

MARCH 2017

# COMMUNITY MOMENTS

A REALMANAGE PUBLICATION



**Lori Carlson**

**Financial Manager/Controller - Illinois**



2  
President's Letter

3  
Employee Spotlight

5  
Board Member Spotlight

# Contents

6  
Saving Money on Common  
Area Maintenance

7  
Using Regression of Long  
Term Budget Planning

9  
Personal Tax Article



**Chris Ayoub**  
President

## President's Letter

I hope this message finds you and your communities well. In many of my messages, I have provided an easy way to provide feedback on RealManage and the service your community has been receiving. For those that have, thank you so much for your honesty and willingness to help us improve. I have enjoyed speaking with you to address your concerns and am committed to providing the highest level of service possible. For those that have not, please consider sending me a quick note to: [clientsatisfaction@realmanage.com](mailto:clientsatisfaction@realmanage.com) on how we are doing and how we could improve. One of our core values is “always improving.” I am a firm believer that one is either getting worse or getting better; it is not possible to stay the same. A critical component for us to get better is to hear from our clients—both positive and constructive. One item we have consistently heard from our clients is a desire to have accounting services in the local offices. I am excited to announce that we have hired multiple financial managers in several of our markets and are looking to continue to grow our local offices’ capabilities to provide exceptional service to you, our clients. We always look forward to improving our service to every single client and thank you again for the opportunity to serve you.





# EMPLOYEE SPOTLIGHT

Written by Daneen Reinke, Senior Vice President

## LORI CARLSON

FINANCIAL MANAGER/CONTROLLER - REALMANAGE ILLINOIS

Lori Carlson recently joined RealManage Illinois in December of 2016 as the local Financial Manager/ Controller in the Illinois market. With more than fourteen years of real estate accounting under her belt, Lori is quick to assist the Community Managers and our clients with any accounting related questions they may have. Before joining the RealManage family, Lori had roles that included but not limited to; preparation of monthly financials, audit preparation, tax returns, human resources, and payroll processing. Lori had assisted in developing segregation of duties and internal controls which in this day and age is not only in the best interest of any company it also cultivates a level of trust with clientele.

Since joining the RealManage family, Lori has spent endless hours in familiarizing herself with each community and ensuring that the financial reporting exceeds the expectation of the client. Lori has met with several board members bringing an added level of comfort that in some cases can only be achieved by meeting in person.

Branch President of Schaumburg, Andrea Sorgani, adds: “Lori is willing to jump in and work with the team to achieve customer satisfaction.”

Lori states, “I am excited to have joined the RealManage team. My goal is to provide our clients with transparent and accurate financial reports. I am excited about my future with RealManage.” We feel fortunate to have Lori’s energy within our Illinois market and look forward to expanding the Illinois market with Lori at the accounting helm.







## BOARD MEMBER SPOTLIGHT

# ANNE BERNHARDT

Written by Jarrett Tran, Director of On-Site Management



**A**nne Bernhardt is the President of our GrandManors community, Park Towers. Anne has served Park Towers as President, Vice President, Treasurer, and as a member of Building and Grounds and Rules and Regulations Committees. Among many other contributions, Anne has helped Park Towers complete a multimillion-dollar construction project, amend outdated governing documents, strategize around funding and completion of numerous years of deferred maintenance, and drastically improved operational efficiency through identifying a multitude of simple, low-cost solutions. Her leadership and diplomacy skills have resulted in the accomplishment of a significant volume of board initiatives in a short period of time. Whether at the head of a boardroom table running a meeting, underneath a desk repairing an association computer or in a corridor assisting a disabled neighbor to their condo- Anne is always willing to serve her community.

Anne is a graduate of Cornell University with a degree in Civil Engineering. She retired from teaching at Dallas ISD, and she held a long career in plastics engineering before becoming an educator. She serves on the Advisory Board for Success North Dallas and as a member of The Programming Committee for SPARK!.



On January 2017, Anne was elected to serve as a board member of the DFW Chapter of The Community Associations Institute. Anne's experience has been invaluable to Park Towers as a member of the council, and we at GrandManors look forward to working with her for many years to come.

The common areas of an HOA community contribute to its aesthetic and recreational opportunities. The peace and quiet of a private park in spring; a populated community swimming pool in the heat of summer; walking trails that weave in and out of autumnal scenery – these are some of the benefits that make a managed community worth living in, but they also require lots of upkeep. When an HOA needs to trim maintenance costs, decreasing funding for the management of common areas is a common cost-cutting measure. Is there a way to economize on common areas without the areas suffering decline?

When they decide to get creative with cost cutting ideas, most communities find ways to save money on community management services without compromising the appearance of common areas. Below are some great ways to make common area maintenance less costly.

### ORGANIZE A VOLUNTEER GARDENING GROUP

For many people, gardening is more of a pleasure than a chore. Organizing a

volunteer gardening group allows green thumbs to perform a pleasurable activity while giving back to the community. The team can focus on light work such as maintaining flowerbeds while heavier work such as tree trimming continues to be outsourced to a landscaping contractor. Before starting a gardening group, check with your insurance agent to ensure these volunteers are covered on the association's insurance.

### SWITCH VENDORS WISELY

Hiring new, less expensive vendors will save money, but remember, the goal is to receive the same level of service for a lower price, not a lower level of service for a lower price. If the board feels current vendors are too costly, it should request the assistance of its community management company to help replace them with new ones.

### WATER GROUNDS BASED ON WEATHER CONDITIONS

Most irrigation systems are programmed to water grounds at set intervals, regardless of the weather. If grounds are watered during a stretch of rainy days, utility water is wasted. Using

the irrigation system based on weather conditions requires more attention from community management services workers, but depending on the climate of the community, instituting the practice could save thousands of dollars annually.

### PLANT PERENNIALS INSTEAD OF ANNUALS

Annual flowers such as marigolds, begonias, daisies, fan flowers, and snapdragons make great landscaping accents, but so do the perennial blossoms of catmint, Peruvian lilies, coneflowers, and roses. If the community has numerous flower beds, filling them with flowers that bloom year after year can save more dollars than an English rose garden has petals.

In the current economy, managed communities need to be creative about cutting community management costs for common areas. The ideas above are some of the measures communities take to reduce maintenance costs without disrupting community management services, or causing common areas to decline.



## Saving Money on Common Area Maintenance





# USING REGRESSION FOR LONG-TERM BUDGET PLANNING

Written by John Garvin, Senior Vice President  
RealManage Colorado

We have all seen it before: the Board President stands up at the annual meeting and announces that assessment rates for the HOA will go up by \$10.00. If you have ever tried to raise assessment rates you know it is rarely met with someone thanking you for your wise fiscal decision. So when is the right time to do it? I have talked to some boards that tell me their goal is never to raise their rates, and while I certainly appreciate their desire to stay fiscally responsible, running an HOA is like running any other business. You have to proactively measure cost increases to stay ahead of the power curve, and if you are raising assessments to try to catch up to the higher rates of the previous year, your association will always be behind.

So what can you do to get ahead of your long-term HOA budget planning? Statistics are here to help! You can use correlation and regression to determine when and how much to raise assessments (and if you say you want to use correlation and regression to determine future budgetary needs at a meeting people will automatically add about 10 IQ points to you).

The example I will use to prove this point is a 500 home community located here in Colorado, where seven years of population growth have seen standard year-over-year increases in overall costs. The chart below shows the past seven years of total association expenses, and even a quick glance will tell you that their costs are on average increasing. Using any standard spreadsheet program on your computer, you can use these numbers to calculate the correlation of what each year adds in terms of cost. For example, in Excel you can click on “Data Analysis” and then click on “Regression”, and it will produce a scary looking chart with a lot of numbers. Fear not! You only need 3 of those numbers, which are highlighted after the chart:

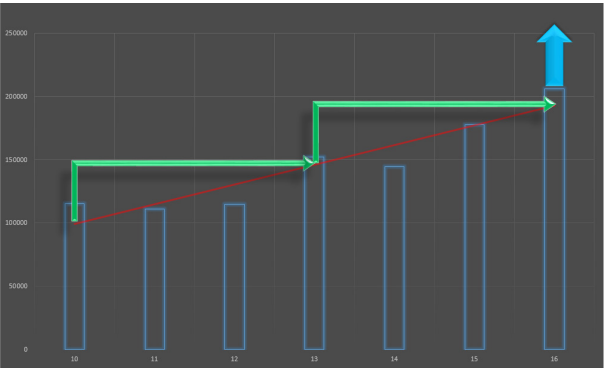
Association Total Expenses	
10	\$115,001
11	\$110,914
12	\$114,871
13	\$152,083
14	\$144,548
15	\$177,778
16	\$205,911

SUMMARY OUTPUT									
Regression Statistics									
Multiple R	0.933294								
R Square	0.871037								
Adjusted R Square	0.845245								
Standard Error	14183.08								
Observations	7								
ANOVA									
	df	SS	MS	F	gnificance F				
Regression	1	6793347794	6.79E+09	33.77092	0.002129				
Residual	5	1005798466	2.01E+08						
Total	6	7799146259							
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%	
Intercept	-56619	35254.49663	-1.60601	0.169181	-147244	34005.6	-147244	34005.60437	
X Variable 1	15576.25	2680.349745	5.811275	0.002129	8686.192	22466.31	8686.192	22466.30837	

The first number lets you know how strong the correlation, and will be between 0 and 1. The closer that number is to 1, the stronger the correlation and thus the more accurate your regression will be for future predictions. In this case, the number is .9333, which means a high correlation. That was easy enough! The next two numbers can be used in a simple equation, which is  $Y=A+BX$ . Y is the future budget number we want to solve for, A is the intercept, B is the year we are looking for, and X is the X Variable. To play this out, let’s take a look at what the expected expenses will be for this community in 2020:  $Y = (-56,619) \times 20(15,576)$ , which comes out to 255,000/year (20 represents the year 2020). If I wanted to look to see what estimated expenses are for 2018, the formula is  $Y = (-56,619) \times 18(15,576)$ , or 223,800.

The next big question you should ask yourself in this process is “How often should our association raise assessments?” Each association is different, and it might be easier to raise every four years rather than every two years. Shorter iterations can lead to more accuracy, but that can also feel like pulling teeth to tell homeowners that they owe more every year. Longer iterations can lead to less accuracy and payments that are higher than necessary but might be an easier pill to swallow for communities who don’t like to raise assessments too often. The chart below shows a three-year cycle for raising assessments. If we want to

raise amounts to prepare for 2019, the formula =  $(-56,619) \times 19(15,576)$ , which is 239,325 and a difference of 33,414 from the 2016 total expenses which is around \$67 per homeowner per year, or an increase of \$5.60 per homeowner per month.



This process not only prepares homeowners for a standardized, predictable assessment rate, but it also generates additional revenue which can be applied to the reserve account to save for a rainy (or snowy) day.

And there you have it! Knowing how to discuss regression statistics is a fantastic tool for being left alone at parties, falling asleep when you have insomnia, and most importantly for regulating your association’s budgetary needs! Just review these simple numbers, and I guarantee you will sound like the smartest person in the room at your next association meeting.





# What is needed to file/prepare your personal tax return:

Written by Laura Jones, Tax & Audit Manager

1. Make sure your Individual Tax Identification Number has not expired.

Your ITIN could have expired if:

- You did not use it at least once when filing 2013, 2014 or 2015.
- If your ITIN has in the middle digits 78 or 79

If your ITIN has expired, processing your tax return could be delayed. Apply or renew your ITIN before submitting your filing by submitting the Form W-7. Allow 7-9 weeks for the IRS to respond to the application.

2. Gather all your records
  - a. Receipts and cancelled checks
  - b. Income documents
  - c. Deduction documents – Use the IRS Standard deduction or Itemize your Deductions
3. Life Events may affect your tax return
  - a. Did you get married/separated/divorced
  - b. Did you have a child through birth or adoption
  - c. Health Care Coverage
  - d. New Job or loss of job
  - e. Disaster and Casualties
  - f. Persons with Disability
  - g. Retirement
  - h. First-Time Home Owner
  - i. Bankruptcy
  - j. Deceased Taxpayer

Preparation & Filing Options:

- Free File is available at [www.irs.gov](http://www.irs.gov). Depending on your income, the software could prepare and file for you, or provide free fillable forms.
- Find a mailing address for paper returns
- Get Free Tax preparation services. This is a volunteer program that offers free tax help for people generally make \$54K or less, persons with disabilities, and limited English speaking taxpayers that need assistance with the preparation of their tax return.
- Choose a tax professional. Remember, Check before you Choose.
  - o Do they have a PTIN?
  - o Check their credentials and qualifications. The IRS provides a Directory of Federal Tax Return Preparers.
  - o Check to see if there are complaints against them

Where to go for information: [www.irs.gov](http://www.irs.gov)

- To answer questions
- Find information
- Check on the status of your return or refund





Interested in more industry related topics?  
Connect with us on:

