This is a Part One of new chapter destined for the next edition of our book "Reserve Fund Essentials" (RFE). RFE is currently a 17-chapter, 94-page treasury of need-to-know ideas and insights into the creation and management of reserve funds. All of it is written with one purpose in mind … to keep your reserve fund balances healthy. To learn more about RFE as well as several other tools for managing your reserves (some of them totally free) we invite (no … urge!) you to click around on our website.

Overcoming Resistance To Your Reserve Fund's Contributions Plans

PART ONE

One of the most famous books of the last century is Dale Carnegies "How to Win Friends and Influence People". Published in 1937, it has sold millions of copies, (and it's still selling! — see Amazon), and was on the New York Times best-seller list for 10 years. It addresses two things we all want to do better in our family relationships, among our neighbors, with our staff and our bosses[1]. But almost nowhere is winning friends and influencing people more important than when matters connected with your condo or townhouse association arise. The way we live and interact together in these communities is a vital part of our everyday lives. Plus, it's worth reminding ourselves that our personal views on how our association should be run and what the "rules" should be are not simply incidental issues that are easily dealt with. Quite the contrary.

As you may have already guessed, I'm "going somewhere" with this. And where I'm going is into the reserve fund area, drilling down to a specific element — funding — and from there going one layer deeper right into bed rock … the matter of setting monthly contributions amounts.

First, a startling statistic. Consider that a 2006 study of representative condominiums in California found that, on average, common-ownership properties were only 44% funded. That means that (again, on average) properties had less than half the funds required to carry out the major repairs and replacements called for in their reserve plans.

Why? In some cases we might surmise that the plan itself was poorly put together — the funding schedule was incorrectly worked out. In other cases, there may have been delinquencies, i.e., uncollected (or uncollectible) fees payable by the unit owners. But it seems much more likely the most prevalent reason is that funding required to meet a 100%-funded level was consciously rejected by the Boards and by the owners.

How come? We think it's because two powerful forces are at work One of them is the reluctance of individuals, be they owners-at-large or individual Board Members,

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He also emphasizes fundamental techniques for handling people without making them feel manipulated. Carnegie says you can make someone want to do what you want them to by seeing the situation from the other person's point of view and "arousing in the other person an eager want." You learn how to make people like you, win people over to your way of thinking, and change people without causing offense or arousing resentment.

to agree to higher monthly payments for all the usual reasons. The other one is that the Boards, even when they know that the need for an increase is real, are loathe to get into a predictably unpleasant hassle with owners at the Annual General Meeting. It's "easier" to say let's deal with it later, or … let the next Board deal with it.

A huge mistake. When your property gets into an underfunded position you're on a Slippery Slope. Not only will a loan or a special assessment loom in the not-so-distant future, but the fundamental underfunding problem will not have gone away. A need to pay the loan, plus the need to raise fees at the same time is the fate that awaits. And it's a very tough row to hoe.

What to do. We have a suggestion. It's not infallible. It will succeed sometimes, but not always. The clue to it can be found in the first paragraph of this article, so please come back for Parts Two and Three, when we'll explain how it works.

Be sure to visit the Community Associations Network's Newsletter in two weeks, to click through to Part Two of this article.