

Fee and Assessment Planning for the Condominium/HOA Industry

The Role of Predictor

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Like most Associations your Board likely establishes fees for the upcoming year based on anticipated operating and capital expenses and reserve fund needs.

Research has shown, however this 'just in time' approach results in a much higher monthly fee level over the long term than other fee management strategies...and that could be a problem.

But how could you possibly have known that?

Welcome to Predictor!

PREDICTOR

**A Powerful Fee and Assessment Forecasting
System that:**

- 1. Creates Instant Solutions to the Problem of
Rising Annual Expenses and Future Capital
Expense**

AND

- 2. Allows For Strategic Planning of Future fees
As Well As Current Fees**

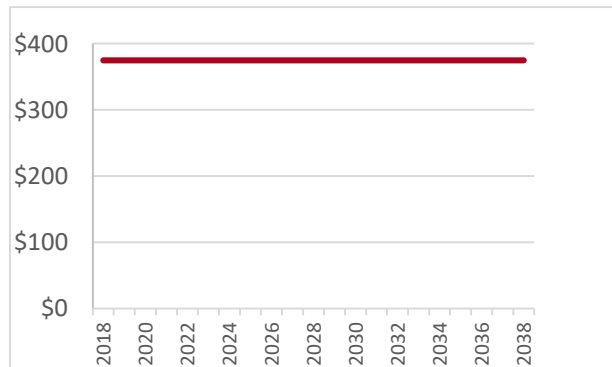
Why be concerned over future monthly fees?

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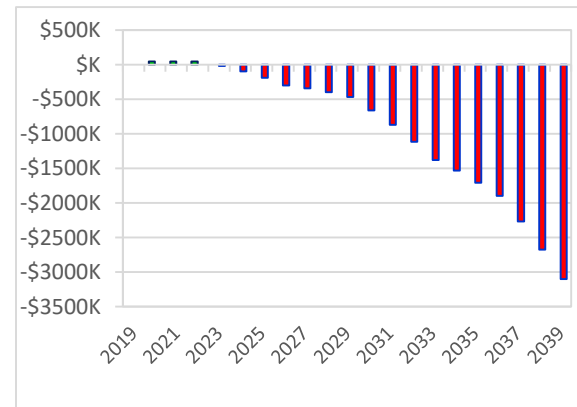
- New buyers react more to fee levels than to other financial considerations. **High fees depress resale offers and purchase prices.**
- Unless your fees are competitive with neighboring Associations, there is likely to be **more downward pressure on re-sale prices**
- Fees have to remain **affordable** for current residents, particularly those on **fixed incomes** who prefer to age in place.

Three Examples of the Effect of Different Fee Management Strategies on Future Fee Levels

These examples represent 3 different approaches to the same problem. Start with the same income and the same expenses. The initial condition of no fee increases at all results in projected deficits in the future (See below). The 3 examples will demonstrate that **different funding strategies result in significant differences in future fee levels.**



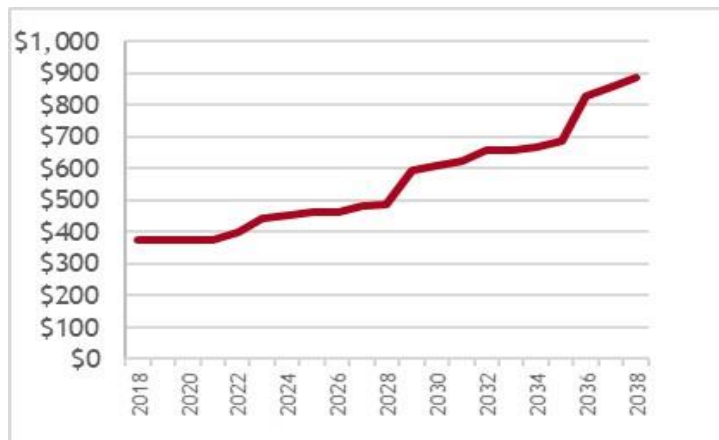
Average Fee Level



Resulting Annual Deficits

Growth in Monthly Fees under Different Fee Management Strategies

Example #1: The default strategy, commonly used by Associations/Property Managers. This **“Just in Time”** strategy charges homeowners only when it is specifically needed. This strategy results in relatively high monthly fees in the future.



**Just in Time Strategy—
Used by Most Associations**

**\$ 525 Increase in Average Fees
Over 20 Years**

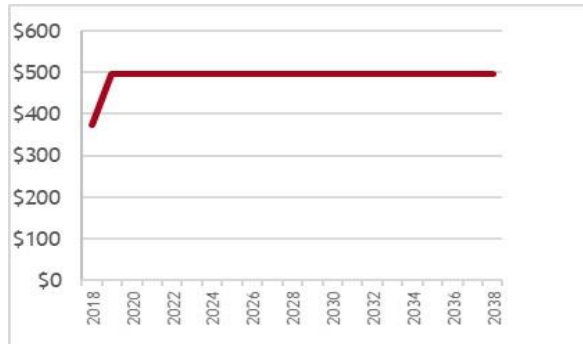


Operating Fund Balance

Maximum & Minimum Set by User

Growth in Monthly Fees under Different Fee Management Strategies

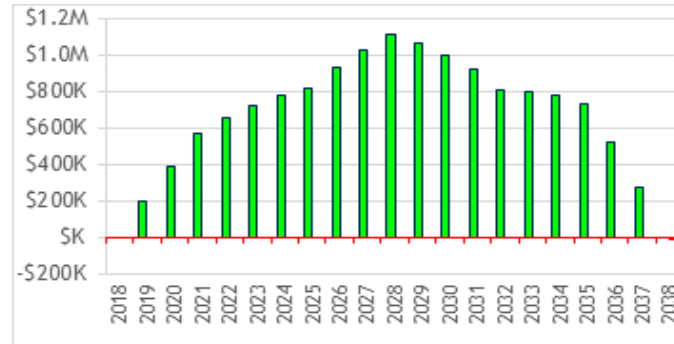
Example #2 (the same strategy utility companies use.) A monthly fee is estimated over a fixed period. Note that **Balances once again are positive throughout the 20 years, while all costs continue to be paid in full.**



“Budget Plan”/Early Funding Strategy

\$125 Fee Growth Next Year

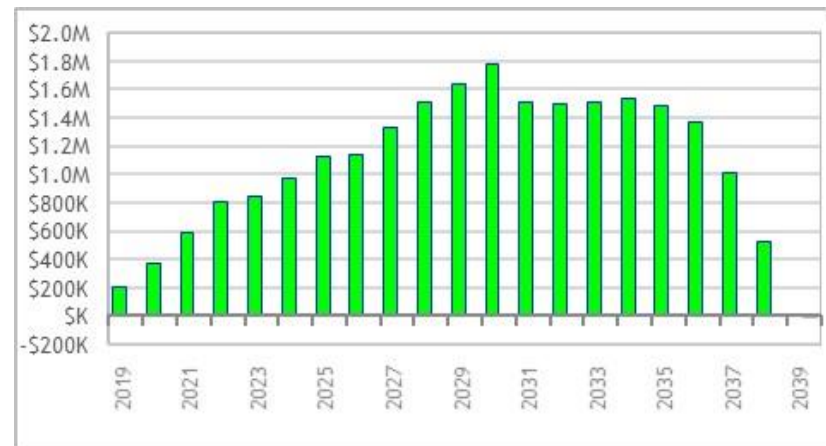
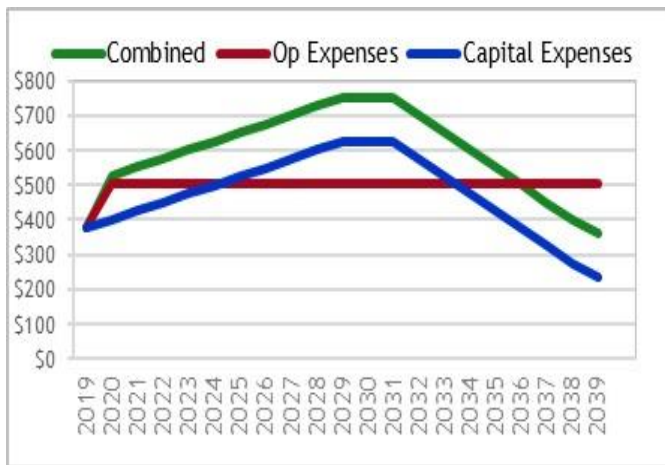
No fee Increase Needed for Next 20 Years!



Resulting Operating Balances

Growth in Monthly Fees under Different Fee Management Strategies

Example #3 If there is a capital expense component in the fee to start with, it is possible to have a monthly fee 20 years from now that is lower than now..!



Individual & Combined Fee Levels

Resulting Combined Fund Balances

Combination /Ad Hoc Strategy

Monthly Fee in 20 Years Lower

Than Current Level

WHAT DOES IT ALL MEAN TO YOUR ASSOCIATION?

In virtually an instant, PREDICTOR provides you with a long term forecast, adjustable to meet your specific needs, of:

- **Operating expenses and required fees**
- **Capitol expenses and required fees**
- **Consolidated expenses and fees**
- **Breakdown of fees and assessments by type of household**

WHAT DOES IT ALL MEAN TO YOUR ASSOCIATION?

Available funding strategies to explore are:

- **“Just in Time”**
- **Early Funding/Budget Plan**
- **13th Month**
- **Assessments Only**
- **No Assessments**
- **Fixed Term Debt or Credit Line**
- **Ad Hoc created by User**
- **Any permutation or combination of the foregoing**

The Bottom Line

Until very recently, there seemed to be little one could do except employ common sense and raise fees as necessary to meet expenses in the upcoming year. **Predictor** has demonstrated that when it comes to pondering fee levels farther into the future, the complexity of the problem is such that common sense and intuition alone cannot be relied upon. Consequently we've been 'flying blind' into the future.

Take action now to rise above the clouds and manage your fees in a manner that bolsters re-sale prices and maintains affordability for all of the residents.

www.azaleapredictor.com

REACTIONS OF THOSE WHO HAVE EXPERIENCED *PREDICTOR*

“Outstanding Value !”

Have never seen anything like it ! “

David Levy – (Predictor Early Adopter)

President, Sterling Services Inc.

2016 Management Company of the Year

CAI New England

It's Great – I Love it!

Client Manager

This is FUN !!

**Resident who participated
In Community Deliberations**