

October 15, 2008

Dear Lot Owner,

As many of you have heard the HOA board asked a handful of lot owners to investigate the need of a management company. The committee was comprised of two owners of single family homes and two owners of townhomes. Our task was to provide an independent evaluation of the pros and cons of hiring a management company.

Our process included interviewing HOAs with and without management companies, interviewing management companies and basic research via the internet. The following is a summary of our findings:

**Cons:** Based on our evaluation, lot owners would see an increase in annual dues ranging from \$70 – 110. The increase is primarily associated with fees that would be assessed by the management company to handle the day to day operations of the HOA. While many may believe that these fees would be minimal, our evaluation has determined them to be potentially significant. Management companies are for profit organizations and therefore cannot operate their business at a loss.

The committee recognized the work load required to provide adequate oversight of the HOA. Some of the required responsibilities may fall outside of what would be expected of a volunteer or volunteer board member.

**Pros:** The committee found that the HOA could experience a decrease, not elimination, of legal costs. This finding was based on the fact that HOA management companies should have basic working knowledge and experience in the day to day operations. Some of those interviewed stated that there is a potential in saving in contracts for snow removal and lawn care due to the companies affiliation with other associations and vendors; however, the committee could not quantify or guarantee this finding. Many of the routine operational tasks, some of which can be burdensome, including mailings, managing the maintenance of proxy lists, minutes of meetings, and receiving communication from lot owners would be completed by the management company. A management company would provide a buffer layer between the Board and lot owners when dealing with sensitive matters.

Among the HOAs explored without management companies shared a common value of pride and ownership. They felt it was important not to delegate the daily operational responsibilities to an “outsider.” Recognizing the recent concerns, we asked those communities how they handle the daily operations. Each has committees that are responsible for certain duties and is responsible for reporting to the board and to the general membership. They believe their success is based on the fact that the “rules” that govern the community have been clearly communicated and fairly enforced.

**Recommendation:** This committee believes it is not in the best interest at the present time to pursue a management company. Our investigation has provided some insight from how other HOAs operate and has provided us with some best practices. We have prepared a list of suggestions to present to the HOA board, that we believe could be implemented to save the HOA money, reduce the risk of future “special assessments” and to better the quality of life for all HOA owners.

The bottom line is this is our community. By working together we can offer ways to help the Board in its responsibilities that would improve our community and save us money.

We hope that the HOA board and the lot owners will consider our suggestions.

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