

2020 HOA Budget Survey Results Report

Have Board Member Priorities Changed?

The world is a different place than it was a year ago and boards must keep that in mind as they build their 2021 budgets.

We wanted to know how the COVID-19 pandemic has affected communities' budgets, so we surveyed board members across North America and asked how they have been managing their budgets while keeping their communities safe during the pandemic.

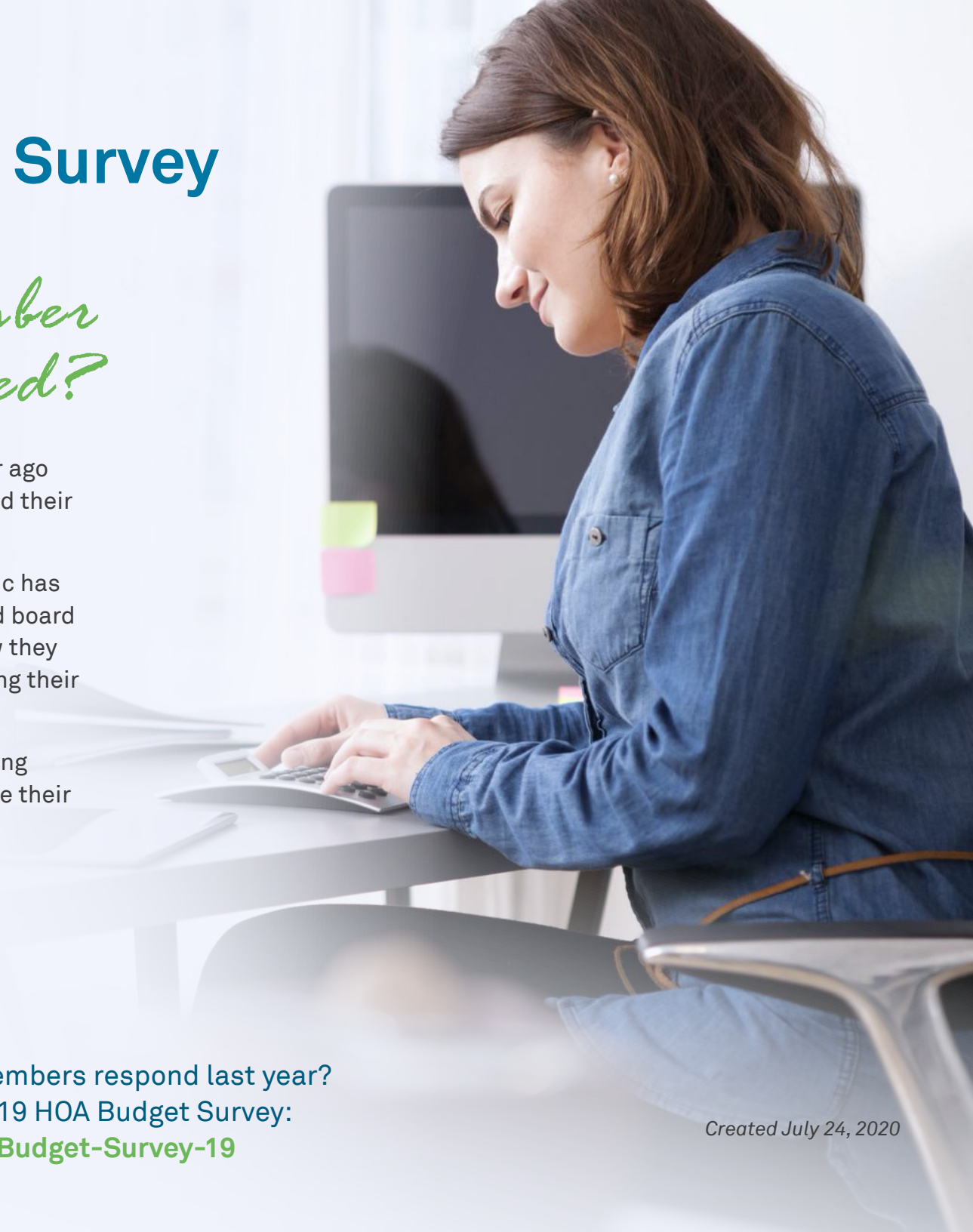
Read on to learn where current budgets are being impacted and how they are planning to optimize their budgets in the future.



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How did board members respond last year?
Find out in the 2019 HOA Budget Survey:
<https://bit.ly/CA-Budget-Survey-19>

Created July 24, 2020



The Good News: Budgets are Holding Steady

A majority of the responses from board members surveyed said that their budget has not been negatively impacted by the COVID-19 pandemic. Many boards have maintained a healthy budget during the pandemic, despite many changes to the way their communities were run. This indicates that many boards plan their budgets with the future in mind and enough extra cash to adjust to unforeseen emergencies.

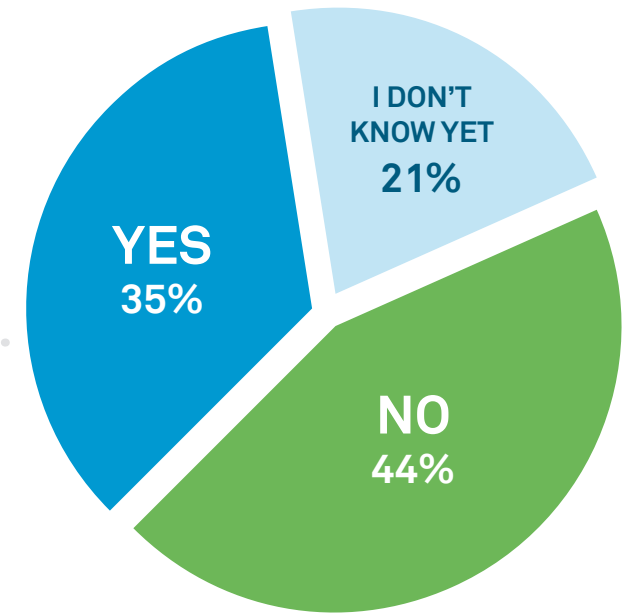
Of the board members that said they were being negatively impacted, the majority said that the cause is increased expenses due to additional cleaning and disinfecting.

While it's great to see that so many communities are taking disinfecting measures seriously, it's unfortunate that it affects their bottom line.

The Centers for Disease Control and Prevention (CDC) still recommends thoroughly disinfecting all common areas of the community at least 3 times a day, meaning the need for continued disinfecting and its increased cost is not going away any time soon.

Recommendation: Work with your association management company to secure bulk pricing on cleaning products such as disinfecting cleaner and wipes, hand sanitizer and more. An established management company can negotiate on behalf of your community to get the best pricing possible so staff can continue their frequent cleaning without it having as large of an impact on your budget.

Is your budget being negatively impacted by the COVID-19 pandemic?



What factors are causing that impact?

(Respondents could choose more than one option.)

- ▶ **25%** Decreased income due to closed fee-based amenities
- ▶ **55%** Increased expenses due to additional cleaning
- ▶ **38%** Other increased expenses
- ▶ **36%** Decreased income due to late assessment payments
- ▶ **44%** Other decreased income

The Great News: Boards are Staying the Course

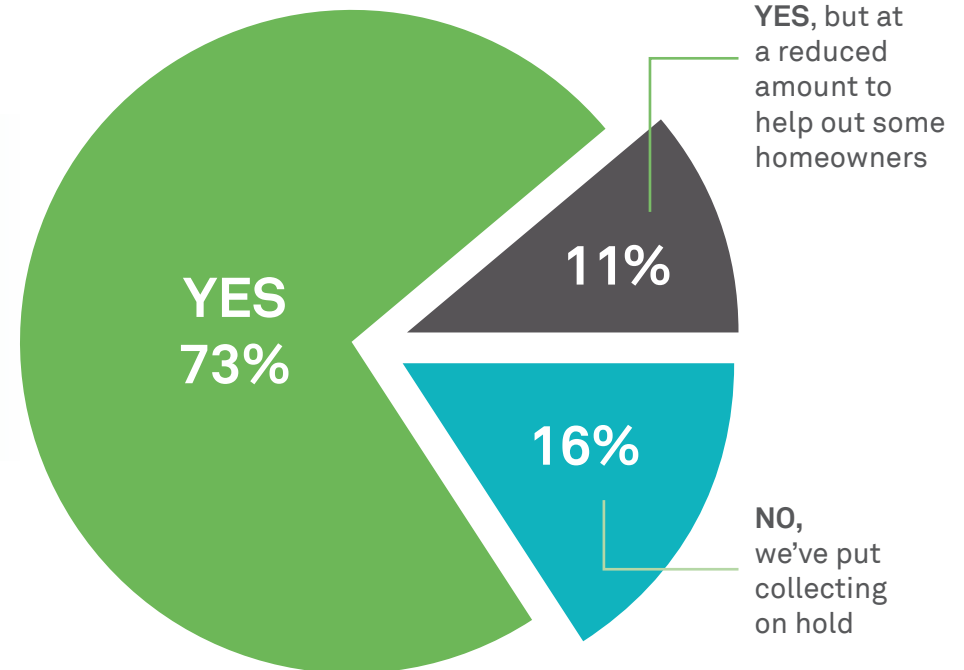
While the current pandemic holds a great deal of uncertainty for the future, **an overwhelming majority of boards surveyed are continuing to collect assessments as they normally do.** Pandemic or no pandemic, board members have a duty to continue funding the community's budget so that it remains a great place to live.

Collecting assessments as usual allows staff and third-party vendors to continue preventive maintenance, landscaping and maintaining amenities. Assessments also help pay bills that haven't stopped coming such as insurance, utilities and attorney fees.

Recommendation: "Don't suspend collections, especially in times of trouble," says Bobet Bennett-Marshall, senior vice president for financial services at FirstService Residential. "You have an obligation to continue to fund and run the association to the best of your ability."

These survey results show that most board members understand this obligation and are acting accordingly.

Are you continuing to collect assessments as you normally do?

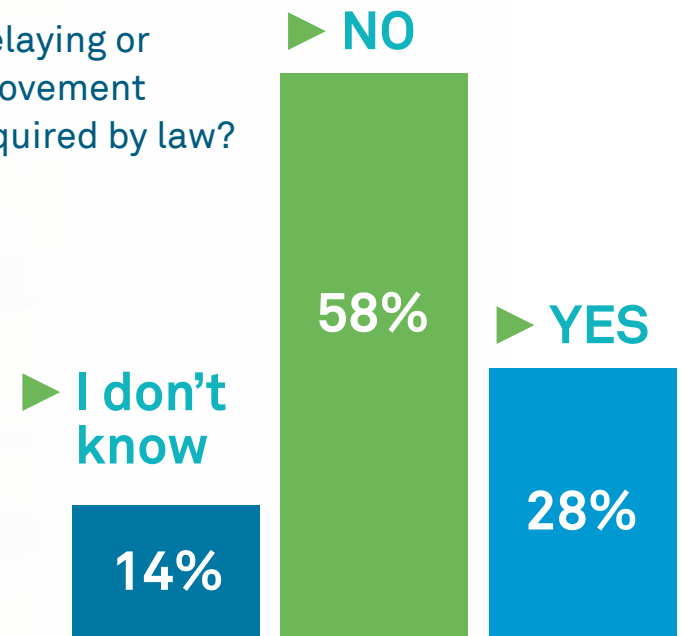




More Great News: Capital Improvement Projects are Continuing as Planned

Yet another positive trend with survey respondents was their commitment to move forward with planned capital improvement projects. **Nearly 60% of board members surveyed said they were not delaying or canceling capital improvement projects.** This points to careful planning by the board to ensure their capital improvement projects are properly funded and they will continue to increase the property value of the association.

Are you considering delaying or canceling capital improvement projects that aren't required by law?

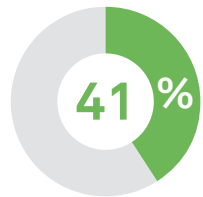


Optimizing Budgets During the Pandemic

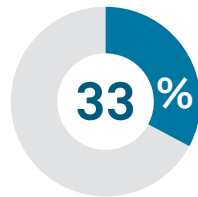
Boards are making the right decisions and taking the right steps to keep their residents safe and their budgets on target despite the pandemic. However, **half of all survey respondents are still looking for ways to optimize their budget for the coming year**, which comes as no surprise. What board wouldn't want to find ways to better invest their funds in any given year, let alone one that has provided unique challenges to many communities?

These are the top 5 areas where boards are looking to save:

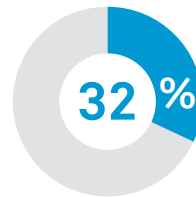
(Respondents could choose more than one option.)



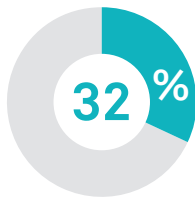
▶ Energy and utilities



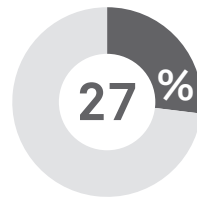
▶ Landscaping



▶ Preventive maintenance



▶ Insurance



▶ Programming and events

The good news is there are a number of steps boards can take to optimize these areas without reducing the value they provide to residents. Read on to see some helpful recommendations.



Optimizing Budgets During the Pandemic (cont.)

ENERGY AND UTILITIES

Recommendation: Utility companies are usually willing to provide an energy audit upon request. They examine your association's power usage and make recommendations for reducing your energy expenses.

Many companies and cities also offer rebates to offset the cost of replacing existing lighting or heating and cooling systems with high-efficiency options. A good association management company will help with your audit and make recommendations to lower your energy costs.

PREVENTIVE MAINTENANCE

Recommendation: Ongoing maintenance to your community is an essential part of its upkeep and should not be overlooked. If you're looking for ways to save within your maintenance schedule, try a cost/benefit analysis. There may be a less expensive way to get the work done or your current vendors may be able to provide greater value for the money (they may also be open to negotiating because of COVID-19 slowdowns.) Remember that saving money in the short term could end up costing you more in the future, so be sure not to skimp on critical preventive maintenance to avoid a costly replacement or repair down the road.

INSURANCE

Recommendation: As your board may have discovered, due to uncertainty around COVID-19, insurance rates have gone up over the last several months. While there's no way around

the industry-wide increases, a good management company will have the resources and expertise to understand your risk, perform benchmarking and work diligently to get your association the best value on an insurance policy. For instance, FS Insurance Brokers leverages relationships with highly rated insurance carriers to help reduce cost and enhance coverage levels for FirstService Residential clients.

PROGRAMMING AND EVENTS

Recommendation: While the COVID-19 crisis has certainly put a damper on in-person gatherings and events, that hasn't stopped a number of resourceful associations from moving to digital events. From Bingo Nights to Happy Hours, video conferencing platforms have allowed many communities to stay connected. The best part is that online events are more cost-effective than in-person events, so your board will save money while still entertaining the residents!

Some community management companies have even worked out deals with online fitness and wellness companies to offer residents access to a variety of content to stay engaged at home.

LANDSCAPING

Recommendation: Before you forego the landscaping, work with your property management company to negotiate a better deal on your behalf. Many companies have been affected by the COVID-19 crisis — including some of your vendors — and they may be more likely to keep a client by negotiating, than lose one altogether.

Bird's-Eye View: Boards Are Focused on the Big Picture

Most boards understand that even when an unexpected crisis occurs, the overall vision and budget goals remain the same. Staying true to your vision and planning your budget accordingly can even help protect your association in the future. To that end, a solid **45% of board members** said that they want to make sure assessments support their community's vision, and **37%** said they want to use their budget to **stay relevant and plan for unexpected expenses**.

Recommendation: Boards often want to steer clear of raising assessments to avoid looking like the “bad guy” (**46% said maintaining assessments at their current rate is a priority**). However, incremental increases to assessments can be vital to an association's health and may help boost property values over time. The key is to openly communicate with residents and make sure you share the “why” behind assessment increases (e.g., rising maintenance costs, continued improvements, etc.).

Keep in mind that assessment increases should be thoughtful and strategic, particularly in the midst of a crisis. During the current pandemic, board members need to consider economic realities (including job losses) and understand that increases may be more difficult to put in place, particularly without ample communication.

Out of the following budgeting goals, which are most important to you?

(Respondents could choose more than one option.)

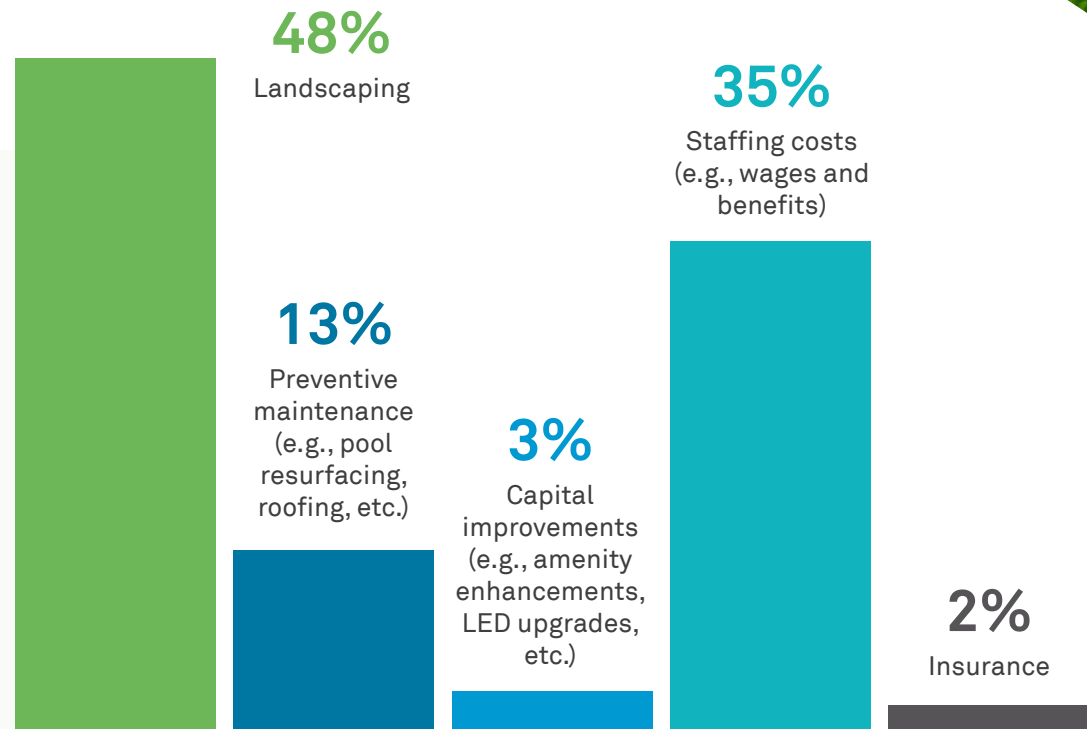


Details Matter: But Budget Priorities Can Differ

While boards are *mostly* aligned on their goal, their budget priorities can vary (depending on the property type and management structure). For instance, in a breakout of self-managed associations, **67% of board members who are part of self-managed or contracted communities** said that staffing costs (including wages and benefits) make up the biggest chunk of their budget (that's compared with **35% for all surveyed board members!**). Every HOA is different, but make sure that you're handling staffing costs appropriately and investing into capital improvements and landscaping, which also help enhance property values.

Recommendation: Review your budget regularly with your management company to ensure that your expenses align with your association's needs and overall vision. While most boards look at budget items like utilities, insurance and delinquencies during their annual budget review (**69%**, **72%**, and **71% of surveyed board members**, respectively), expenses can change on a dime (especially when a crisis occurs). Proactively reviewing your budget throughout the year can make a big difference.

Which expense makes up the biggest portion of your total budget?



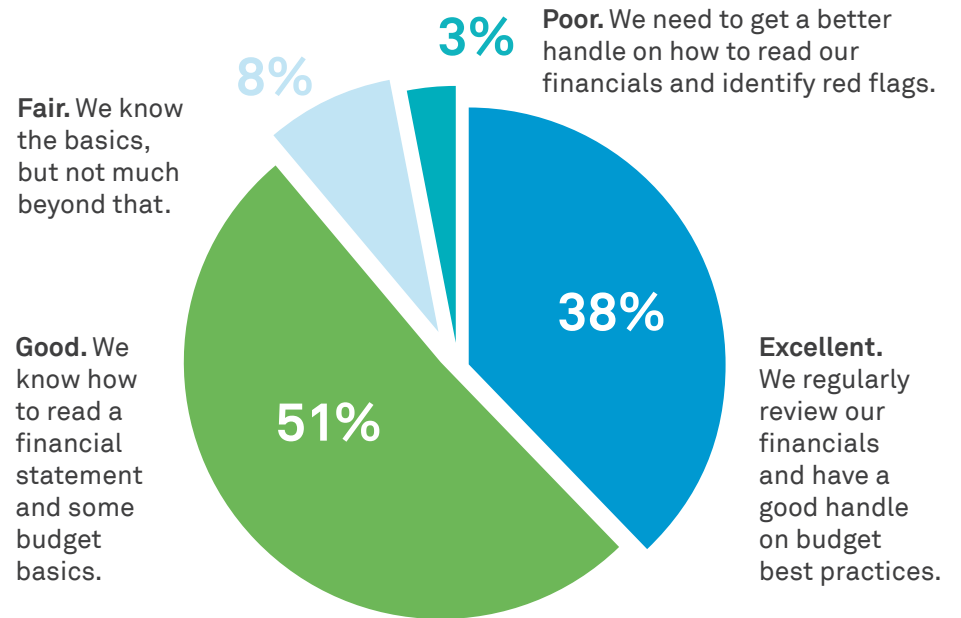


A+ on Education: Budget Knowledge Is Mostly Great

Most surveyed board members said their level of budget knowledge is excellent or good overall. But that number has changed a bit year over year. **In 2019, 53% of board members** rated their comfort level as excellent, **but in 2020, less than 40% said they have an outstanding handle on financials.** The information provided by your management company can impact this comfort level, and while **55% felt confident they were in the loop** on everything, **31% were concerned** about the quality or quantity of information, or they just weren't sure.

Recommendation: As a volunteer board member, you really don't need to know *everything* about financials to create a solid budget for your community or high-rise. But it's key to **have the right partner and resources in your corner.** Work closely with your management company to ensure that they have access to financial services partners, experienced managers and budget resources to help you build a budget that will position you for success.

What is your board's comfort level when it comes to your budget?



Do you feel your management company provides you with accurate and complete information about your budget (e.g., detailed averages of actual expenses)?





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About FirstService Residential

FirstService Residential is North America's residential property management leader, partnering with 8,500 communities across the U.S. and Canada. HOAs, community associations and condos rely on our extensive experience, resources and local expertise to maximize their property values and enhance their residents' lifestyles. Dedicated to making a difference, every day, we go above and beyond to deliver exceptional service.

FirstService Residential is a subsidiary of FirstService Corporation (FSV), a North American leader in the property services sector. Find out how we can help your community thrive. Visit www.fsresidential.com/california.

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