislation and largely without the benefit of professional property management businesses and similar service firms which associations in many other countries have come to rely on.

But not all condominium owners' associations around the world would hire employees or companies to manage their property. Some find the volunteers, dedication and talent within their membership to develop an effective self-management program and also find that to be the most cost effective method. Although Slovakia's economy is improving, the varying ability of residents to pay fees gives executive committees even more incentive to make every ruble count when it comes to managing the property. Slovak association executive committees are quickly making an art of self-management techniques, and are interested in learning the characteristics, methods, and systems associated with successful self-management.

This training course and course book are designed to provide executive committees of self-managed associations with some of the latest association management techniques, systems and programs which have proven universally beneficial to condominium associations, and have served as the fundamental tools for providing effective day-to-day management. Today, a self-managed association can perform each of these programs in large part through volunteers. In the future, the same association may be in better financial condition and elect to hire an on-site property manager to perform many of these duties. The techniques and materials provided during this course are easily transferable to that type of management.

The course is divided into 10 sessions which are listed on the previous "contents" page. Time limitations for this course do not allow us to cover in depth every topic which might be of interest or use to executive committees and managers. The sessions focus on the fundamentals of owners' association management.

## INSTRUCTIONS TO TRAINER

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The presentation of this course requires that the trainer read and become knowledgeable in all subject matter to be presented. This knowledge will come from reading and gaining an understanding of the materials in the Participant's Course Book. This Trainer's Manual does not contain complete information on each subject. Rather, it is designed to provide the trainer with the logistics, procedures, activities, and direction to establish the best possible environment for course participants to absorb the material through actual practice and experience.

Shortly before presenting each module in this course, review the related chapter of the Participant's Course Book. Carefully review and understand all of the material which appears in the session. Subjects which appear in the session are considered vital for the participants to learn, so attention must be given to each. You may want to highlight the relevant information in the Trainer's Manual as a reminder.

Always inspect the training room and test any equipment in advance. When presenting the course, have both the Trainer's Manual and the Participant's Course Book in front of you. You will need to refer to the course book from time to time along with the participants. Collect all supplies you will need in advance of each session (markers, overheads, flip chart, etc.).

### Training Tips:

- Don't be afraid to allow for brief silence in the room when people are considering their response to your question.
- To elicit more interesting responses, use *open ended questions*, such as... "What was the most challenging part of the task?", "How did your group approach this problem?", and "Why do you think this is important?" Closed ended questions will only result in a yes or no answer. Examples are, "Was the task challenging to your group?", "Do you want to tell us what you learned?", and "Is this technique important?"
- Don't concentrate your eye contact only on those in the front row.
- Say, "I don't know." when you don't know. Be honest with the participants at all times.
- Allow for disagreement.
- Create a warm, encouraging climate. Use your smile often! Do not allow your facial expressions or body language to send negative signals. Never react to a participant's question as if it is unimportant.
- Have scheduled breaks. Watch the time carefully, and don't let any sessions run much

over schedule. Be sensitive to the mood of your audience, and allow for an early break when your instincts tell you the audience is restless or losing concentration.

- Don't take omissions or mistakes too seriously. Use humor if you must go back to cover something you missed, or if you must correct yourself.
- Seek out different participants to share their opinions. Try to avoid allowing one or two participants to dominate conversation.
- Always stay calm and professional, even in the face of a participant who argues or becomes hostile.
- Make sure everyone is following you, not just a few people who always nod in agreement.

**IN CONCLUSION**

The key to a successful and rewarding experience with employees lies in good planning, fair and consistent policies, and good communications.

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**SAMPLE**  
**HOUSEKEEPING SCHEDULE**

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**I. DAILY**

**A. Lobby**

1. Thoroughly vacuum all carpeted areas.
2. Thoroughly sweep and mop all tiled floor areas.
3. Wash the glass doors and windows.
4. Empty lobby ashtrays.
5. Vacuum carpet in management office.
6. Sweep and mop tiled floor in mail room.

**B. Hallways**

1. Spot vacuum carpeted high traffic areas.
2. Remove debris and flyers from hallways.
3. Sweep and mop tiled floors.

**C. Elevators**

1. Sweep and mop flooring.
2. Polish doors, control panels and walls.
3. Polish elevator call buttons.

**D. Trash Rooms**

1. Spot sweep and mop trash room floors.
2. Remove debris from corners.

**E. Laundry Room**

1. Thoroughly sweep and mop tiled floor with disinfectant.
2. Dust pipes, conduit and laundry machines.
3. Remove boxes, socks, etc., from behind machines.

**F. Stairwells**

1. Completely check all stairs, floors and landings for debris.
2. Mop as needed.

**II. WEEKLY**

A. Lobby

1. Wash with squeegee glass doors and windows.
2. Thoroughly clean and dust management office.
3. Dust lobby furniture, fixtures, and lighting.
4. Wipe air return vents and plants.

B. Hallways

1. Thoroughly vacuum all carpeted areas.
2. Remove marks and prints from common area doors.
3. Remove fine debris from corners and edges.
4. Dust light fixtures, moldings, fire emergency equipment and elevator lobby furnishings.
5. Remove marks and prints from walls.
6. Spot clean carpet spots as necessary.

C. Elevators

1. Wet-wipe doors and panels.
2. Vacuum elevator tracks.
3. Remove bugs and debris from lights.
4. Wet-wipe the interior panels in passenger cars.

D. Trash Rooms

1. Thoroughly sweep and mop with disinfectant.
2. Wet-wipe trash chute doors.
3. Remove marks and prints from doors.
4. Polish trash chute doors to remove prints.

**III. MONTHLY**

A. Elevators

1. Clean and polish elevator tracks.

B. Stairwells

1. Thoroughly sweep all stairs and landings.

**IV. SEMI-ANNUALLY**

**A. Lobby**

1. Strip and wax all tiled floor areas.

**B. Trash Rooms**

2. Strip and wax tiled floor areas.

**C. Laundry Room**

1. Strip and wax tiled floor.

## **JOB DESCRIPTION**

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**TITLE:** Maintenance (Assistant)

### **GENERAL STATEMENT OF DUTIES**

Responsible for performing skilled repair jobs in order to maintain the apartments in a decent, safe and livable condition.

**REPORTS TO:** Assistant Maintenance Superintendent

**SUPERVISES:** This is not a supervisory position.

### **KEY DUTIES**

1. Performs a variety of skilled maintenance and repair tasks on the property including work in the fields of plumbing, heating, electrical, and/or auto mechanics.
2. Operates power equipment, drill presses, saws, etc.
3. Assists in the inspection of units and taking inventory of equipment.
4. Provides on-the-job and classroom training to maintenance personnel.
5. Repairs and/or replaces faucets, washers to faucets, seats, stems and spigots. Also repairs and/or replaces unclogged drains.
6. Performs minor electrical maintenance such as replacement of lighting fixtures, wall receptacles, and fuses.
7. Assists with minor repairs to furnaces, water heaters, and gas stoves, including adjustment of gas burners and the cleaning of furnace filters.
8. Operates miscellaneous electrical hand tools and simple manual hand tools.
9. Performs other duties as assigned.

### **PERFORMANCE STANDARDS**

- Attendance is reliable; leave does not exceed the amount permitted, and the employee has not un-excused absences from the job.
- Employee takes all appropriate precautions to avoid on-the-job accidents.
- 95% of priority 1 work orders assigned are completed within one day.
- 85% of priority 2 work orders assigned are completed within two days.
- Employee uses special skills necessary to the job, and shows evidence of developing additional skills through experience.
- Employee uses tools, materials and equipment efficiently, properly and safely.
- 98% of job related documents (work orders, time sheets, etc.) are prepared properly and submitted to the zone supervisor daily.

### **QUALITY STANDARDS**

- Parts used are appropriate and not defective when installed.
- All installation is plumb.
- The defective item is in working order after repair.
- 98% of work items have no call backs for incomplete or inadequate repair work.
- No tools or equipment are damaged in the completion of repairs.
- The work area is thoroughly cleaned of all debris, dust, water and other work materials when the worker leaves the work area.

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**QUALIFICATIONS**

*Education:* Able to pass basic reading/writing/math test. Two years of vocational training desirable.

*Experience:* Minimum of six years of working experience in residential maintenance.

*Special Skills:* Ability to perform a variety of skilled tasks assisting lower and higher level maintenance employees in plumbing, electrical, and preventive maintenance work.

Ability to operate all types of machine shop or woodwork equipment.

*Other*

*Requirements:* Excellent employment and character references. Valid driver's license and safe driving record. Must have basic hand tools.

**SAMPLE**  
**INTERVIEW QUESTIONS**

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1. How did you choose this type of work?
2. What did you enjoy most/least in your last job?
3. Why did you leave your last job? If still employed, why do you want a change?
4. Why should we hire you?
5. What types of people do you like to work with?
6. What do you expect from this job?
7. What would your previous supervisor say your strengths and weaknesses are?
8. How could a supervisor help you reach your potential?
9. What are your career goals for the next 2–5 years? How will this job help you reach those goals?
10. What have you done for personal improvement in the last year?
11. Which do you prefer, group work or working alone?
12. Describe former leadership positions you have had.

# OUTLINE FOR AN EMPLOYEE MANUAL

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## I. COMPANY BACKGROUND

- A. History of the Company
- B. Mission-Purpose
- C. Company Goals
- D. Organization

## II. GENERAL EMPLOYMENT POLICIES

- A. Requests for Sick/Vacation/Other Types of Leave
- B. Recruitment Practices
- C. New Employee Orientations and Probationary Period
- D. Promotions, Transfers
- E. Notice Requirements for Leaving the Company
- F. Attendance Procedures (e.g., sign-in, sign-out)
- G. Drug and Alcohol Abuse
- H. Working Conditions
- I. Employee Relationship with Vendors or Suppliers
- J. Employee Conduct with Customers
- K. Dress Requirements
- L. Use of Company Telephone and Other Equipment

## III. PAY

- A. Wage and Salary Ranges
- B. Attendance Requirements, Pay Loss for Lateness
- C. Work Scheduling
- D. Overtime

## IV. EMPLOYEE EVALUATIONS

- A. Job Descriptions
- B. Job Evaluation Procedures and Performance Appraisals
- C. Employee Records
- D. Promotion Opportunities
- E. Employee Discipline
- F. Procedures for Terminating Employment

**V. BENEFITS**

- A. Work Breaks
- B. Vacation/Holiday Leave
- C. Sick Leave
- D. Training Programs and Opportunities
- E. Pension and Profit Sharing
- F. Insurance—Life, Medical, Disability
- G. Bonuses

**VI. EMPLOYEE SAFETY**

- A. Safety and Accident Protection
- B. Safety Rules
- C. Special Equipment or Clothing Requirements

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## SESSION 8

### DEVELOPING AND ENFORCING RULES

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#### SESSION OBJECTIVES

- Learn how the Executive Committee develops and adopts reasonable rules which will preserve and enhance residents' quality of life and protect and enhance the value of the property.
- Learn how to obtain the greatest possible cooperation from owners in obeying rules.
- Learn procedures for dealing with those who violate rules, from the friendly reminder, to an official hearing before the Executive Committee.

#### OVERVIEW

Every condominium association will have its own unique set of characteristics, not only the physical aspects of the building, but where it is located, and what the demographics of its residents are. Some associations have a large parking lot, or playgrounds for children, or a forest nearby for recreation or walking the dog. Some associations have a large number of children, some have many working adults who own cars, some have a large population of pets in the building. Securing a peaceful living environment and an attractive building and grounds may require different measures depending upon what unique characteristics exist in your association.

The policies and requirements in the Association Agreement may give the condominium association direction on how to govern or manage the association, but it usually does not offer owners and residents the day to day rules they need. One standard set of rules would never be good enough for all associations to adopt because of the unique circumstances in each association, and the varying opinions one General Assembly would have from another one regarding what is important to them.

## **WHO PLAYS A ROLE IN RECOMMENDING NEW RULES?**

The people most likely to know what issues may be resolved with a reasonable rule are those who are in and about the condominium property on a regular basis. An Executive Committee often has one member who is active every day handling condominium business (often president who also works as the manager). Or the Committee may have hired an on-site manager who recommends that the Committee consider a rule. These people see activity in the building at all hours of the day and evening, and they will have more information about what is really at the root of problems.

But in addition to those who manage the property, the Executive Committee can also learn what rules are needed by listening to the concerns of residents. The Committee must be sensitive to the owners' right to enjoy their unit and the common areas to the greatest extent possible without interfering with the rights of others. For example, if the Committee is receiving many complaints about pets running loose in the hallways, or cars being parked on the sidewalks, they will probably consider a new rule to improve the situation.

Some Executive Committees go so far as to establish a "Covenants Committee" or "Rules Committee" whose mission may be any or all of the following:

1. To conduct an overall investigation of the need for rules and develop a draft of the association's first rules for the Executive Committee to consider
2. To implement rules enforcement procedures
3. To do preliminary investigation on a specific problem such as pets, and draft a rule for the Committee to consider
4. To investigate the validity of rules violation complaints and report back to the Committee

A word of caution about establishing such a committee:

This type of committee can appear overbearing or dictatorial and may cause hard feelings among owners if it does not receive very clear instruction from the Executive Committee, in advance, on its duties, its limitations, and its responsibility to treat people

courteously and professionally at all times.

## HOW TO ADOPT RULES

The need to establish rules for apartment living is not something many people have to be convinced of. When people live close to one another and share common facilities such as in an apartment building, it soon becomes apparent to everyone that some rules are needed in order to maintain a peaceful and harmonious lifestyle for everyone and to keep the common areas in good condition for everyone to enjoy.

Many new owners' associations in the United States and elsewhere start out with a basic set of rules, often titled "Use Restrictions for the Common Areas." This very generic set of basic rules is sometimes provided by the developer of the building. A sample of one such set of "beginning rules" for an association is included at the end of this section. These rules may not be custom tailored to the needs of the building, and the Executive Committee may pick and choose from the rules, amend some of them or add others, and it is this improved version of rules that is often presented to the owners for their opinion and then adopted by a vote of the Executive Committee.

But whether you are adopting a complete set, or only a few rules to address specific problems, there are some good guidelines to follow before adopting rules, which when followed, will lead to better cooperation by owners in complying with the rules.

Steps to take before adopting new rules:

1. Whether considering one rule or a whole set, give each proposed rule the "test of reasonableness." This is done by asking certain questions:
  - (a) Is it likely that owners will be able to comply with the rule? For example, if pets in the building cause damage, some may suggest a new rule banning pets. But pets have already become important family members for many owners, and it is unlikely that many of these owners will be able to, or willing to find new homes for their pets. Even if every owner would vote that new owners moving in should not

have pets, the most reasonable approach may be to allow pets which existed before the rule to be "grandfathered in."

- (b) Is the rule too drastic in scope? For example, if everyone agrees that the building would look much better if people did not store so much on the balconies, it may be too drastic to ask people to remove everything from balconies, knowing they have very little space inside their unit. Some condominiums with this problem decide instead to allow certain items to be stored, such as bicycles, but require that nothing be kept on the balcony which is higher than the balcony rail.
  - (c) Is the rule designed to benefit the majority of owners? Make sure the rule you are enforcing is not directed at only a select number of owners.
2. Notify owners in writing well in advance that the Executive Committee is considering the adoption of the rule, and give them a copy of the proposed rule(s) as well as an explanation of why the rule is being proposed, what problem the new rule will address. Of course, sometimes rules are proposed to prevent situations from becoming a major problem.

Here is an example of a notice to owners regarding the Executive Committee's desire to establish a rule regarding bicycles:

Dear Owners and Residents:

Our community is filled with many children and adults who love to ride bicycles. We are pleased that there are many paths near our building which make bike riding both convenient and enjoyable. But many times bicycles are left leaning against the bushes, or on the sidewalks around our building. This has led to stolen bikes, some angry owners who trip over the bikes while walking home, and they do not do the nice shrubs much good, either.

We realize that sometimes it is very inconvenient to take your bicycle back to your apartment if you ride it every day. Therefore we are installing three bike racks which your bike can be locked to. We want to keep the exterior of our property looking the best it can be, and keeping your bikes stored either on the bike racks or in your apartment will help. Therefore, we are also proposing a new rule with this requirement:

*"No bicycles may be kept on any of the common areas. Bicycles may be kept locked in the bike racks or returned to your apartment after you are finished riding."*

This Rule will be discussed at the next Executive Committee meeting and may be adopted by a vote of the Committee. You are encouraged to provide a written comment in advance of this meeting, or attend the meeting and express your opinion at the open forum.

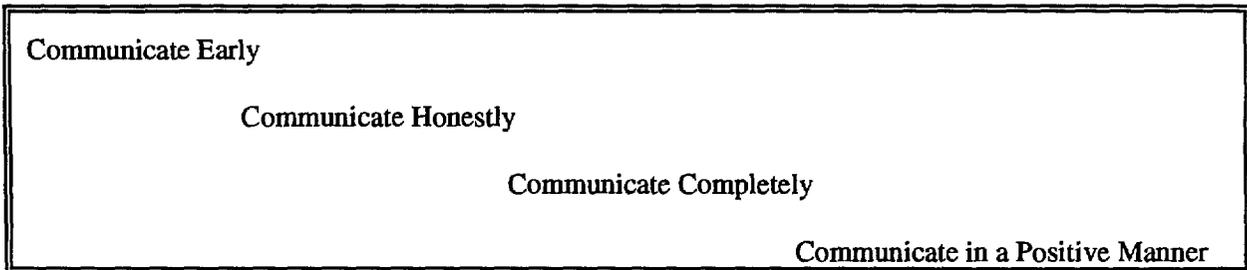
Sincerely,

The Executive Committee

This step, notifying the owners and giving them a chance to comment is a critical element in gaining their cooperation later. People are much more likely to cooperate when they have had a voice in decision-making.

## **RULES ENFORCEMENT PROCEDURES**

Why do people fail to comply with rules? Surprisingly, they often did not know about the rule, or did not understand the impact they had in violating the rule. So, communication is the key to cooperation. You will learn more about this in the communications session, but for now remember four key steps to good communication.



The first step, therefore, is to communicate either in person or over the phone with a friendly conversation, explaining the problem, why it is a problem, and listening to their side of the story.

Many times this is all that is needed. But do it early, and never in anger.

## **USE DUE PROCESS**

Treat every person who violates a rule in the same manner, with the same due process procedures:

1. Communicate in person.
2. Send a friendly reminder letter, but the letter should give a deadline by which they remedy the situation or no longer are in violation.

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3. If after the deadline they still violate the rule, send a letter explaining that it may be necessary to have a hearing before the Committee if they continue to violate the rule after a certain date. If your association has established fines for rules violations, notify them that they may be assessed the fine.
4. Send them a notice of the hearing before the Executive Committee. Tell them what their rights are, that they will be able to tell their side, and the hearing will be in private. The Committee will make a ruling after the hearing, and the owner will be notified of any fines or sanctions.
5. Schedule the hearing with the Committee. Make sure the Committee follows a consistent agenda for all hearings, treating everyone in a consistent manner. The agenda must include opportunity for the owner to state his case.
6. Follow up promptly with the owner in violation after the hearing. Put the results of the hearing in writing to the owner.
7. Of course, keep a copy of all letters, and a record of all conversations you had with the owner.

Such a due process policy is attached to the end of this section. Keep in mind that rules violations may be pointed out to the Executive Committee not only by their own observations but by a concerned resident. Many due process procedures in condominiums have report forms for owners to complete when they see another owner violating a rule, and consider it important enough to report. It is important for the responsible Committee member handling this, or the manager to be the go-between, and prevent owner/to/owner confrontations. It should be handled on a professional level.

## **SAMPLE**

### **USE OF UNITS AND COMMON ELEMENTS**

#### **Relating to General Rules of Conduct and Use of Units and Common Elements**

#### **I. DAILY USE OF UNITS**

- A. Residents must exercise due consideration at all hours in the operation of radios, televisions, musical instruments, or any other items to ensure that the sound will not disturb others.
- B. Unit doors opening into the public halls must be kept closed and secured at all times except when in use. Windows and balcony doors must be kept closed during air conditioning or heating season when an air conditioning or heating unit is in use.
- C. Draperies, curtains or window coverings must be installed on all windows of a unit and must be so maintained thereon at all times.
- D. The water closets and other water and sewer apparatus shall be used only for the purpose for which designed, and no sweepings, matches, rags, ashes, kitty litter, or other improper article shall be thrown therein. The cost of repairing any damage resulting from misuse of any such apparatus shall be borne by the unit owner responsible for such damage.
- E. No gasoline or other explosive or inflammable material may be kept in any unit.
- F. Except for the commercial units, and except for such reasonable, temporary, non-residential uses as may be expressly permitted in writing by the Executive Committee, all units are to be used for residential purposes only.

## II. OCCUPANCY

All unit owners and lessees are obligated to provide the Association with the following information:

1. The address and telephone number of each occupant's place of business, if any, and similar data on persons to be notified in emergencies.
2. The current license number and description of each vehicle which will be kept on the common elements. This information shall be kept up-to-date at all times and shall be verified at the time facilities passes are issued or renewed.

## III. STORAGE

The assigned storage bins must be kept locked at all times. *Storage in these bins is strictly at the user's risk.* Nothing may be stored in any storage bin or unit that will create a fire hazard or which is in violation of applicable local laws and regulations. Emergency or repair situations may dictate that personnel be provided access to the storage bins from time to time. A storage bin key must be deposited with the Association for such emergency use. Should the lock on a storage bin be changed, a working copy of the key to the new lock must be provided to the Association for emergency use. Storage is not permitted in common areas other than designated storage bins. Should an employee of the Association at the request of a resident move, handle or store any articles in storage rooms or remove any articles therefrom, then, and in every such case, such employee shall be deemed the agent of the resident. The Association shall not be liable for any loss, damage or expense that may be suffered or sustained in connection therewith.

## IV. GUESTS

Any resident who permits guests to occupy his unit during his absence, must register the name, permanent address, and vehicle information of such guests with the Building Manager in advance of such occupancy.

## **V. SOLICITATIONS**

Door-to-door solicitation of any kind, whether by residents or otherwise, is prohibited. Placing of materials under unit doors, except for Association-related materials, is prohibited without the express written permission of the Executive Committee. Violations should be reported at once to the Association office.

## **VI. TRANSFERS AND LEASES**

Unit owners may transfer or lease their units subject to the following requirements:

- A. No unit shall be rented for any period of less than six (6) months.
- B. All leases shall provide that the right of the lessee to use and occupy the unit shall be subject and subordinate in all respects to the provisions of the Association Agreement, Bylaws and the Rules and Regulations.
- C. A unit owner who leases his unit shall, promptly following the execution of any such lease, forward a conformed copy thereof to the Executive Committee at least ten (10) days prior to occupancy by the lessee, and the lessee shall give the Association office ten (10) days written notice of the date of the move-in. The Executive Committee must be notified of any continuation, extension, renewal or termination of the lease at least fifteen (15) days prior thereto.
- D. Any sale or lease of any unit must conform fully to applicable \_\_\_\_\_ and \_\_\_\_\_ laws and ordinances, and any Executive Committee's procedures. Upon change of occupancy, a notice of occupancy must be completed and delivered to the Association office ten (10) days prior to such occupancy, on forms provided by the Association office, including but not limited to information on the prospective owners and pets.

## VII. MOVES AND DELIVERIES

- A. No move-in or move-out of any unit may be made until a written permit for that purpose is obtained from the Association office, which is authorized to prohibit any moves for which such advance arrangements have not been made. For purposes of this resolution, a move-in or move-out is defined as an activity which necessitates locking off or unduly obstructing the use of an elevator for more than a single trip into or out of a unit.
- B. Move-ins, move-outs, and movements of large or numerous items are restricted to the hours between 9:00 a.m. and 5:00 p.m., Monday through Friday, excluding national holidays. *No moves are permitted on weekends and national holidays.*
- C. Only one elevator may be used for moving at any time. Elevator pads must be installed prior to any move-in or move-out. Loading and unloading of household possessions shall be by means of the loading dock only.
- D. Permission for the delivery or removal of large or numerous items must be obtained from the Association office in advance in order to avoid conflict with pre-scheduled move-ins and move-outs, and to ensure the installation of elevator pads. Prior arrangements must be made with the Association office for access to the unit when no one will be home.
- E. All move-ins, move-outs, deliveries or removals shall be made at the loading dock. Each resident assumes the responsibility to advise anyone making pick-ups or deliveries to use the loading dock.
- F. The Association, its employees or agents assume no responsibility for articles accepted on behalf of individual residents.

## **VIII. USE OF COMMON ELEMENTS**

- A. The lobby, elevators, hallways, stairways and garage shall be used only for the purposes intended and to which they are reasonably suited. These areas shall not be used for playing or loitering. Storage of any items is prohibited on the common elements except for limited common element storage areas. Skates, skateboards, "Big Wheels", and the like must be hand-carried inside and bicycles must be walked inside the building. Pedestrian and vehicular ways shall not be obstructed.
- B. The parking lots and driveways are for the use of motor vehicles only.
- C. All persons shall be properly attired when appearing in any public space of the condominium.
- D. All garbage and trash must be placed in the trash rooms in appropriate containers and no garbage or trash shall be placed on the floor or elsewhere on any common element.
- E. The planting of plants, flowers, trees, shrubbery, and crops of any type is prohibited anywhere on the common elements without the prior written consent of the Covenants Committee, as appropriate. No fences may be erected around or on the common elements.
- F. The feeding of birds or animals of any kind is prohibited anywhere on the common elements without the prior written consent of the Executive Committee.

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## USING DUE PROCESS WHEN ENFORCING RULES

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The key is to be consistent in the handling of all potential rule violators.

1. Rule violations may be reported by condominium staff, Executive Committee members, or owners/residents who observe them.

When owners wish to report a violation by another owner, they should put it in writing. The Association may wish to provide a form for this use, and it would contain:

- the date the complaint is made,
  - the complainant's name, address, and phone number,
  - the date the violation occurred,
  - a description of the violation,
  - the unit number where the violation occurred or the unit number of the persons allegedly committing the violation, and
  - the complainant's signature.
2. Communicate with the owner in person or over the phone. Explain what rule is being violated, why the rule is in place, and ask his cooperation in complying with the rule. Make a note in the unit file of this conversation and the date. If he agrees to cooperate, follow up in a few days to make sure he has.
  3. If the owner continues to violate the rule after one week, send a letter which gives him a deadline to correct the violation, and explain in the letter that a hearing may need to be scheduled with the Executive Committee if the violation is not abated.
  4. After the deadline has passed, and the violation continues, schedule a hearing and send a notice of hearing to the violator. Explain the possible fines and sanctions which may occur. The owner is invited to attend the hearing and present his side of the story. A sample hearing letter is attached.
  5. Promptly after the hearing (whether or not the owner attended the hearing), notify the owner in writing of the Executive Committees decision at the hearing.

**Sample of First Written Notice of Rules Violation**

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

Yesterday, the maintenance staff was caulking the windows of your unit on the exterior, and noted the following conditions which need to be corrected:

broken kitchen window pane (one section of glass missing), flammable liquid (gasoline) being stored on your balcony.

Enclosed is a copy of the Association's rules and regulations which explains that flammable liquids may not be stored on balconies. Also enclosed is a copy of the page from the Association Agreement which explains that the window panes are a part of your unit and are your responsibility to maintain.

We will appreciate your cooperation in correcting these conditions. The broken window causes significant loss of energy, and the stored gasoline is a serious fire hazard to all residents.

Management will reinspect your unit on \_\_\_\_\_, to be sure all problems have been resolved.

Sincerely,

Property Manager

Sample Hearing Notice

Dear \_\_\_\_\_:

On \_\_\_\_\_, 199\_\_\_\_, a violation letter was delivered to you identifying the need to remove several hazardous items from your balcony. As of the date of this letter, it has not been done. Therefore, a hearing will be held before the Executive Committee to determine whether a fine or suspension of voting rights shall be imposed for this alleged violation.

The hearing will be held on \_\_\_\_\_ at \_\_\_\_\_ o'clock, at \_\_\_\_\_.

The violation: Rule No. 6 from the Association Rules and Regulations.

*No person shall store hazardous or flammable materials on any common element, or limited common element, including, but not limited to, any balcony or patio.*

Since the first violation letter was given to you on \_\_\_\_\_, the Manager has reminded you verbally to remove the stored items on the balcony. If all the items discussed are removed prior to the hearing date, the hearing will be canceled.

You are invited to attend the hearing and produce any statement, evidence, or witnesses on your behalf.

\_\_\_\_\_  
Date of Letter

\_\_\_\_\_  
President, Executive Committee

## SESSION 9

### COMMUNICATIONS

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#### SESSION OBJECTIVES

- Introduce the idea that a condominium association should establish a communications program.
- Demonstrate the benefits of such a program.
- Provide the procedures, tools and tips to help associations get started with a plan their community can start using tomorrow!

#### OVERVIEW

If you think about it, in any relationship, whether it is business, social, or personal, we know that our ability to use communication skills will affect the relationship positively or negatively. The best and brightest business partners, the perfectly planned social encounter and the most caring family members may not be effective or successful if they cannot get a good line of communication going.

A condominium owners' association is no different. The efforts and potential of well-intentioned Executive Committee members, hard working managers, active committees and interested owners will pay off in great benefits to the association **if** they take their communications program seriously. Otherwise, its efforts may be thwarted, delayed or even lost in misunderstandings, apathy, lack of trust, and missed connections that often result from poor communications.

**Why Should Our Condominium Association  
have a Communications Program?**

*Owners have the right to be kept informed* about the decisions which affect them, even if they cannot attend Executive Committee meetings. A good communications program includes ways to keep them informed.

*Owners will more likely support decisions of the Executive Committee* if they have been kept informed and understand why the Committee made the decision.

*The Executive Committee's decisions will more closely meet the needs and desires of the owners* if its communications program includes gathering and evaluating feedback from owners before voting on important issues.

Good communications from the Executive Committee and management *fosters a feeling of community among residents* because they have been permitted to participate in and be kept informed of community decisions. Residents feel that their opinions are respected and considered.

Good communications between all parties – management, the Executive Committee, the owners, contractors, employees – *prevent problems* caused by misunderstandings.

Today's owners are tomorrow's Executive Committee members. *A good communications program is part of the education process for future Committee members.*

Regardless of what the Executive Committee does — makes rules, levy assessments or fines, hire or fire contractors or employees — if it communicates poorly, few owners will know about or understand its actions, and even fewer will respond favorably to the Committee's decisions. The Executive Committee needs the support of the community to be effective.

Let us summarize. Good communication:

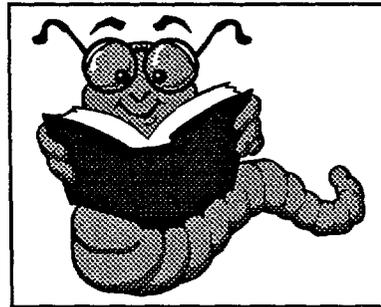
- Is a unit owner's right to be kept informed;
- Gives the Executive Committee more support for its decisions;
- Helps the Executive Committee meet the needs and desires of the residents;*
- Fosters a feeling of community spirit;*
- Prevents problems; and*
- Helps to educate future Committee members.*

### The Four Basic Types of Communications

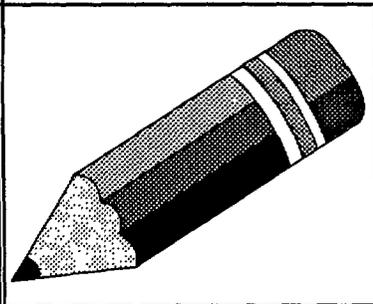


**SPEAKING**

**READING**



**WRITING**



**LISTENING**



## TYPES OF COMMUNICATION

### *Listening*

Does it surprise you that listening is considered a way of communicating?

The next time you are in a meeting of several people, look around and find the person who seems to have the most influence and respect from his peers. To find this person, look for the one who has less to say than most people, but is listening attentively and taking notes. This person will speak, but only after gathering and considering most of the information, ideas and comments from those who spoke earlier. He takes the time to listen, ask questions, and make sure he understands first, and when he finally speaks his words hit a chord with most people in the room because it is obvious he heard and considered their viewpoints in forming his own opinion. When he speaks, not only do people pay attention, but he builds a rapport with his audience. He has the greatest potential to influence others to his way of thinking. Why? He followed a simple rule.

#### **Seek First to Understand; Then to Be Understood**

Listen first; be grateful for others' opinions, especially if they are different from your own. When you listen, do not plan your response, only listen with one goal in mind, to really understand the other person's perspective, how that person feels about the issue. Put yourself in the other person's place to see it from that person's point of view.

Learn that your ideas alone cannot possibly be as valuable as the combination of your ideas and those of others with a different perspective. The best solutions to problems are found in the combination of creative ideas from several people.

### Ways of Listening

The wise Executive Committee wants to get the opinions of owners. Of course, it is not always necessary or feasible to poll the community on every issue and the Committee will not want to delay decisions unnecessarily, but when possible it reaches out to hear from its constituents, and here are the ways it does it:

1. A Suggestion Box – Owners deposit written suggestions in the box and are not required to give their names unless they want to. The Executive Committee considers all suggestions received.
2. Resident Questionnaire – Periodically, a questionnaire is sent to all owners, to assess their satisfaction with services in the building, to get their ideas for improvements, and to obtain their opinions on difficult issues.
3. Open Forums at Board Meetings – Although the Executive Committee must conduct most of the Committee meeting without comments or conversations with owners in attendance, every Executive Committee meeting should include 15–30 minutes of Open Forum at the beginning, where residents may speak on any owners' association issue or ask questions of the Committee or the Manager.
4. "Question and Answer" Column in the Association's Newsletter – Owners may have their questions answered through the community newsletter.
5. Unit Owner Survey Form – Periodically, this survey form is sent to all owners so that the Executive Committee can keep track of the changing demographics in the building, the number of pets, the identification of cars and their owners, and information on owners who lease their units and their tenants.

Let us summarize.

How does the Executive Committee gather opinions and ideas from the owners?

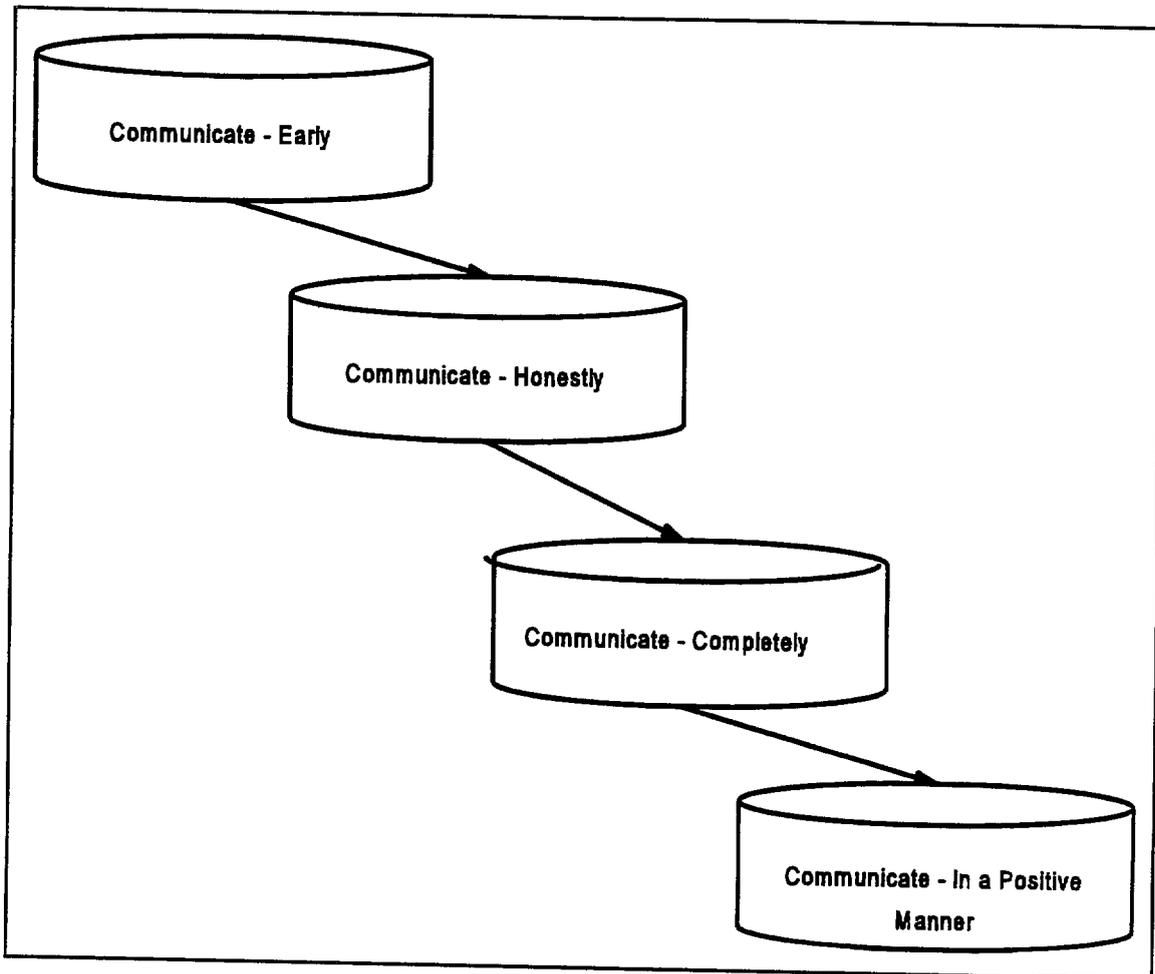
- Suggestion Box
- Resident Questionnaires
- Open Forums at Executive Committee Meetings
- Question and Answer Columns in the Community Newsletter
- Unit Owner Survey Forms.

### *Communicating in Writing*

When the Executive Committee or Management is ready to communicate important information to the owners, they should use the following four "guideposts" of communication. If every conversation, phone call, notice, letter, or newsletter from the Committee and Property Manager meets these standards, a good communications program is in place.

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**Four Guideposts to Good Communications**



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Let us experience the difference between good and poor communication. Take a look at the following notice an Executive Committee posted in the elevator.

**TO ALL RESIDENTS**

There will be an Executive Committee meeting this evening, November 30 at 8:00 p.m. in the usual location. The Committee plans to vote on three topics:

- 1) Adopting a new rule to restrict the number of dogs allowed to one (1) per apartment, and to restrict the size of dogs allowed to those weighing no more than 40 lbs.
- 2) Approval of the Manager's request to spend 2,000 crowns for a Christmas Tree, decorations, and food and supplies for the condominium's holiday party.
- 3) Increasing the late fee by 10% for all owners who pay their condominium assessment late.

All Residents are welcome to attend this meeting.

**REMINDER!**

Some residents are propping the back door of the building open and this is strict violation of our rules. Anyone who witnesses this happening should immediately report it to the Executive Committee and prompt action will be taken. This behavior will **NOT BE TOLERATED!**

Let us assume that you have just come home from a long day's work to find this notice posted in the elevator of the condominium building where you live.

This is the first notice you have received of this Executive Committee meeting. You received no prior notice that the Committee was considering the new pet rule, the increased late fee, or having a Christmas party. You cannot possibly make the meeting tonight. However, two days ago you promised your daughter she could have a dog of her own and have already picked one out for her. You already have one dog in the house. What is your reaction likely to be and what are they likely to do about it?

The feelings are likely to be anger for not having an opportunity to voice an opinion, and a lack of trust in the Executive Committee for acting so quickly on something that could affect many people. You may be thinking "I cannot disappoint my daughter, I will just break the rule and hope that the Executive Committee will not have any legal means for 'evicting' the dog".

What might this notice have looked like if the Condominium Association had a good communications plan? Let us take a look. This time, the notice was placed in each hallway where community bulletin boards had been installed for this purpose. The Executive Committee did this because they wanted to make it convenient for owners to read and they knew it would not be easy for residents to read a long notice in the elevator before it reached their floor.

**COME TO THE EXECUTIVE COMMITTEE MEETING!**

Join us at the next meeting of the Executive Committee, to be held one week from today, November 30, at 8:00 p.m. in the Community Room. The Committee will vote on the following issues:

1) Adopting a new rule to restrict the number of dogs allowed to one (1) per apartment, and to restrict the size of dogs allowed to those weighing no more than 40 lbs.

The Executive Committee sent a letter and questionnaire to all residents prior to last month's meeting explaining their reasons for considering this new rule and asking for input from owners. Thanks to the owners who responded to the questionnaire and to those who came to last month's meeting to express their opinions and ideas.

2) Approval to spend 2,000 crowns for a Christmas Tree, decorations, and food and supplies for the condominium's holiday party. We need volunteers to help decorate the tree and donate food for the party.

3) Increasing the late fee by 10% for all owners who pay their condominium assessment late. This issue was raised at last month's meeting, and was postponed for further discussion and additional substantiating facts to be presented at this meeting.

**Special Reminder:**

Our goal this winter is to keep you SAFE and WARM. Some residents are propping the back door of the building open which makes the first level very cold and also defeats the building's security system. Apparently some owners block the door open when walking their dog rather than letting the door close and using their key to re-enter. If you do not have a back door key, management will issue you one. For the safety and comfort of your family and your neighbors, please take the time to use the key.

Remember the four guideposts?

Early, Honest, Complete, and Positive Communication.

This notice gets the same message across, but in a much more desirable manner, and it is sure to get a better response and more cooperation.

Often it is not WHAT is said, but how and when it is said that determines how the message will be received.

The guideposts can be used in every form of communication in your association. Let us take a look at a collection of sample newsletters, bulletins, and booklets that provide a baseline of what may be found in an active community association, and should be considered for yours.

## **OTHER FORMS OF COMMUNICATING**

### *Newsletters*

This is the most important first step in your communications plan. You do not have to start off big. Your first newsletter can just be a one page flyer, published six times a year in the beginning. But be consistent so that people can depend on the publication.

A newsletter does more than just offer residents information of mutual interest. It can become the voice of the people in the building and can help establish a sense of community. A newsletter is the easiest way to relate information.

Keep these tips in mind when publishing a newsletter.

**Tips for Publishing a Well-read Community Newsletter**

- Have an eye-catching masthead.
- Use an easy-to-read format.
- Fill it with important information about people and events.
- Use timely information.
- It should build morale, enhance teamwork, be enthusiastic, and inspire community spirit.
- Use light-hearted humor and eye-catching art work.

Most important, the newsletter should include information people need to know about.

- Strive for simplicity in language.
- Edit it carefully.
- Do not use it to lecture people on the rules.
- Ensure prompt distribution after it is published.

Articles may include:

- social events
- meeting notices
- welcome to newcomers
- status of common area repairs
- some rules
- recaps of meetings
- financial reports
- calendar of community events
- important emergency numbers
- names of Executive Committee members and the Property Manager.

It may also include paid advertisements from local businesses. This is a great source of income to pay for the newsletter production.

### ***Individual Correspondence***

Letters sent to residents will often relate to problems such as late payment of association fees or rules violations. Initial letters should courteously state the situation and ask for help in resolving the issue. Always stress the positive side of such issues. If a follow-up letter must be sent for a continuing violation, it will need to be more firm and explain penalties and the next step the association must take.

### ***Community Residents' Directory***

This is a directory of all residents in the community, their names, children's names, office and work phone numbers, and apartment numbers. It is usually published once a year by the Condominium Owners' Association. Each resident should have the opportunity to be "unlisted". The directory will often also include Executive Committee members names, committee chairpersons, management staff names and phone numbers, emergency numbers, local services, schools and libraries, and local transportation information.

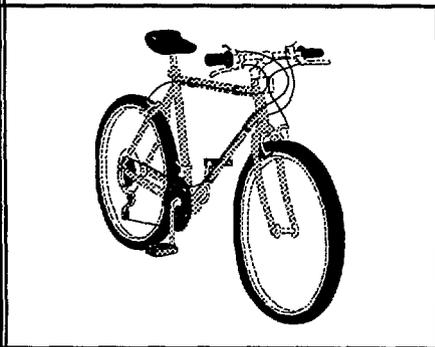
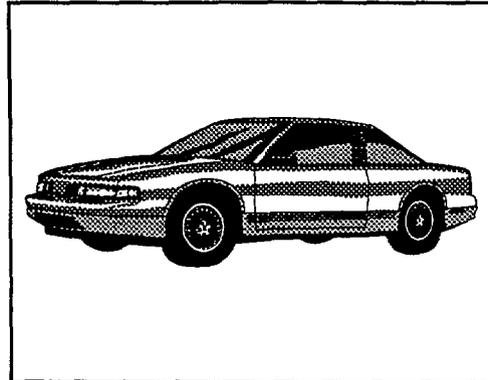
### ***Rules and Regulations***

A complete set of all current rules should be provided to all owners, either with the welcome letter or as a separate rules booklet. A summarized version or graphic presentation of the rules might be attached to the complete set to assure a clear and simple understanding. Especially important are rules regarding parking, children, guests, pets, use of the hallways, and unit modification procedures. The Rules Enforcement Policy should be included.

Here is how one condominium sent a reminder to all residents about three rules which people violated often.

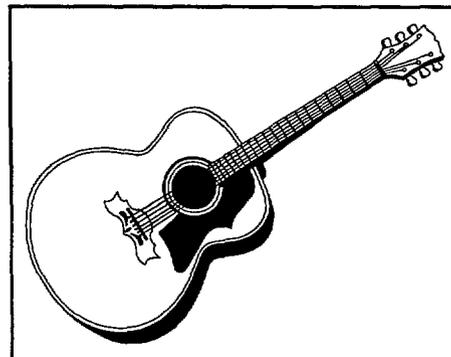
**A REMINDER ABOUT SOME IMPORTANT RULES:**

Please ask your Guests to Park only in the Spaces in Front of the Building marked "Visitor Parking." Owners may not park in the Visitor Parking Spaces.



Let's keep the sidewalks and common areas free for people to walk on, and also prevent bike thefts! Please take all **bikes inside your home when you are finished riding!**

We all love to play music and have our friends in for a party now and then, but remember the rule that is fair to your neighbors who want to sleep. **No loud noises which could be heard by neighbors after 12 midnight!**



This letter gets new residents started off on the right foot, feeling welcomed, and getting important information they may need until they become familiar with their new neighborhood.

### ***Resident Handbook***

Some associations develop a handbook so that all owners get the answers to frequently asked questions at a glance. Of course, all owners get a copy of the Association Agreement and a complete list of Rules and Regulations, but the Association Agreement is usually a long document written in legal terminology. A handbook puts the important owner responsibilities and rights in easy to read format, and answers the questions most people ask.

### ***Committee Interest Form***

A big decision the association Executive Committee members should make is whether or not they want to establish certain committees to help them do their job. Committees do not have voting power, they do not set policy. But they can help the Executive Committee by completing research and gathering information that will make it easier for the Committee to make educated decisions. Committees can also handle some administrative assignments such as writing and publishing the community newsletter. A committee interest form should not be used unless the Executive Committee has first voted to use committees, and decided exactly what services a committee should perform. It is important to understand that committees exist at the sole discretion of the Executive Committee.

Giving people opportunities to become active participants in their community is part of the association leadership's job. History around the world has proven that many association Executive Committee members first served as a committee member. It is excellent training ground for owners to learn how an association is governed.

## **IN CONCLUSION**

The signs of a healthy association are directly linked to a vital and soundly operating communications program. Timely, informative newsletters, complete updates of documents, concise special interest notices, and good attendance at meetings are all indications that the program is working.

The result will be a more smoothly functioning association. Communication programs are well worth the minimal cost and effort expended.

## SESSION 10

### DEVELOPING THE MANAGEMENT PLAN

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#### SESSION OBJECTIVES

- Demonstrate purpose and benefits of good planning in a condominium owners' association.
- Learn the Process of Long-Term Planning through a Planning/Goals Session; identify the roles of Management, the Executive Committee, and Owners in the process.
- Development of the final product of the Planning/Goals Session: a comprehensive Management Calendar of Events.

#### OVERVIEW

The purpose of this session is to provide the procedures for conducting a management planning session in a condominium owners' association, and for creating a comprehensive Calendar of Events for the Executive Committee and other volunteers or management staff to follow.

#### PLANNING SESSIONS

Management is defined as "the process by which individuals and group efforts are coordinated so as to achieve pre-determined goals." As an organization, an owners' association must establish and understand its goals in advance and have a plan to direct all effort toward achieving the goals, if it is to fulfill its mission.

The first task of a governing body of any organization is to establish goals, outline the policies that will be the guidelines to accomplish the goals, and approve procedures and tasks that will carry out the policies. This is known as the planning process.

The Executive Committee is the association's governing body with the authority to initiate and lead the planning sessions which will be introduced in this session.

Establishing the standards for services, setting goals, and then adopting policies and tasks to reach the goals – these are the elements of good planning, and a team effort is required to achieve the best results. The team consists of the Executive Committee, any management staff and the owners.

- *The Executive Committee's commitment to a system of good planning including input from owners* helps the Committee and/or management carry out its duties and increases trust and cooperation from owners.
- *Input from the owners* gives owners a voice in decision-making, and helps assure the Executive Committee that the standards set for services will meet the owners' expectations.
- *Follow-through* of the plan, seeing to it that the tasks on the Planning Calendar are performed, keeps the owners' association moving toward reaching its goals.

### ***How to Prepare for a Planning Session***

The Executive Committee and any committee chairpersons meet and create a list of priority issues the association should address; these will be the major agenda items addressed in a planning session. The list may look like this:

Replace elevator #2;  
Improve quality of maintenance and housekeeping service;  
Repair roof;  
Improve communication with owners;  
Deal more effectively with delinquent owners;  
Replace defective hallway lights;  
Develop unused basement space into income-producing commercial lease space.

A questionnaire is then sent to all owners advising them that the Executive Committee will conduct a long term planning session on a certain date, and providing them with the initial list of issues.

Owners are asked to list any other association issues which are important to them, and to provide their list to the Committee in advance of the planning session.

Generally, little will be accomplished at the planning session if too many people participate, but the Committee should invite a limited number of owners who have been active in the community or express an interest in volunteering. During the planning session it will be necessary to break out into small working groups to discuss the issues, and you will need enough people to do this. This should be explained in the questionnaire and owners may sign up if they wish to volunteer to participate in the planning session. Some Executive Committees have established committees such as Finance, Communications, and Maintenance Standards. The chairpersons of these committees should participate.

Almost everything discussed at a planning session will cost money, so the planning session must be tied to the budget process. Schedule the session a month or two in advance of the preparation of the association's next budget. Of course, every issue discussed will not be funded, but the time to discuss this is before the budget is developed.

The association treasurer should prepare for the session by reviewing the financial condition of the association, and should be prepared to answer questions as to what budget categories would be used to pay for proposed repairs or improvements, and what the current and projected funding is for the category.

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***It may be best to put one Executive Committee member in charge of making some preliminary planning in advance of the session, such as:***

- (1) Collect in advance of the session necessary facts and background on each issue to help the association leadership set the standards, goals and tasks. For example, if one issue is repair of the roof, answer questions such as: Is the roof leaking now? Are units or common areas being damaged and what have these repairs cost the association? Is owners' health or safety threatened? How old is this section of the roof? Is there a warranty? What is the estimated cost of repairing it? Are the roof leaks the result of faulty materials; should another product be used?
- (2) Assist the Committee in writing the agenda and procedures for conducting the planning session, and to help conduct the session if asked.
- (3) Take sufficient notes of all decisions made at the session to understand the resulting tasks to put on the Calendar of Events.

***How Far Ahead Can an Association Plan?***

The association's financial potential is key to meeting many of the goals it sets in a planning session, and condominium owners' associations registering today in Slovakia must contend with several factors that make long term financial planning very difficult. These include the unpredictability of future prices, a lack of funding sources, unemployment, and large numbers of retired low-income owners and residents. In other circumstances, condominiums might develop a multi-year (5 year) plan. But, under current conditions in Slovakia, a one or two year plan is more meaningful.

Although budgets are short term ( 1 year), the planning session should encompass as many of the challenges and goals as possible, and with long term target dates to meet them when necessary. The planning calendar of events should cover one or two years at a minimum, and may be for a longer period. This is suggested for several reasons:

- Until the extent of the problems or goals are known, there is no way to prioritize them.
- It is better to know what the association is up against, to "put everything on the table." Even if the Executive Committee must defer many items, it will find owners to be more understanding and accepting of Committee decisions when their input was considered and a thoughtful decision-making process was used. The planning session is this process.
- The planning session brings out the concerns and desires of owners and management; but it also brings together those most active and interested in solving the problems. The cumulative ideas and efforts of these people lead to creative ways to solve problems and reach goals.
- Long term planning gives the association something to shoot for. Even if the association narrows its sights to only one or two projects, when these are accomplished, they can move right on to the next priority on the plan without "going back to the drawing table."

### ***How Does the Planning Session Work?***

The President welcomes the participants and asks everyone to introduce themselves.

The benefits of long-term planning are explained (as stated above).

The preliminary work by the Executive Committee in preparation for the planning session is explained (i.e., identifying the major issues facing the association as well as improvements the owners would like to see). A list of these issues and proposed improvements can be shown on a flip chart.

The purpose of the planning session is explained. The association President may explain it in this way:

"The purpose of the planning session is to focus on what the goals should be – where does the association want to be one, two years from now? From this list, we will narrow our sights and set our focus on as many issues as we think we can begin to address this year, and decide which ones should be the focus next year.

Once we have our focus, we'll decide what policy guidelines, tasks and assignments are necessary to achieve the desired results. The purpose of this session is not to solve all the association's problems. But at the end of the session we should have a good idea of what we need to do for the next year and we should have a specific list of policies, procedures and/or methods to work with during the coming months. In the process we should arrive at conscientious values and standards.

The final product we want to produce as a result of the planning session is a calendar of events, outlining tasks, assignments and target dates. This calendar of events will have assignments for the Executive Committee and committees. We recognize that we must be flexible. We know that future circumstances may change and the calendar is not carved in stone."

Referring to the flip chart list of issues, the Executive Committee presents background on each issue to demonstrate why it is considered a priority. General discussion should follow to get input from everyone in attendance. At this point it may become clear which items on the list should be deferred one year or longer and they are crossed off the list, but recorded to be considered the following year. General discussion may be all that is needed to narrow the list down to items that can reasonably be expected to be accomplished in the coming year. But if there are still too many items on the list and the group cannot decide which ones to eliminate, ask each person to step up to the flip chart and, using "#1" as top priority, put all items in priority order by writing a priority number next to each item.

After a realistic number of issues have been identified, the participants break into small groups and give each group one or two issues as their topics. Their job is to discuss what the standards, goals, tasks and target completion dates should be for the issue. A spokesman for the group should write down the standards, goals and tasks and be prepared to present them to the bigger group. The group should be sure to focus on the assignment at hand, and not on complaints, or problems of the past.

### Establishing Standards

A standard is defined as "something considered by general consent as a basis for comparison, an approved model." For example, if the issue is dealing with owners who are delinquent in paying their association assessments, the group knows that it may be impossible to always collect 100% of assessments, but a reasonable standard may be to keep unpaid assessments at or below 7% of the total gross assessment potential. If the issue is housekeeping, describe the minimum standards for cleanliness expected to be maintained.

### Setting Goals to meet the Standards

The small group then agrees on some obtainable, realistic goals for providing the desired standards. For example, keep delinquencies below 7%, a goal would be to develop an effective delinquency collection policy.

### Identifying Tasks and Target Completion Dates

The group then identifies the tasks needed to accomplish the goals. In the case of the delinquency collection policy, tasks might be the development of notices to owners, and research into any and all legal remedies and sanctions the association may use to recover unpaid assessments and deal with delinquent owners.

All participants join the bigger group and present the work they have done. After any final issues have been discussed, each group's written standards, goals and tasks are given for inclusion in the Management Calendar of Events. The association President explains that all participants will receive a copy of the calendar, and that the entire community will be informed about the results of the planning session. Participants are thanked for their efforts and the session is ended.

### **THE CALENDAR OF EVENTS**

The Management Calendar of Events includes more than the goals and tasks developed in the planning session. It also includes target or deadline dates for the completion of all major tasks under management's and the Executive Committee's responsibility. Once completed, committees and the Executive Committee use the calendar as a checklist for what needs to be done to make sure nothing "falls through the cracks."

The best way to make the calendar as comprehensive as possible is to develop a checklist which is used each year to complete the calendar. Here is an example of a checklist.

**Checklist for Developing the Management Calendar of Events**

<u>Topic</u>	<u>Date</u>	<u>Task</u>
Budget Process	09/15	Budget Committee Meets
	10/01	Committee Presents Draft Budget to Executive Committee
	11/01	Draft Budget Delivered to All owners along with notice of General Assembly to approve Budget
	11/26	General Assembly Held, Budget Approved
	12/01	Notice of new condominium fee delivered to owners
	01/01	New fee begins
	Scheduled Executive Committee Meetings	01/24
02/23		February
03/20		March
04/27		April
05/15		May
06/18		June
07/20		July
-		No meeting in August
09/22		September
10/29		October
11/24		November
-		No meeting in December
Annual General Assembly		08/20
	09/01	Notice Sent to Owners Inviting Nomination of Candidates for Executive Committee Positions
	10/01	Notice of General Assembly Sent to Owners with Proxy/Ballots Enclosed
	10/20	Annual General Assembly/Elections Held
Annual Planning Session	07/10	Priority Issues Discussed by Executive Committee at Regular Meeting; Committee Selects Owners to be Invited to Planning Session
	07/20	Management to Make All Preparations for Session
	07/30	Planning Session Held

<u>Topic</u>	<u>Date</u>	<u>Task</u>
Expiration Date of Contracts: -Maintenance/Housekeeping -Trash Removal	10/01 -	Start Review/Bidding Process (expires 12/1) Three Year Contract; Does Not Expire until 1997
-Fire Extinguisher Maintenance	02/12	Need to Be Recharged on or Before this Date
Employee Evaluations	12/01 12/15	Manager Completes Evaluations Manager has Met with Each Employee to Conduct Evaluation
Property Inventory	02/15 03/15	Complete Administrative Inventory Complete Equipment/Tool/Building Supplies Inventory
Property Inspections		Show date here for at least one inspection each month.
Special Projects, from the Planning Session:		
Develop Delinquency Collection Policy	10/15	Manager has developed three notices to be sent to delinquent owners at 15 days overdue, 30 days overdue, and 60 days overdue.
	11/15	Executive Committee has prepared a list of all possible sanctions to be used on delinquent owners (late fees, refuse use of parking lot, eviction, loss of ownership of unit).
	12/01	Executive Committee drafts collection policy and has attorney review it for legality.
	01/20	Executive Committee notifies community of the new collection policy and distributes a copy to all owners
Continue with the tasks for any other special projects ...		

**IN CONCLUSION**

A carefully prepared Management Calendar of Events serves everyone well. The Executive Committee can tell at a glance what should be accomplished each month by committees and the Committee. They are not likely to let things fall through the cracks with a good calendar to follow. Inquiring owners can track the progress of the association and feel confident that their condominium assessments are being well-spent when they see a good plan and completed projects completed which improve their quality of life.

## ACKNOWLEDGMENTS

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These sessions are adaptations of materials previously created for USAID for use in other countries. Accordingly it is appropriate to acknowledge the creators of the originals.

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In addition, Slovak-specific contributions, translation and implementation were provided or arranged by:

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