

This is a Part Two of a new chapter destined for the next edition of our book "Reserve Fund Essentials" (RFE). To access Part One return to the Articles page of our site look for the "new" sticker and select Part One.

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 TWO

In part One we hinted that the answer to overcoming resistance to funding plans might be found in the winning friends and influencing people arena. Before we get into that let's describe what we mean by "resistance to funding plans". Well, what's the first step to increasing unit owner's monthly fees in order to get more money into the reserve fund? It's usually initiated by a reserve plan submitted by a Reserve Specialist. The RS has found that in order to meet anticipated expenditures for repairs and replacements, the projected balances in the fund will have to be higher. And to attain these higher balances the RS would have recommended a level of owners' monthly contributions high enough to bring the reserves up to where they should be.

Simple enough, isn't it? Well, yes, as long as all the Board Members agree with the higher amounts, and as long as the owners, when presented with them, all nod their heads in agreement.

Let's, in Part two, deal with the problem of one or more Board Members trying to road-block the resolution to raise contributions. Seems to us there may be two reasons for it. One is that they themselves, personally, don't like the idea of paying higher fees. The other is that while they themselves, personally, aren't against it, they know that some of the unit owners will be and they don't want to get involved in a potentially unpleasant free-for-all with their neighbors

If the majority of the Board buys into the fee increase, well, the majority rules and ... motion passed. But if you, and other right-thinking Board Members are in the minority, what then? You're on the receiving end of other Board Members' arguments that paint a picture of the hue and cry the Board will face. (They have a point, by the way. The owners won't like it. But we'll deal with that in Part Three). Your colleagues suggest that the Board should fiddle with the recommended amounts to bring them down to a more acceptable level. (Or, what they think will be a more acceptable level). They try to persuade you that the upcoming Annual Meeting will run along like a schooner going before the wind. The

Board will score again! Or will it. Consider that the Board has already bought into the notion that the reserves will, by their decision, become (or remain) underfunded. If that scenario isn't distasteful to you, it should be. Look at what a highly respected accounting institute says ...

The American Institute of Certified Public Accountants' Audit and Accounting Guide for Common Interest Realty Associations (CIRA) recognizes the need for funding of reserves stating that "Above all, boards of directors need to be aware that the goal of whatever policies they set should enable them to meet their fiduciary duties to maintain and preserve the common property."¹

We might say, therefore, that when Board Members are tempted to fiddle with the recommended numbers, one of the Members should put the above quote on the table. Our hope is that the recalcitrant members would audibly "gulp" and surrender ... all at the same time!

The above, folks, is what I might call the "techno-legal" approach. But we promised in Part One to pull Dale Carnegie out of our hat to use the winning friends and influencing people strategy. There's much more of this to come in Part Three that follows, when we look at dealing with unit owners. But let's introduce one or two of his widely-accepted teachings right here.

One in particular that we think would work well here is anticipation. That is, anticipating that some of your fellow Board Members may want to fiddle — i.e., water down the recommended level of contributions. If you anticipate, you can prepare. And you'll be following Dale Carnegie's advice ... "dramatize your ideas". Here's how.

Before your Board meeting, use a copy of your Reserve Specialist's spreadsheet that provides the recommended funding level and water it down yourself. Reduce the planner-recommended contributions increase by, say 50%. And see what happens. (Note: This means reducing the increase by 50%, not the entire reserve fund contribution amount). What you'll arrive at is a string of annual reserve balances that are inadequate. With those numbers in your pocket you can confidently demonstrate that the watering-down idea should be quickly dismissed. Dale Carnegie advocates ... "Throw down a challenge". What could be more challenging than asking your fellow Members if they really want to go to the Annual Meeting knowing that their watered down plan is decidedly dangerous.

Game over? By no means. We've had our little skirmish at the Board level. Now we start World War Three. That's getting the plan approved by the unit owners. Which brings us to Part Three.

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

¹ We are grateful to Diversified Facility Services, Inc. of California, from whose website we have excerpted this paragraph.