

FINANCIALLY SUSTAINABLE COMMUNITIES!

PLANNING, MAINTENANCE & REPLACEMENT RESERVES

MARCH 14, 15 & 16, 2017

South Carolina Chapter CAI

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ASSOCIATES Reserve
Consultants

Housekeeping Note ...

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Meet Mrs. Jones...

- Retired school teacher,
- Lives on a fixed income,
- Has lived in her HOA for 15 years,
- She is the ideal neighbor!
- As a member of the Board of Directors,

you just foreclosed on her home!



How Could This Happen?

Lack of Planning!

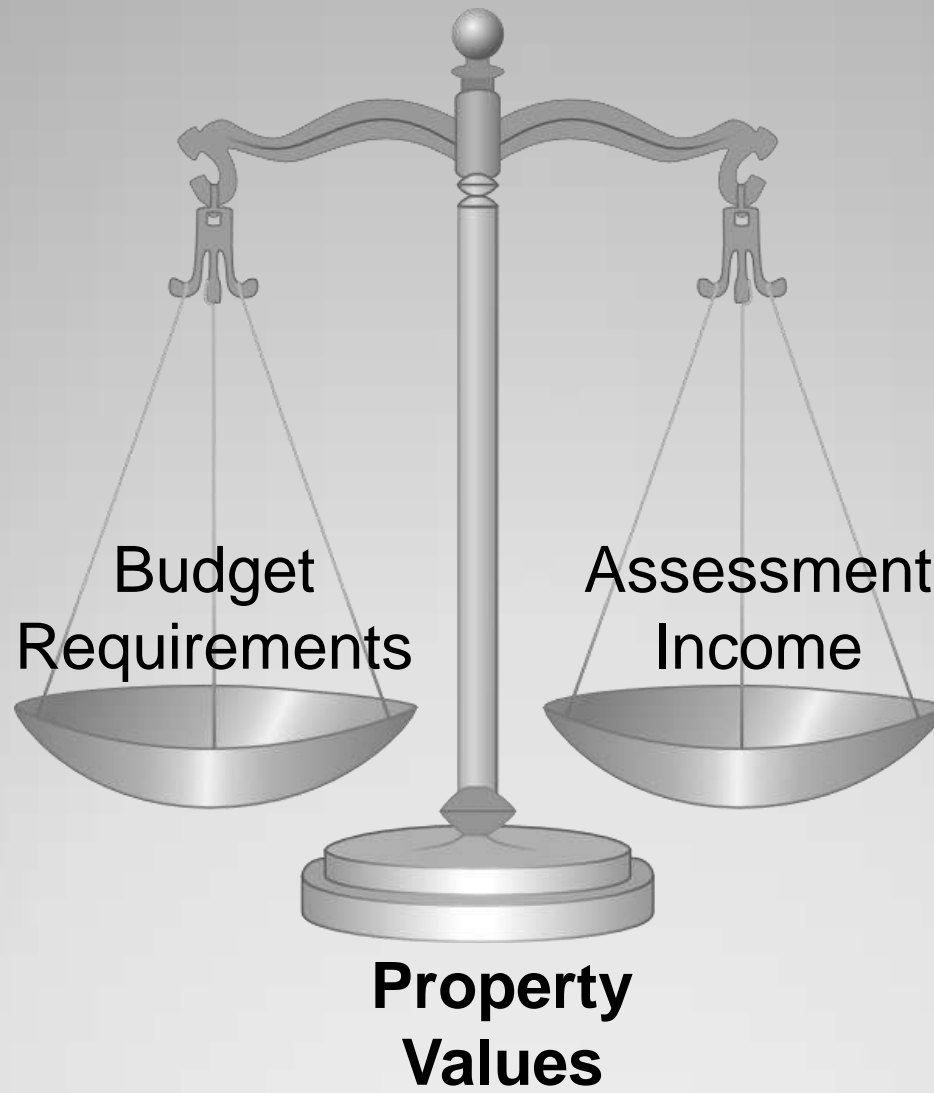
- **Inadequate Operations budget** did not provide for use of professional consultants!
- **Inadequate Maintenance budget** resulted in premature replacement needs!
- Uneducated or unwilling Board decisions resulted in **inadequate Reserves!**

Food for Thought:

Almost all CA financial
disasters result not from
an event,...
but from lack of planning!

Financially Sustainable Community

- Balances the need for an adequate budget (and assessments) against the realities of today's housing market.
- Acknowledges and functions within the exigencies of the present economy without limiting the financial abilities of the future.



Wexford Plantation

Hilton Head, SC

Maintain Current Assessment Level

Versus

Golf Course Upgrade

She has spent **\$9,000** on condo
association fees over **five years.**

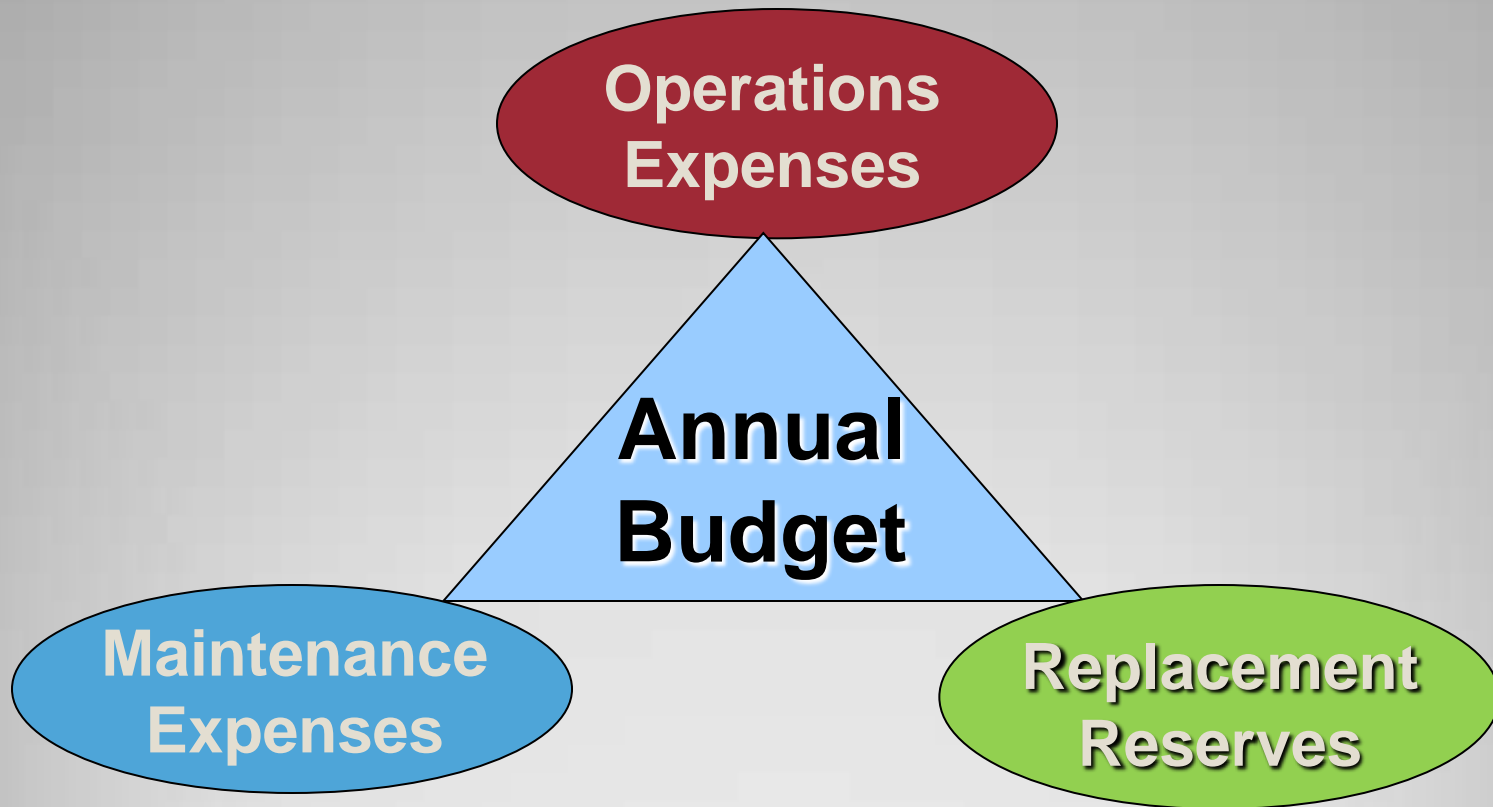


She had to come up with **\$12,000**
more in **three months.** She couldn't.

Financially Sustainable Community

- **Annual Budget is balanced and adequate...**
- **Normal Assessments are adjusted appropriately each year for inflation (as gauged by the PPI).**
- **Property Values are Protected, Preserved & Enhanced!**

Your community is Financially Sustainable!



Four Truths!

1. All commonly-owned components will eventually have to be replaced!
2. Money spent on sound maintenance is money wisely spent!
3. All materials deteriorate over time!
4. All material costs increase over time!

Understand Inflation - CPI versus PPI

- **Consumer Price Index (CPI)**
 - Food Costs
 - Fuel Costs
 - Electricity Costs
 - Housing Costs (rent)
- **Producer Price Index (PPI) gauges**
 - Manufacturing costs
 - Construction costs







Strategy for Financial Sustainability

- Involve Your Experts early and often!
- Optimize “Economic Life” of Facilities, systems and components with proper maintenance.
- Use Best Practices For Maintenance, Repair and Replacements.
- **Reserve** For Timely Replacement.

Questions

Speaker BIO

Peter B. Miller, RS

A Principal in the firm of Miller – Dodson Associates, Peter Miller is considered to be one of the nation's leading experts in the field of Reserve Studies and Strategic Financial Planning for community associations. He holds the professional designation of Reserve Specialist (RS). Mr. Miller is a frequent author and lecturer, and was selected to develop and teach the Community Associations Institute's (CAI) Webinar on Reserves and Reserve Studies.

Peter served as the 2004 President of the CAI's Washington Metropolitan Chapter, and was a member of the Board of the CAI South Carolina Chapter. Most recently, he served as the 2014 President of the Southeast Virginia Chapter of CAI. He served as Vice-Chair of the CAI National Reserves Standards Committee, and currently serves on the CAI National Business Partners Council. He has been widely recognized for his efforts in the industry, including the CAI National "President's Award" and "Award for Excellence in Chapter Leadership".

Peter is a graduate of the College of Architecture and Urban Studies at Virginia Tech, and is a member of the Urban Land Institute and The Congress for a New Urbanism.