

THE GASSEN WAY

COMMUNITY ASSOCIATION MANAGEMENT

Summer Edition 2018



FREQUENTLY ASKED QUESTIONS

HO6 Policy

Q: What does a proper HO6 policy look like?

Your HO6 policy should align with your association's Master Insurance Policy to make sure there are no gaps in coverage. Whether the master policy is an All-In or Bare Walls policy, your personal HO6 policy should cover anything the master policy does not. Speak with your agent to ensure you are sufficiently covered.

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A NOTE FROM KIRK GASSEN

HOA Statistics

The numbers are out and HOAs are increasing throughout the country. Minnesota ranks 15th in the country with 7,600 HOAs, with an estimated number of 1,533,000 residents living in them, according to the Community Associations Institute. That's 28% of the population in Minnesota! With Millennials starting to have families and moving to the suburbs, the trend for HOA living will continue to increase.

So, what does all this mean? Owning a home is the American Dream. At Gassen Management our mission is to "Enhance the American Dream". We achieve this by caring enough to put your needs ahead of our own, which means increasing your property values and creating a sense of community within your Association. It means working with board and committee members to ensure the right contractors are chosen, budgets are created to reflect preventative maintenance, as well as recurring expenses and future capital improvements. It means whatever your needs are, we are your Professional Consultants desiring to expand our services to include state of the art technology, making it easier and more enjoyable to live in your community. Our commitment to this industry has never been stronger. Thank you for your business!



BUDGETING BASICS

Amy Kleinschmidt, Chief Financial Officer

While the calendar says it's summer, it's never too early to start thinking about your association's budget! Most of our clients follow a calendar year fiscal period, which means the budgeting process will start in earnest around September.

Your property manager will assist in this process, but here are some things to keep in mind when developing and reviewing a budget for your association:

Expenses

When budgeting, I recommend determining your expenses first, before tackling the revenue section of your income statement.

1. You may be under contract for certain expenses, such as lawn care, elevator maintenance or security systems. These expenses should be budgeted for at the contracted rate.
2. Other expense items may require estimating an amount based on an assumed inflationary percentage increase from the prior year. Examples in this category may be utilities and maintenance expenses.
3. Insurance expense can often increase by more than just an inflationary factor. If your policy is coming up for renewal soon, your manager can contact your insurance agent to see if they are able to provide a quote, or at least provide feedback on what a realistic percentage increase could be.
4. Consider whether there are any periodic expenses you should budget for in the upcoming year. For example: Are you due for an update to your reserve study? Is your FHA certification due for renewal?

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EXCEPTIONAL IS WHERE YOU LIVE

Q: Do I have the correct Loss Assessment coverage on my HO6 policy?

Many associations have elected to move to much higher deductible amounts from \$10,000.00 to \$25,000.00. Any claims under that amount will not be covered by the master insurance policy and needs to be accounted for by your own personal HO6 policy. Your HO6 Loss Assessment coverage should be set at an amount equal to or greater than your association policy's deductible amount. Speak with your agent to ensure you are sufficiently covered.

CLIENT FEEDBACK

"Amazing management style! Much more than ever expected!"

- Jane, Board Secretary

5. Finally, consider your reserve contribution. If you have a reserve study, your goal should be to fund your reserves so that you can meet these yearly targeted balances per the results of the study.

Revenue

Your goal is to cover your expenses with the revenue (income) you bring through dues and other homeowner fees. You are looking to have a "bottom line" of \$0.

1. Project your other income sources first (e.g. late fees, guest room fees, etc.).
2. Finally, association dues are the last item you should budget. Calculate the necessary amount to bring your budget in balance, and determine what increase that means for your monthly dues.

At the end of this process, you should have a budget for the upcoming year that ensures your association is being maintained for current and future homeowners.

Want more information about budgeting? Attend our next Town Hall on Saturday, September 8th, where I will cover budgeting basics as one of the topics on the agenda.



SUMMER NEWSLETTER 2018

Kristi Hoffman, Vice President of Association Management

Now that the sun and warm weather have finally arrived in Minnesota, Gassen Managers and Boards of Directors are busy with spring walks. Part of the spring walk process is looking for violations on the property based on the Rules of the association.

The Rules and Regulations are grounded on the governing documents of the association. The rules cannot conflict with the governing documents and are considered an extension of the documents. If a right is given to a homeowner in the Declarations, that right cannot be taken away in the rules. For example, if your Declarations state that rentals are allowed at the association, they cannot be denied in your rules.

The rules also must be compliant with Federal, State and local laws. This includes HUD, Fair Housing, and the Fair Debt Collections Practices Act. Rules should always be reviewed by an attorney to verify compliance.

A poorly written set of rules can be difficult to enforce and they can be confusing for homeowners. Rules should be clear, concise and easy to enforce. If a rule states that a homeowner can have one attractive planter on their front porch, one member's idea of an attractive planter may vary greatly from another person's idea of an attractive planter.

All homeowners and Board members must be treated fairly and equally in regard to addressing violations and assessing fines. If one homeowner receives a violation for pet waste in their lawn, all homeowners with pet waste in their lawn must receive a violation letter.

If the association has the right to assess a fine per the Declarations, the structure for assessing fines can be defined in the rules. Many associations use an escalating fine structure if the violation is not corrected after a warning letter.

The goal of the Rules and Regulations is to bring harmony to the association and to provide a beautiful place to live. By setting and following clear Rules, the association will continue to prosper.