

Finance Committee Recommendations on HOA Management Company

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Executive Summary

1. The Finance Committee recommends that the Board hire enTrust as our HOA management company starting as soon as practical.
 - a. Operational sustainability is critical to the survival of NP and can be achieved only by transitioning our operations to a professional management company. This is a high priority need for the community.
 - b. The Board and the Finance Committee interviewed two candidate companies. There is consensus that enTrust is the most affordable company while best meeting the unique needs of NP, including: extensive maintenance needs and book keeping/accounting for the HOA, wedding, and apartment businesses
 - c. Three references were contacted and feedback was positive and spoke to enTrusts strengths that were well aligned with Nature Pointe's needs
 - d. The Finance Committee offers a menu of funding options that would place little or no addition financial burden on the community with additional potential savings through efficiencies and disaster aversion

Additional Supporting Discussion

2. There is a compelling need to achieve operational sustainability at Nature Pointe by engaging the services of a professional HOA management company.
 - a. Nature pointe is dependent on the heroic volunteerism of a very few community and Board members and recruiting additional volunteers has failed. This approach is a house of cards and key operations such as the pool, clubhouse/community maintenance, and the wedding business could cease to exist if key volunteers left.
 - b. The facilities manager (often with extra helpers) is a failed concept. Turnover rate is extremely high, necessary work is either not done or is done in a nonprofessional manner requiring rework or work is performed in violation of code, and the HOA takes on liability risk for OSHA laws for which no Board or community member has sufficient experience to ensure compliance. The "value" of this model has to be questioned seriously in terms of work accomplished, quality of work, timeliness, and increased liability.
 - c. The HOA is inefficient and inexperienced at gathering comparative information and performing cost/benefit analyses for important decisions. We do not have the experience to write a good contractor scope of work. We do not have the experience to make timely and wise contractor selections. Our experience over the last two years with stucco and road maintenance decisions are examples.
 - d. Covenants of the community have ceased to be enforced. Inspections occur ad hoc and infrequently, which now seems to be not at all. The community could benefit from a regular objective unbiased assessments (community members should not take on the role of bad guy) of member compliance to covenants.

- e. The HOA is vulnerable to a whole host of liability issues stemming from federal, state, county, and OSHA laws/codes because of either not knowing the laws or not knowing/implementing industry best practices or simply choosing to not to know/comply with the laws.
 - f. Many community members feel that the Board is unresponsive to community complaints. We do not have a system for handling and documenting community complaints and their resolution. Complaints are sometimes acknowledged (depending on the Board member); but they are rarely, if ever, formally responded to by the Board with action, a statement of denied action, or a plan of action.
 - g. There is a constant erosion of amenities and expectations of what makes Nature Pointe a “premiere” community. We need a management company to provide objective recommendations based on the experience of many other HOAs who have had to deal with similar issues.
 - h. The Board is not operating at the level of a Board. The Board is so overwhelmed by all the operational aspects of running the community (in addition to full-time jobs most Board members hold) that it cannot even be responsive to its own internal email. The burnout of Board members is high, and the pool to draw new members from is small. The focus on operational issues rather than strategic leadership is a poor use of the impressive and diverse skills that exist within this community, and not a very compelling enticement to join the Board
 - i. The Board needs to focus on leadership. It is appropriate for a Board to focus on the “whats” that are important to the community and to delegate the “hows” and execution of operations to a Management company. Higher-level issues such as holistic solutions to community concerns, financial sustainability, operational sustainability of the HOA, and operational sustainability of the wedding business all need attention.
3. The NP Board solicited bids from three management companies: enTrust, HOAMCO, and AAM. The Board and Finance Committee interviewed enTrust and HOAMCO on June 7, 2017. AAM withdrew its bid prior to the interviews. Reviewers were impressed with the professionalism that enTrust could bring to the community. They can handle all the operational aspects that we would expect from a management company. What distinguished enTrust from the other management companies was their ability and *willingness* to work with Nature Pointe on some of our unique needs: the scale of our maintenance needs, bookkeeping for our wedding business, and bookkeeping for our apartment business. The other management companies wanted nothing to do with our apartment business (including bookkeeping), but enTrust was willing to do bookkeeping as part of our contract and has a sister company that is licensed to provide other property management services as needed.
4. Veronica Montañó-Pilch and Martin Pilch interviewed three references provided by enTrust. The interview notes are attached for reference at the end of this document. The three references were all positive and spoke to strengths that are well aligned with the HOA. Cathy, who will be our property manager, was also the property manager for all three of the references and each had very positive things to say about working with Cathy. enTrust is responsive to concerns raised about its services. References found value in Jon McCormick’s unique credentials, both legal - he’s a JD and business - he’s a MBA.
5. The Finance Committee feels that the need for a management company is so compelling and of such priority that the Board should do whatever it takes to make it happen, even if that means some new financial burden to the HOA. The affordability analyses below, however, shows that there is a menu of funding options that place little or no addition financial burden on the community with additional

potential savings through efficiencies and disaster avoidance. Many of the operational services that the HOA currently pays for (e.g., accountant, bookkeeping, and clubhouse manager) would be taken over by the management company and the cost we currently pay for those services is enough to offset management company fees. There are one time opportunities for the Board to consider that would offset management company fees if necessary. The finance committee feels that there are additional opportunities for savings through the elimination of inefficiencies and disaster avoidance. These are difficult to quantify beforehand, but some examples are listed in the table below. The very real disasters (and near disaster) listed in the affordability analysis could have been avoid by a more professional approach to our business operations.

Affordability Analysis

		Annual Costs		
enTrust		Pilch	DL	Comments
Expected Cost to the NP HOA		\$24,370.67	\$28,000.00	DL's assumptions not shared
NMGRT (7.3125%)		\$1,660.67		
SubTotal		\$22,710.00		
Management Fees		\$19,200.00		
Core Fee	\$1,600.00	\$19,200.00		
Wedding Center Accounting Fee	\$0.00	\$0.00		
Payroll Processing Fee	\$7 to \$10 per check, Assume \$10	\$3,510.00		VMP looking at ways to reduce the cost/check
	CH Mgr: eliminate position	\$0.00		
	Facility Mgr: eliminate position	\$0.00		
	Snowplow: 3 checks	\$30.00		
	Wedding Planner: 24 checks	\$240.00		
	OSUG (Wedding) Captain: 24	\$240.00		
	OSUG (Wedding) Workers: 20	\$3,000.00		
	Cchecks x 15 staff			
Annual Savings				
Totals		\$43,743.33		More than enough to pay for managment company
How NP can pay for the management company		Planning	Options	
	Accounting and book keeping	\$ 13,000.00		2017 budget, Management company takes over this activity
	Check processing savings	\$ 1,883.33		Veronica has a quote from Pay Pros at \$5.00 per check rather than \$10.00
	Clubhouse manager	\$ 17,160.00		Typically, we have had a clubhouse manager at 50% time. Management company takes over this activity
	Target corporate events in wedding off season	\$ 10,500.00		Assume 3 new events with \$3500 net for each
	Playground savings		\$ 5,000.00	2017 one time saving. \$15K budget - \$1K inspection - \$9K demolition = \$5K
	Security		\$ 5,000.00	2017 one time saving to explore security upgrades around clubhouse
	Roads		\$ 6,000.00	2017 one time saving for asphalt maintenace relative to budget
	Landscaping		\$ 4,000.00	2017 one time savings. Budget was \$7000, we only spent \$3000
	Century Link to Comcast	\$ 1,200.00		Saves \$100.00/month
Savings				
Totals		\$35,360.00	\$20,000.00	
Inefficiencies and disaster avoidance		Annual	One Time	
	Stucco			Year and a half of active reseraching and selecting stucco contractor. Overlooked signing contract until work was completed! We were lucky to get terms, conditions, and warranty we expected
	Roads		\$ 5,000.00	Over a year actively justifying cost/benefit for asphalt maintenance, reseraching contractors, and contractor selection. Inexperience in selecting contractor and writing a binding contract ended up costing the HOA \$5K more than it should have for what we got, and we didn't get what we wanted
	Playground		\$ 10,000.00	Rush to playground maintenance last year at a cost of \$10K to \$15K with no value added to the HOA
	Chandelier		\$ 5,000.00	Chandelier in Anasassi Hall not code. \$5K for temporary repair. Broken again
	Facility manager	\$ 19,760.00		Facility managers historically deliver 3 to 4 hours of work for a 8 hour day. Costly rework often required. Value of non-productive time listed here.
		\$ 15,600.00		Historically we have hire part time maintenance workers to supplement our facilities manager. This has often been about half time
	OSHA			Inxpereince with OSHA requirements for mainteance activities creates liability risk for HOA
				Two workman's comp claims this year. Tremendous time sink

Reference 1

Telephone Reference Check Form

Name of

Contact:

Maryann Morton, President

Phone interview by Martin Pilch 6/23/17

Title:

Phone:

(505)306-0914

Company:

The Shores of Albuquerque Homeowners Association

Reference Comments

When?

START DATE: _____ END DATE: _____

- Been with enTrust since 3/2015
- Cathy is their manager
- FYI: dues are \$284/month

What issues did your HOA have that EnTrust solved?

- Community has a lot of landscaping and maintenance issues: large lawn, elm trees getting into sewer system, series of ponds that all leak (ducks are filthy), swimming pool (shut down this summer for extensive repairs, hope to open next year), clubhouse (including tennis court and pickle ball) in need of repairs, security systems in need of repairs, buildings in need of repairs
- From inception in 1972 until about 2000, the community employed a clubhouse manager, a full time maintenance person and several part time maintenance people in the summer. When the main maintenance person retired, they could not find a reliable and competent replacement. They then turned to management companies
- They had 3 (or 4?) management companies since 2000. HOAMCO was the most recent prior to enTrust. The other management companies were just not responsive to community needs. HOAMCO was rigid in the services it provided and did not give the HOA the attention that it required

What are EnTrusts strengths?

- enTrust is very attentive and gives good response to HOA needs and any concerns brought to enTrusts attention
- They are very happy with Cathy. They worked with Cathy through some of the other HOA management companies. Although they were happy with Cathy as an individual, they were unhappy with the parent management company. Cathy moved to enTrust and the HOA hooked up with her again when they moved to enTrust
- enTrust's subcontractors are all top notch. HOA finds that their needs are beyond the skill sets of a typical handyman. They like the quality of work afforded by specialized subcontractors
- Jon give legal advice

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- enTrust provided a really nice cost benefit study on the elm tree problem. Option 1 - spend more money now and remove many trees, or option 2 – accept the ongoing maintenance dealing with roots in the sewer system
- Not obvious that enTrust and subcontractors cost any more than staff used prior to 2000. Would have to do some research to give a definitive answer

Weaknesses?

- After hours emergency answering service needs improvement. Call backs are slow or don't happen. enTrust is looking at other options

How do the homeowners feel about EnTrust?

- The transition from HOAMCO to enTrust was politically divisive within the community, but is mostly resolved by now
- There are a few homeowners who still complain about their inability to communicate with enTrust. In every case, however, the Board found that the homeowner was not using the prescribed communication channels. Instead, they were trying to send text messages to Cathy (with no response). Turns out that Cathy's phone does not receive text messages.
- It's critically important that the community knows that the Board, not enTrust, makes decisions. EnTrust is a resource to the Board and enTrust implements Board decisions
- It's critically important that the Board inform the community about important decisions and why they are being made

Would you change anything about the onboarding process?

- Did not get opportunity to discuss

Is there anything else you would like to add?

- Offer extended to visit the community

Reference 2

Telephone Reference Check Form

Name of

Contact:

Todd Ross, President

Phone interview by Martin Pilch ~6/22/17

Title:

Phone:

(505)3015812

Company:

Villa Sandia @ Bear Canyon North Condominium Association

Reference Comments

When?

START DATE: _____ END DATE: _____

- Been with enTrust for 6 to 7 years. Cathy is their manager
- Previously managed by Kerr/Wickler(?) & Associates. Had to fire them. Not responsive to HOA, just not meeting the needs of the HOA

What issues did your HOA have that EnTrust solved?

- HOA and previous management company kept fees low, but the community suffered from lack of attention and maintenance. People don't want to buy into a broke community. Curb appeal of the community suffered

What are EnTrusts strengths?

- Jon McCormick is a financial guy, and other Board members don't always want to hear his message.
- HOA dues were increased twice in the 7 years
- Had trouble with the pool and it had to be shut down
- Reserve fund started at \$34,000 six years ago and has increased to \$224,000 today
- Very honest and try's hard to keep the HOA within the law
- Got after delinquent payments
- enTrust owned up to an honest mistake by one of its staff at no cost (or hassle) to the HOA
- Without the knowledge of enTrust, the HOA (as a matter of policy and good practice) explores other HOA management companies every 3 years. In addition to the original decision to go with enTrust, the HOA has twice decided to stay with enTrust
- enTrust is responsive to Board concerns when they arise
- enTrust delivers good bang for the buck

Weaknesses?

- Villa Sandia's contract with enTrust requires a 2%/yr increase in the management fee, no matter what. This will be a point of discussion this year with enTrust
- enTrust always pushes licensed/bonded contractors for HOA work. The HOA would like the option to hire non-licensed/bonded workers in some cases to save money

How do the homeowners feel about EnTrust?

- No one likes increases in HOA dues.
- Its imperative that the BOARD make it clear to the community that the Board (not enTrust) makes unpopular decisions e.g., raising dues or closing the pool.
- In general, the community is accepting of change when presented with the facts and if it can **see** how the benefit of spending money (tidy clubhouse, maintained exteriors, etc)

Would you change anything about the onboarding process?

- Relatively smooth

Is there anything else you would like to add?

- Offer extended to come visit the community

Reference 3

Telephone Reference Check Form

Name of

Contact:

Don Mayhew, President

Interviewed by Veronica Montañó-Pilch

Title:

Phone:

(505) 350-4792

Company:

Desert Ridge Trails Homeowners Association,

Reference Comments

When?

START DATE:

2003

END DATE:

Units **328**

What issues did your HOA have that EnTrust solved?

We have been with EnTrust since the very beginning.

What are EnTrusts strengths?

Cathy is their manager and they deal with her on a regular basis. When there is a problem with the homeowners she is very responsive.

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Weaknesses?

One time EnTrust had to use a third party to do inspections and HOA did not like them so they talked to EnTrust and EnTrust took them off the job and EnTrust resumed the inspections.

How do the homeowners feel about EnTrust?

Most are happy but as you know some home owners no matter what are not happy.

Would you change anything about the onboarding process?

EnTrust has always been their management company and EnTrust has consistently had all financial data and bank accounts are kept properly. It is easy to pay on line and members like that.

Is there anything else you would like to add?

The HOA is happy with them.