

Association of Condominium,
Townhouse, and
Homeowners Associations



ACTHANNEWS

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December 08/January 2009

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Upcoming ACTHA Events

**“Learn and Lead” program: Jan. 24
in Lake Zurich**

**ACTHA South Suburban Expo—
“What’s Cooking in Community
Associations”: Saturday, March 7**

For details, visit www.actha.org

Reserve Studies

By: Ted Salgado of Reserve Advisors, Inc.

In these challenging economic times of recession, limited unit-owner contributions and aging common elements, it is essential to choose a reserve study provider who truly understands an association’s financial limitations and can prioritize capital projects to best serve the homeowners. Here are some tips to assist you in selecting a professional Reserve Specialist.

Who’s Doing Your Reserve Study?

When retaining a Reserve Study provider, it’s important to know the background and experience of the firm working with your property. Asking a few simple questions can help you select an experienced and reputable provider.

Does the firm have full-time employees or do they sub-contract portions of your reserve study to property inspectors or other “industry experts?” What are the credentials of their employees? Are they engineers or merely home inspectors? Do they hold professional designations such as Reserve Specialist (RS) or Professional Reserve Analyst (PRA)? These credentials confirm that your Reserve Specialist has relevant education and experience and speaks volumes about the expertise of the firm and its staff.

Does Your Reserve Study Provider Specialize in Reserve Studies?

Ask “what percentage of the company’s work relates to reserve studies?” Go with a company which specializes in reserve studies versus a firm that does reserve studies as a sideline. Experts who specialize in reserve studies impart their knowledge gained from success stories of other communities. Go with the expert!

Continued on page 4



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TIP OF THE MONTH

Signing for a Loan

Never ever sign loan documents for a common element repair if the documents contain any type of pre-payment penalty. This happens quite often in the industry and many times the board is not even aware of it until years later when they attempt to refinance because rates have dropped or additional work is needed. And often times it is too expensive to re-finance because the pre-payment penalty ends up costing the Association more money than it can save by refinancing.

Mark Stelter ^ Itasca Bank and Trust ^ mstelter@itaascabank.com ^ 630-773-0350

“DONATE AND RECEIVE”

ACTHA is pleased to partner with **Acres Group** in a special event at our **South Suburban Expo** on Saturday, March 7, 2009 in Orland Park.*

Acres Group has volunteered to donate a tree to all associations which bring in 200 lbs. of food,** a contribution of \$ 500, or a combination thereof.

Each tree has a value of \$ 500 and will be delivered and installed at no charge to eligible associations.

The **Northern Illinois Food Bank**, which works with local food banks in this area will be at the event site (Palos Country Club in Orland Park from 8—10:30 a.m.) to check-in contributions that day. We hope you will join ACTHA, Acres Group and the Northern Illinois Food Bank in this worthwhile effort— a “win-win” for everyone!

* For program details and to register, see page 6

** To view list of acceptable items, visit ACTHA’s web site: www.actha.org and click on “Education/South Suburban Expo”),

“COFFEE WITH THE MAYORS”

ACTHA has invited some of the area Mayors (or their representatives) to meet with constituents at our South Suburban Expo on Saturday, March 7 between 9 and noon. *

This is an informal event with no prepared program— a great way for you to meet with the Mayor of your community!

* As ACTHA receives commitments from area Mayors on whether they will attend, we will be posting their names to the web site, as well as the time they will be in attendance.

Interested in knowing more about each of the programs, speakers, times, and trade show exhibitors?

Visit ACTHA’s web site: www.actha.org

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Is There a Conflict of Interest Surrounding Your Reserve Study?

If a roofing contractor told you that your roof needed to be replaced and that he could do the work at a particular cost, would you think him to be a bit biased? This is a good example of why it's important to have your reserve study conducted by an independent third party. If your reserve study provider has no vested interest in the outcome, the results of the study will be an objective opinion, free of any real or perceived conflict of interest.

Conflict of interest can occur if the reserve study provider also manages capital projects or sits on the Board. A reserve study provider who recommends near term replacement of your roof, for example, may not represent *your best interests*. It's also wise to choose an outside party who does not live at the association. This helps to eliminate any real or perceived agendas inside-the-association for pet projects or unwise deferral of a necessary project.

A firm that specializes in reserve studies is the best way to obtain an unbiased and objective opinion of your property.

Retaining a firm that specializes in reserve studies is the best way to obtain an unbiased, independent and objective opinion for your property.

Two Heads Are Better Than One

“What is the level of the expert’s staff involvement in your reserve study” is a good question to ask. Are others from the firm, besides the inspector, involved in the analysis and review of your property? Look for a firm who utilizes a credentialed expert in the field and “team review system”, rather than just a single person. Together the team can determine the most accurate capital project forecasts and realistic funding plan for your association. Pooling experience offers thorough, expert advice in addition to providing quality control.

Reserve Study Providers - References/ Experience

A professional reserve study provider demonstrates significant local experience through references of similar type properties. Local experience translates to expert cost saving advice for your association. Ask if they belong to organizations that credential reserve study providers such as Community Associations Institute (CAI) and Association of Professional Reserve

Analysts (APRA). Activity in such organizations indicates interest in staying on top of industry standards and happenings.

Reserve Study – The Report

The appearance and thoroughness of the Reserve Study Proposal is a good indicator of the professionalism you can expect from the Reserve Specialist. Does their proposal for a professional Reserve Study include:

- ⇒ 30-year physical and financial analysis?
- ⇒ Inventory of common elements with useful lives, remaining useful lives, future replacement costs, and a funding plan to establish sufficient reserves?
- ⇒ Condition assessments with narrative descriptions of specific problems and solutions for each common element to maximize their useful lives and help define your capital spending programs for easy contractor bidding?
- ⇒ Realistic (adequate-not-excessive) reserve contributions based on the preferred Cash Flow Funding Method and minimum yet stable reserve funding?
- ⇒ Local basis for replacement costs of the common elements supported by local market data? (not national averages)
- ⇒ Compliance with Illinois Condominium Property Act and the American Institute of Certified Public Accountants (AICPA) Audit Guide?
- ⇒ Certification (stamped) as compliant with Community Association Institute industry standards?
- ⇒ Free future consultation to discuss your reserve study at any time?

Intangibles Have Great Value

Remember the intangibles. Was the firm responsive with the proposal? Do they return your calls promptly? Does the consultant “listen” to you? Do they deliver what they promise? These are all little things that when combined, provide both management and the association board a high level of comfort and trust that their choice was the right one.

205 E. Wisconsin Ave., Milwaukee, WI 53203
800-221-9882 ^ Ted@reserveadvisors.com ^
www.reserveadvisors.com

Reserve Advisors is a supporting member of ACTHA

Congratulations!!!!

ACTHA is pleased to announce its more recent graduates of our certification program:

Eve Boles of 4620 Beach CA in Chicago

Jackie Fanter of Wedgewood Commons in Orland Park

Elizabeth Law of Cross Creek CA in Naperville

Beth Lloyd of Partridge Hill TA in Hoffman Estates

Denise Marynowski of Charleston HOA in Lockport

Michael Schafer of Darien Woodland CA in Darien

Sally Urwin of Santa Maria CA in Oak Park

Olive Whitley of Naragansett CA in Chicago

Linda Whitney of Winding Creek TA in Plainfield

Sharon Wood of Residences of River Woods in Melrose Park

“Learn & Lead” resumes for six consecutive weeks beginning Saturday, Jan. 24 in Lake Zurich and on Thursday, March 12 in Des Plaines. For details visit www.actha.org or call 312-987-1906.

CAI Illinois 27th Annual

TRADE SHOW

“COMMUNITY LIVING UNMASKED”

Saturday, January 17, 2009

Hyatt Regency O'Hare

9300 W. Bryn Mawr in Rosemont

ACTHA is pleased to make available several CAI Guest Passes. These passes entitle the bearer to one Educational Session of your choice. To view event details, visit www.cai-illinois.org

Individuals interested in obtaining a pass should contact ACTHA's office no later than Tuesday, January 6 since all passes will be mailed.

You may call 312-987-1906 or email Yvonne@actha.org



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ACTHA South Suburban Expo Educational Programs

For more detailed program descriptions, speakers, times, program outlines, exhibitors, visit ACTHA's web site: www.actha.org. Click on "Education/South Suburban Expo"

Your choice! Pick one program from each of the time slots offered:

9:30 a.m.—10:30 a.m. (1) How to Select a Property Manager

Choosing the right professional management company is key to a successfully run property. This session will provide key elements boards should consider in interviewing and the legal points you need to know before signing the contract! Speakers: Keith Conrad of MC Property Management and Dawn Moody of Keough and Moody

(2) Managing Your Association's Finances

Whether self or professionally managed, ultimately it is the association's Board that has legal fiduciary responsibility. This session will outline what financial documents are required, protections to put in place and products financial institutions can offer to optimize your operations. Speakers: Tom Skweres of Vanguard Community Management and Frank Coleman of Community Advantage

Noon—1 p.m.

(1) Insurance Basics

What insurance does an association need to carry? What is the association responsible for? What are owners responsible for? This is "Insurance 101! Speakers: Chuck Hruska of Hruska Insurance

(2) Developing a Maintenance Schedule

This session will give you the tools for developing and keeping on track with ensuring your property is more than adequately maintained! Speakers: Bill Groebe of Groebe Management, Mark Waldman of Waldman Engineering, Mark Youngerman of AAA Painting Co.

YES!! I want to register for the South Suburban Expo on Saturday, March 7, 2009 at the Palos Country Club in Orland Park. Registration fee includes: any of the educational seminars. The Expo Trade Show and "Coffee with the Mayors" is open to the general public at no charge..

Fee Schedule: Member rate: \$10; Non-member rate: \$25 per person; add an additional \$15 per person if registering after Wednesday, March 4.

Name of Association: _____

Address: _____ City/Zip: _____

Phone #: _____ Email Address: _____

Name(s) of Individual(s) Attending if different from above) (please print): _____

Please make checks payable to ACTHA. Send to: 28 E. Jackson, Suite 910; Chicago, IL 60604 or you may register online using a credit card. Go to www.actha.org and click on "Education/South Suburban Expo"

NOTE: Confirmations are not sent except upon request. No refunds are given after March 1. All other cancellations are subject to a 25% handling fee.



From ACTHA's Board, Gael & Yvonne

Index of Newsletter Articles from 2008

- November 2008** “Common Insurance Mistakes Associations Make” by Ron Sirotski of Hollinger Insurance Services, “Tip of the Month: Dealing with the Current Financial Crisis” by Jordan Shifrin of Kovitz Shifrin Nesbit, “One More Tip of the Month: Winterizing Irrigation Systems” by John Pfalzgraf of Green-Up Landscape, “Welcome New Commercial Members,” “Question of the Month: Copies to Owners” by Michael Roche of Eagle Rock Management
- October 2008** “Revival of FHA Loans” by Beth Lloyd, President of ACTHA, “Tip of the Month: Banks,” by Smartstreet RBC, “ACTHA Submits Comments to State’s Advisory Board,” “Question of the Month: Right of First Refusal” by Andrea Jardine of Erwin and Associates
- September 2008** “Election Procedures: Mail-in Ballots” by Charles VanderVennet, Attorney, “Tip of the Month: Pond Treatment” by Keith Gray of Integrated Lakes Management, “What’s New,” “Question of the Month: Townhome Driveways” by Scott Rosenlund of Fosco Fullett Rosenlund PC
- July/August 2008** “Leasing Restrictions” by Gabriella Comstock of Keough and Moody, “Tip of the Month: Subprime Loans” by Mike Majewski of Selden Fox, “Welcome New Commercial Members,” “Question of the Month: Paving” by Michele Gehrke of DuBois Paving Co.
- June 2008** “Installment Contracts” by John Bickley of Kovitz Shifrin Nesbit, “Tip of the Month: Water Valves” by CAU, “Legislative Corner,” “A Cautionary Note: Governing Documents,” “Question of the Month: Window and Door Repair,” by Scott Rosenlund of Fosco Fullett Rosenlund PC
- May 2008** “Association Management: Governing Documents” by Stepfon Smith of Smith Amundsen, “Tip of the Month: Community Management,” by Rona Reznick of Summit Management Specialists, “Question of the Month: Roof Leaks” by Rob Kogen of Kovitz Shifrin Nesbit
- April 2008** “Replacement Fencing,” by John Belli of Tru-Link Fence & Products, “Tip of the Month: Internal Financial Controls” by George Panagakis, ACTHA Board Director, “Legislative Corner,” “ACTHA Elects Directors,” “Question of the Month: Insurance Claim” by Keith Hussey of Farmer’s Insurance
- March 2008** “Rule Enforcement” by David Hartwell of Penland and Hartwell, “Tip of the Month: Painting” by Kathy Wright of Paint-Right Painting, “Safeguarding Association Funds” by Christine Evans of Vanguard Community Management, “Welcome New Commercial Members,” “Question of the Month: Disrespectful Owners” by Scott Rosenlund of Fosco Fullett Rosenlund PC
- February 2008** “Utility Bills: Know the Facts” by Hans Hermann of Cost Containment International, “Tip of the Month: Water Treatment” by Richard Hourigan, “Question of the Month: Americans with Disabilities Act” by Pamela Park of Kovitz Shifrin Nesbitt
- Dec/Jan 2008** “Illinois Elevator Safety Code” by Tom Jackson of Suburban Elevator Company, “Tip of the Month: De-Icers,” “Legislative Corner,” “Index of 2006-7 Newsletter Articles,” “Question of the Month: Budget Omissions” by Sima Kirsch, Attorney



Question of the Month

Q. What if anything can a board do about owners who are potentially a danger to themselves and to others? In this case, an owner who is a heavy drinker recently left something on the stove. Luckily, several owners smelled the smoke and called the fire department which was able to extinguish the fire before serious damage or harm was done.

A. These situations can be delicate and fact-intensive and consultation with association legal counsel often is warranted. If the owner appears to have full mental capacity, problems often can be addressed through dialogue with the owner (either in writing or via an informal face-to-face meeting).

If the problems continue, the association may have no choice but to consider more adversarial actions such as the imposition of fines (after providing notice and an opportunity for a violation hearing) or the filing of an injunction lawsuit.

If the owner appears to have a diminished mental capacity, associations often try to contact relatives of the owner (if known) or a social service agency to assist the owner. In extreme cases, an association can file a lawsuit for the appointment of a guardian for the owner.

If the owner potentially has a disability, the association must be cautious in how it handles the situation so as to avoid engaging in conduct which might be considered discriminatory under applicable fair housing laws. Again, use of association legal counsel in many cases will be advisable.

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