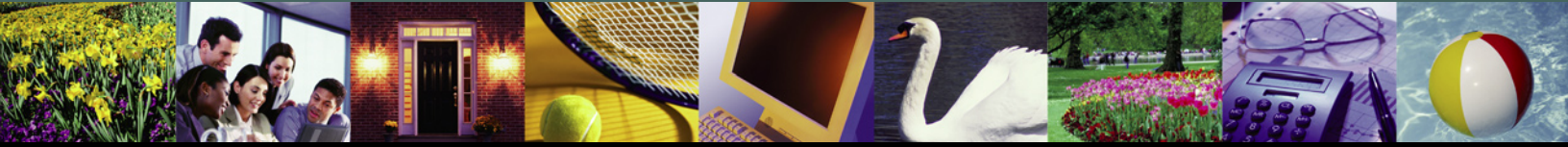


CMA's LEADERSHIP ADVISOR



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Dear Leaders:

The financial outlook from 4th Quarter 2008 started a swelling economic tsunami which is threatening our global economy. Like many of you, I'm still trying to let the impact of the new realities sink in. The future is fraught with uncertainties. What do these times bode for our clients and our company? CMA's strategy is to keep moving forward, adopting business practices which make common sense, are smart and are kind to the environment.

We have been undertaking green initiatives, such as reducing the volume of paper printing by sending and storing documents electronically and using recycled paper. We're also heeding practical business strategy to prepare for future growth during this economic downturn.

Financial Services form the core of our full-service management portfolio, and we are delighted to have recruited

an outstanding CFO. He is at the helm of our accounting operations, and I'm confident he's the right person to help us navigate through these turbulent economic seas.

In addition, CMA's transition to an advanced, integrated accounting and management system is now well underway. In terms of our major software conversion and related infrastructure changes, we've made significant progress during this first phase. We have produced simplified association financial reports, launched a new CMA website enabling owners to view their secure personal account information and pay their assessments online, and forged strong relationships with new banking and transaction partners to help us streamline our processes.

CMA has also secured a great resource enabling us to offer owners a free, online payment option for assessments. That may be small consolation if your association was among the small percentage which has been inconvenienced during our transition. Thank you for bearing with us as we hit some speed bumps along the way. We believe our focus on financial and operations priorities will position us to assist you in working through potential economic challenges. As the next phase of our technological initiative effort moves forward, you'll derive even more benefits.

As we embark on 2009, this edition of the *Leadership Advisor* offers ideas to help you devise survival strategies for fiscal fitness. Hard times foster ingenuity and kindle the camaraderie of shared sacrifice. Surprisingly, they often prove to bring us unexpected benefits. In the parlance of accountants, "enumerate your intangible assets." In spite of current headwinds, we are fortunate to live in a nation with a history of great prosperity, creativity and toughness.

Sincerely,

Judi M. Phares, CMCA®, PCAM®
Publisher

Meet CMA's CFO



The Chief Financial Officer is a valuable partner working with the accountants and association managers to oversee CMA's comprehensive financial services to associations. He also advises Boards to ensure your assessments are managed and invested wisely and legally.

Bill B. Partridge, C.P.A., is CMA's Chief Financial Officer (CFO). A native of Wichita, Kansas, Bill graduated from Wichita State

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University with top honors. In a career spanning 24 years, Bill has served in key leadership roles, such as associate director of client financial services at Publicis, Inc., a Fortune 500 global advertising and communications firm. He has held increasingly responsible positions in financial services across the software and restaurant/food service industries with Pizza Hut/Yum Brands.

Bill joined CMA as CFO, having previously headed financial operations of a major southwest retail services merchandiser. Recently, Bill has applied his wealth of experience to putting new methods and procedures in place to dovetail with CMA's software and infrastructure conversion. In addition, he's tackling critical objectives to improve internal financial controls, mentor accounting and finance personnel and facilitate the company's financial services to more than 190 associations.

Since his arrival in July 2008, Bill has met with more than 25 Association Boards. Their major concerns have focused on the security of their investments and swelling delinquencies in their accounts receivable (A/R) collections.

"We are experiencing a perfect storm of foreclosures, lower investment yields, tighter credit markets and the potential for greater

and more prolonged delinquencies in assessment payment," says Bill. "In the current environment, Associations should plan ahead to be adequately reserved for bad debt write-offs."

Bill summarized a basic financial rubric for Associations, i.e., rules of conduct which become especially critical during a recessionary cycle.

- Manage your cash flows. Your Association's budget is an estimate. Expect the unexpected and leave some "wiggle room" should you have shortfalls in dues collection.
- Analyze bad debt and assume that it will likely run higher than it has historically. For example, review your Association's A/R aging report. Compare Year-Over-Year (YOY) for both the number of delinquencies and the number of Days Outstanding for the average past due account. Also compare the YOY percentage of delinquent accounts which are on a payment plan.
- Refresh your reserve study for capital reserves. Your Association manager can recommend professionals who specialize in these studies. A professional reserve study will review your facilities to estimate the life and cost to replace the assets and estimate income to reflect the current

realities. In this market, it's prudent for Boards to make conservative assumptions about inflation, investment returns, and dues collections.

- Be aware that your access to credit is tight, as loan qualifications have become more restrictive. You may need to delay capital expenditures if you haven't adequately reserved for them.
- Consult your CC&Rs for guidelines and restrictions that apply should you consider stringent measures, such as increasing dues, dipping into capital reserves for operating expenses or closing amenities. Be prepared to justify tough decisions with dues-paying members who may vent their frustration if the pool doesn't open because other members are delinquent with dues.

The good news: CMA is poised to help you improve your Association's fiscal fitness with the timely billing and collection of dues, tighter financial controls and efficient reporting. In a period of record foreclosures and delinquencies affecting virtually every community association, the North Texas housing market has fared better than most parts of the country. Still, recent indicators suggest a full recovery may lie well beyond 2009.



LEADERSHIP DEVELOPMENT

Your Association's Investment Policy

Just like homeowners, your Association saves money to cover large future expenses—like new roofs. Because your savings can be significant, it's wise to take advantage of that value by investing the savings to earn extra money for the Association. Your Association's Investment Policy guides the Board in managing those investments. If your Association does not have an investment policy, it is recommended that you consider one.

Safety of the principal should be of paramount concern, and that requires the Board to be conservative with the Association's savings. The Association should consider placing all funds in Federal Deposit Insurance Corporation, government-insured accounts or similarly protected investments.* Individual Associations' investment policies may also provide the option



of other investment alternatives. For most Associations, Certificates of Deposit (CDs) and Money Market accounts are a safe harbor to preserve the principal.

And finally, your Investment Policy provides continuity from one Board to the next, which ensures that Association funds are managed consistently over time.

**New Deposit Insurance Limits*

Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2009.

Changes have also been made to other account types.

For more information visit:

[Deposit Insurance Coverage Summary.](#)



How to Keep Up When the Economy Is Down

Is the economic downturn shaking up your community? Grim-faced economists agree this is the worst economy since the Great Depression. But the truth is, the experts don't know how deep or how long the recessionary cycle will drag on.

Founding father Benjamin Franklin, no stranger to daunting national challenges, famously summed up simple principles of thrift in Poor Richard's Almanack and other writings. Here are a few of his timeless maxims which still apply to frugal, home-grown problem-solving.

"A penny saved is a penny earned."

- Cut back on landscaping and seasonal color. Compensate for fewer pansies at subdivision's entrances by encouraging owners to beautify their yards. Offer a Yard of the Month award.
- Trim back on seasonal décor in common areas. Host a contest for decorations with categories such as best handcrafted and most creative use of recycled or natural materials.
- Your Manager reviews utility bills and may be able to recommend ways to save, such as reducing the watering of common areas.
- Combine service calls to handle several items per trip. For example, to replace a street light on a private street, schedule a once-a-month visit to check and replace burned out lights.
- Communicate by e-mail blasts and the community website for certain types of

communications. One Association saved more than \$300 on postage alone to send one "paperless" announcement.

"An ounce of prevention is worth a pound of cure."

- The pool is closed for the winter, but maintenance is an ongoing operation. If the pool furniture is only 5 years old, consider having it re-strapped to extend its useful life and defer replacement costs.
- Spray for insects. They are drawn to heating elements, gnawing insulation and wreaking all kinds of havoc.
- Purchase reusable products, such as rechargeable batteries.
- Neat, clean, well-maintained are the watchwords to avoid costly replacements.

"I conceive that the great part of the miseries of mankind are brought upon them by false estimates they have made of the value of things."

- The value of amenities. Assess the impact and implications of eliminating key amenities and services. Study the true costs and

savings. Seek the opinion of experts and the buy-in of owners who will share the sacrifice. Read the article, *Times are tough; should the pool go?* ([Community E-essentials newsletter](#), October 30, 2008)

- The value of capital reserve funds. A downturn is no time to stop socking away reserves. If you have a healthy reserve, the temptation may be to dip into reserves to meet budget shortfalls or make short-term repairs. Better to build up a fund for planned expenses than deplete it for emergencies. Review the CC&Rs to know the rules that apply before you use reserves to patch up a tattered budget.
- The value of covenant enforcement. Take a firm, consistent stance in enforcing CC&Rs to keep standards and values up and protect the owners' investment. Read a professional opinion on the [Northwest Condo and HOA Law blog](#) of the Oregon Journal, by Daniel Zimmeroff.

"Early to bed, early to rise, makes a man healthy, wealthy and wise."

Our booming growth in North Texas has long made our communities lands of opportunity and abundance. Today's comfort belies the sacrifices that must be made in our personal and community lifestyles.

Curbing a spendthrift lifestyle has some positive side benefits, among them better health. Read an article that offers some surprising facts from the [Times Online](#).





“Use it up, wear it out, make it do or do without”

This was a motto of our Depression era forebears. The “Greatest Generation” survived the Depression, won World War II and proved their resilience, resourcefulness and responsibility time and again. They dug down to their bedrock values of individual self-reliance and helping one’s neighbor to build their American dreams.

Whether it’s that spirit, or simply the productivity principle of “doing more with less,” now is the time to apply it on behalf of your Association. Recruit your neighbors to improve community morale and help individuals network with others in the community. Contact your Association Manager for CMA’s brochure on how to mobilize your community volunteers. *The Committee Advantage* lays out basic guidelines to help you establish Association Committees. Your manager also can provide sample Committee job descriptions.

Here are some specific ideas for how Committees can become catalysts for community good will. Extending a helping hand to individual owners who may not be faring well pays individual and collective dividends for your Association.

Finance Committee or ad hoc Care and Share Committee:

A delinquency is a symptom of distress. Treat the symptoms and the underlying source. If you learn that an owner has suffered a job loss or a serious illness, this may indicate only a temporary set-back. Sometimes unofficial, neighborly, non-threatening channels offer a sounding board to steer owners toward helpful support systems. A committee clearinghouse can monitor resources and brainstorm ideas to rally the community around many issues, for example:

Job networking: It’s never a good time to

lose your job. However, businesses can close at any time and downsizing and layoffs can happen when you least expect it. Could your community benefit from a committee to find and publicize job networking or temp-to-hire opportunities through local agencies and church groups?

Credit relief: Publicize resources to help distressed owners plug in with others in the community who can help, such as a credit counseling service. The National Foundation for Credit Counseling is the nation’s largest national nonprofit credit counseling organization. For more information, visit www.DebtAdvice.org or call 1-800-388-2227. En Español, dial 1-800-682-9832.

Foreclosure relief: Congress may act on proposals to address the foreclosure crises facing many owners. Concrete bills and programs may be forthcoming once the new administration takes the reins in Washington. Name a community clearinghouse (person or committee) to stay informed of developments, circulate information, and mobilize community members to support legislation which could help owners and associations.

Landscaping Committee:

Sponsor a community work day to spruce up the common area or plant a community garden. Organize projects such as clearing underbrush around the community’s lake and cutting grass or weeding around foreclosed homes. Assess the liability you assume by using volunteers

instead of contractors. For example, steer clear of letting volunteers climb up on ladders to clean out gutters and downspouts.

Social Committee:

Before you ax plans for all social functions, consider thrifty alternatives. Make it a potluck, where everyone contributes snacks or desserts. Spice it up by hosting a neighborhood Chili Bowl chili cookoff. Award prizes (a wooden spoon, a homemade ribbon) for categories such as Lip Smackin’, Hot Stuff, Five Alarm, etc. Provide some general rules, but recognize everyone who enters the contest. Plus serve up the entries for instant refreshments.

Communications/newsletter/ website Committee:

Publicize all committee activities and volunteer opportunities. Organize a community barter on the Association’s website or set up a Yahoo group to exchange useful cast-offs and reuse gently-used items. Host a community garage or yard sale and donate the funds to the Association’s operating fund. Check city ordinances in advance for rules which may apply. You’ll save money, build community and be kind to the environment.

Remember, serving others is a great way to lead your Association by your example.





Paying Assessments Just Got Easier

Announcing Free, Eco-friendly E-checking



For the first time, CMA is offering owners the ability to pay assessments by e-check. They can also pay by bank account debiting (ACH) and credit card. (Credit card processing fee applies.) Home computers and the Internet have made it easy for owners to take advantage of the convenience of paying assessments electronically. This payment method offers numerous advantages to members, the association and the environment.

For association owners, electronic payment is very convenient. You can set up your account online. You no longer have to worry about lost checks or late payments due to slow mail service. You select the date each month your assessment is paid, and then you have the peace of mind knowing your fees are paid on time. Not only does this save you time and postage, but it can eliminate late fees.

Direct payment is also beneficial for the association. It improves your cash flow, reduces delinquencies and decreases bank charges, such as lockbox service fees. And this helps keep your assessments down.

According to the National Automated Clearing House Association (NACHA), a nonprofit trade association responsible for the

nation's electronic payments system, if just 20 percent of households in the U.S. switched to electronic bill payments, 100 million pounds of paper would be eliminated from the manufacturing process—saving 1.4 billion gallons of waste water and 103 million gallons of fuel to deliver it. In fact, a 20 percent reduction in production and transportation of bills, statements and checks would spare the atmosphere two million tons of greenhouse gas a year. To set up a log-in to CMA's online payment, visit the CMA homepage, (www.cmamanagement.com). View all assessment [Payment Methods](#).

A Reminder about Late Penalties

A reminder about late penalties will appear on each assessment statement:

Example: "Assessments are due on January 1. Please allow 7-10 days for delivery and processing. Late penalties will be assessed on January 11th (or whatever is their delinquency date).

Our on-line system integrates accounting and letter notification, which streamlines the Accounts Receivable process. Late penalties are automatically generated and added by the system on the delinquency date, which will speed the collections process. Owners must pay promptly by the due date to avoid late penalties.

CMA Debuts New Software System, Website Retooling to Gain Greater Operational Efficiency



CMA Website: <http://www.cmamanagement.com>

An important goal of a community's management company should be to deliver the best value for the highest quality service to your association members. CMA offers its clients the benefits of an advanced accounting and management system, which:

- is specialized to the unique needs of owners' associations,
- and fully integrates operations management and accounting functions to deliver efficiencies to the company and value to its clients.

The CMA website offers:

- convenient, 24/7 secure access to personal account information and services to owners,
- streamlined review and approval processes,
- and an eco-friendly alternative, which uses less paper and creates less waste.

CMA gains operational efficiencies to help us better serve clients by:

- making more efficient use of staff time to manage vendors and title companies,
- streamlining ACC, violation and collections processes,
- and eliminating the need to access multiple systems and duplicate tasks.

The net benefit is a win/win for clients, CMA and the environment. To discover an expanded portfolio of convenient online services to save you time and protect the environment, visit www.cmamanagement.com.

at CMA
we're here to
Serve you.

CMA Announces a New Bank Provider



CMA began an extensive review of banking providers and services in conjunction with our planning for transition to our new CINC association accounting and management system. Full integration with CINC was among our criteria for selecting a provider which would ensure the most timely and efficient processes for managing banking-related transactions.

After evaluating the best banking practices and services available for our industry, we determined that banking with a community bank which specializes in community associations offered the greatest benefits in terms of value-added services to our client associations and to CMA. We have begun transitioning Association Operating bank accounts and services to [North State Bank](#), highly rated among independent banking services.

A well-respected community bank, it offers exceptional, specialized HOA banking services, which are integrated with processing and accounting operations. This provides many advantages, such as multiple online payment options, quick access to information, greater efficiencies in processing, all helping to control our costs, and implement eco-friendly business practices.

North State also will be offering a variety of attractive, convenient investment vehicles, such as CDARS, the Certificate of Deposit Account Registry Service. If you want a single institution to coordinate investments with different banks and keep everything under FDIC insurance limits, North State Bank will handle all the negotiations. This makes it simpler for Association Boards to place more or all of their total funds in North State Bank. CMA will also set up corporate accounts at the bank.

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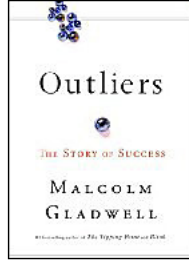
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Quotes

"It isn't so much that hard times are coming; the change observed is mostly soft times going."

—Groucho Marx

RECOMMENDED READING



Outliers, the Story of Success

by Malcolm Gladwell

"Outliers" is a scientific term used to describe things or phenomena that lie outside normal experience.

Malcolm Gladwell poses a provocative question in *Outliers*: why do some people succeed, living remarkably productive and impactful lives, while so many more never reach their potential? Challenging our cherished belief of the "self-made man," he makes the democratic assertion that superstars don't arise out of nowhere, propelled by genius and talent: "they are invariably the beneficiaries of hidden advantages and extraordinary opportunities and cultural legacies that allow them to learn and work hard and make sense of the world in ways others cannot." Examining the lives of outliers from Mozart to Bill Gates, he builds a convincing case for how successful people rise on a tide of advantages, "some deserved, some not, some earned, some just plain lucky."

Read excerpts from the book at [Malcolm Gladwell's website](#).

COMING EVENTS

SAVE THE DATE for the CMA Association Leadership Forum



The CMA Association Leadership Forum returns to the agenda on Saturday, February 28, 2009, at the Stonebriar Country Club in Frisco. All Board members, please save the date for this important education and networking event. Look for more details coming soon.