

How Creative Problem Solving Rescued a Townhome Community's Finances

A townhome community comprising over 200 units had issues budgeting and ensuring funds were available to maintain the community. The financial issues stemmed from a few areas, one of the main ones being excessive utility bills.

OVERVIEW

- When the developer turned the community over to members, assessments were artificially low, and expenses were unreasonably high.
- Part of the association's expenses were going toward resident water bills, despite governing documents not requiring this.
- It was discovered that some units had unusually high water usage, significantly contributing to inflated utility costs and budget strain.
- CAMS and the board ended the association's responsibility for resident water bills by hiring a company to sub-meter each unit, making residents accountable for their own usage.

CHALLENGES

In addition to unreasonably high operational expenses, the reserve account was so inadequate that the association was running out of funds.

- The association had to defer vendor payments to pay utility bills.
- The association tried to manage this for a few years but kept having to dip into reserves to pay operational expenses.
- It was realized that the association was paying for all water bills in the community, with some units using \$1000/month of water.

Overall, the board needed some creative strategies to dig the association out of the financial hole it was in.

THE SOLUTION

One of the biggest solutions was for the association to stop paying water bills for each unit and pass that cost on to residents. In order to do that, the board had to consult with a company to install sub-meters.

- Originally, approximately 50 water meters were serving over 200 townhomes. The board consulted governing documents and an attorney who said the responsibility for water service was not that of the association.
- CAMS and the board hired a company to come in and submeter each unit. They had to take out a loan to pay for this.
- Assessments were increased to give the association some backing to obtain a loan to submeter each unit.
- The company installed repeaters throughout the community to be able to work wirelessly.
- The units using excessive amounts of water were all found to have leaks, and the next bills were significantly lower.
- Instead of reducing assessments after the association took over responsibility for the water bills, the assessments remained the same, generating approximately \$50,000 in revenue to replenish the reserve and fund future expenses.

THE OUTCOME

As a result, the association was able to repay its loan and resume funding its reserves. With support from the board, CAMS hired an architect to assess the feasibility of installing an exercise facility in the clubhouse's basement. The facility was successfully funded through the sale of voluntary memberships, ensuring that only participating residents bore the cost. In addition to the new exercise space, the board enhanced the community's amenities by enclosing one of the existing large pools for year-round use. Further revenue was generated through pool memberships and by renting the facility to local swim teams.



CONCLUSION

Sometimes, boards have to get creative with funding solutions. Exploring where your association's money is coming in and going out may reveal previously unseen opportunities to increase revenue.

- Just because your community has been doing the same thing for a long time doesn't mean you're stuck doing it that way.
- There are many different ways to generate revenue for the community.
- Be sure to study your governing documents to ensure your community is running as efficiently as possible and that the association isn't paying unnecessary expenses.
- Consult professionals like attorneys, reserve specialists, and community managers to help guide the association through tough financial times.

**Smart financial decisions today build the foundation
for a thriving community tomorrow.**



Does your community have the guidance it needs? Call for details.



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