
MAHC MESSENGER

Editor-in-Chief

Randall Penttiuk, Esq.

Preparing Co-op Budgets in an Age of Austerity

By Herb Cooper-Levy

As co-op managers and boards begin to think about preparing their budgets, they are faced with a series of new concerns. Co-ops that count on HUD funding for significant parts of their operations have to plan on probable reductions in HUD funding.

The recently enacted debt ceiling limit makes clear that more budget cuts in Housing are likely. While the FY 2011 HUD budget maintained rental and operating assistance, it cut the HOME program by 12% and the CDBG program by 16%. When it came time for the Congress to adopt appropriations bills for this fiscal year, it was HUD funding that both houses agreed to cut in order to pass the bill.

The FY 2012 House of Representatives passed budget resolution contains further deep cuts for Housing. Cuts will be at least another 14%. (The resolution targets groupings of agencies. HUD is grouped with Transportation and some independent agencies. The overall group will receive the 14% cuts in the House bill. That means that Housing could be cut even more.) The House of Representatives passed the FY 2012 Agriculture appropriations bill. Rural housing appropriations contained in that bill have deep cuts, cuts that will cause currently housed families to lose their housing.

While the recently passed debt ceiling bill does not go into specifics about its impact on Housing programs, it does contain \$2.3 **trillion** in cuts between 2012 and 2021. With this year's Congressional appropriations actions in mind, Housing programs are bound to be hurt by those cuts.

What we have is a scenario of having completed 7 lean years as it relates to Housing funding, we can expect 7 even leaner years to come. With this as a backdrop, what can co-op managers and boards do when preparing a budget anticipating these probable cuts?

First, plan on reduced HUD funding. For example, if your co-op has benefitted from CDBG funds in recent years to fund site or unit improvements, don't plan on continuing to receive those funds. If your funding was for multiple years, expect next year's and following years' funding to at least be significantly reduced. While contractual commitments like FHA 236 Interest Reduction Payments won't be affected, income from tenant assistance payments could well be reduced.

Second, increase your marketing efforts to reduce potential vacancy losses. Consider making improvements to your grounds and property to increase your curb appeal so that your cooperative is the most desirable place in

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NEWLY ELECTED MAHC BOARD MEMBER

Karen Mitchell



“My board and myself work hard to keep our property safe and clean so that our children can have a great place to live”, declares MAHC’s new Board Member, Karen Mitchell. Karen, mother of six children, and Nanny to 17 grandchildren, is indeed no stranger to hard work. Born and raised in Gary, Indiana, she started out working in a steel mill. When her position was phased out in 1998, she moved into the Grandville Cooperative in Indianapolis and a community activist was born. She ran for the board in 2003, and has been serving ever since. Today Karen is the chair to the senior services committee and has been the president at her Cooperative since 2005.

Karen began attending MAHC conferences in 2005 when she was part of a “problem” board in her community. Not a fan of flying, she drove all the way to Florida for this event because she knew the information and guidance would be necessary to re-build a more effective board. Karen was determined to change her community’s image, and credits MAHC for educating and encouraging her to reach this goal.

Karen was voted onto the MAHC Board last May, and is excited to teach her first class at this year’s conference. She plans to speak about, “How to be you and still be professional”, and will focus on communicating with hard to deal with members. Karen says the biggest challenge facing most cooperatives today is, “motivating members and getting them to appreciate the cooperative and not treat it like an apartment”. For example, “When they call us to change their light bulbs, I tell them to go to the store and change it!” Karen’s approach to this problem is to orientate each new member herself so that they can’t say they weren’t aware. She feels that by educating her members, she enables them to be the best contributors to their cooperatives and adds, “You can’t appreciate something you don’t know you’re getting!”

Karen appreciates her relationship with MAHC for many reasons, but especially for all the training and networking. She thinks it’s important not to let her new position go to her head, and would like to thank MAHC for the valuable new friendships she’s gained. Karen has benefited most from hearing what works or doesn’t work for other coops because this alleviates the need for trial and error in her own community. “Learning from other’s mistakes or good ideas is a fast track to success”, says Karen.



Committees



As president of a coop, I truly understand how hard and time consuming it can be to take care of your coop. We all struggle with getting members to volunteer for committees, and take responsibility for contributing to the success of their coop. The best way for a coop to be successful is to get as many members involved as possible. The best way to accomplish that goal is through committees. MAHC has two classes to help you - “Committee Charges” and “How to get Volunteers.” I encourage you to attend these classes that will give you the information needed for your board members to get your committees started with confidence, a positive attitude, and make your task easier. Committees are formed to aid the board and take some of the load off your backs, but they need leadership and training from the board of directors. Prepare yourself with the tools you need to get your coop members involved by letting them know you need their help and making them feel a part of the coop business. I look forward to seeing you in these classes in San Diego, 2012.

~Jennifer Rhodes



FALL AND WINTER PREVENTATIVE MAINTENANCE TIPS



If you change furnace filters, make sure this gets done before the cold weather hits. Also use this time to inspect and clean the furnace. Make sure flue pipes are in good condition and connected properly, check the heat exchanger for cracks.

Remind Residents to change their smoke alarm and CO2 detector batteries when Daylight Savings Time changes.

Have boilers inspected and cleaned before they are fired up for the season.

Winterize pool systems. Sprinkler systems need to be shut down and winterized as well.

Don't forget to have your final lawn fertilization of the year performed.

Make sure gutters and downspouts get cleaned well after the leaves fall. Clogged gutters and downspouts in the winter are the major cause of ice damming and interior leaks and water damage.

If you contract out your snow removal, you should either have your contract in place or be very close to finalizing it at this point.

Orders for ice melt, calcium chloride, salt, or whatever chemical you use for ice removal should be ordered and in stock by mid October.

All of your winter equipment should get a good "check up" and have any necessary repairs done now. This would include but should not be limited to: shovels, snow blowers, bobcats, trucks, tractors, etc. Nothing is worse than being in the middle of a snow storm and find out the snow blower wont start.

Be sure to communicate to your entire staff the winter weather policies of your property. Make sure everyone is aware of what part they are to play in the way of maintaining the property during this time of year. This would include providing them with the training necessary to complete snow logs, incident reports etc.

Some locations are required to mark the locations of fire hydrants throughout your property so that they can be detected even under the snow. This should be done by the first of November at the latest.

Be sure to communicate your snow removal and plowing procedures to your residents. Detail what is expected in the way of moving vehicles, any areas they are responsible for snow removal on etc.

Make sure hoses are disconnected from outdoor sill cocks. Some properties even shut off their sill cocks all together. If that is the case this should be done by the first of November.

An ounce of prevention is worth much more than a pound of cure.



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The KC Connection

On Saturday October 15, 2011, MAHC hosted an educational seminar in downtown Kansas City, Missouri at the Hotel Phillips. Eighty-four participants registered to attend this event which represented twelve cooperatives from the states of Kansas and Missouri.

Board members gave condensed overviews of just a fraction of the educational classes that MAHC offers. Those presented were “The Police and You”, by David Rudicil; “Cooperative Law”, by Randall Pentiuik, Esq.; a Certified Cooperative Director review by Marlene Dau; and “On Cue”, by Bill Magee, which is an interactive class. Attendees actively participated physically and also verbally with questions and comments.

This seminar also highlighted the continued need for education that Co-op Board Members are requesting. MAHC will strive to create new classes that will bring better service to organizations, but also our commitment to offer help and support. Enabling Cooperatives to not only meet the challenges facing them today, but for the future so that they can continue to thrive and provide affordable and quality housing.

The Midwest Association of Housing Cooperatives thanks the following for helping to sponsor the Kansas City Education Seminar.

Enhanced Value Strategies
St. Louis Missouri

FK Gibbs Company, LLC
Kansas City, Missouri

Keli Management
Kansas City, Missouri

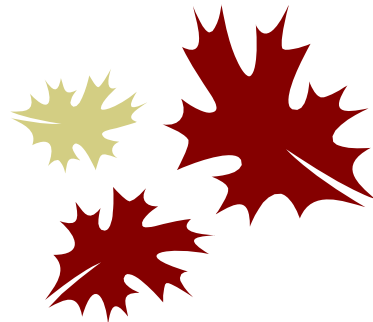
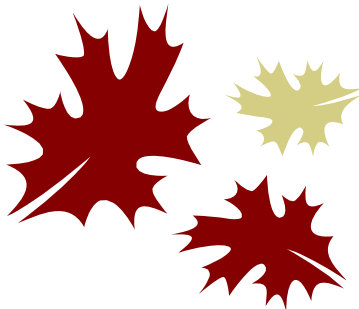
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Many thanks to the MAHC Board members Dave Rudicil, Bill Magee, Marlene Dau and Randall Pentiuik for presenting classes, and to Brenda McElhaney, MAHC Vice President for Kansas and Missouri, for pulling this event together.



2012 MAHC Conference

May 20th - 23rd

San Diego!

SAVE THE DATES!!



An Excerpt from
101 Ways to Improve Your Cooperative
A Law Primer

By: Randall A. Pentiuk, Esq.

CHAPTER ONE: FIRST EDUCATE YOURSELF

These suggestions are for new Board members and serve as a refresher for seasoned Board members, to prepare you for serving most effectively. Incumbent Board members should pay attention to them in order to be helpful to new Directors.

1. Compile all the important documents you need to know and have handy. These include your bylaws, articles of incorporation, any HUD agreements, the Management Agent agreement, the current budget, the last audit report and the Auditor's management letter. Put into a binder and take to the Board and Membership meetings for reference.
2. Make sure you have the current documents. It is amazing how many Boards do not know which documents are current. Ask your Management Agent, senior Board members, the Cooperative Attorney, and perhaps even HUD, to make sure. This is critical.
3. On that same note, insist on dating the pages of every such document. Demand that the office maintain a binder of the critical documents (dated, of course), and that there is a second binder kept in the off-site storage (as discussed later) for back-up purposes.
4. Familiarize yourself with the documents in your binder. Gain an awareness of the critical provisions, especially in your bylaws such as quorum, voting requirements, ways of calling meetings, duties of the various Officers, powers of the Board.
5. Join and attend the "trade associations." These include the Midwest Association of Housing Cooperatives (MAHC) and the National Association of Housing Cooperatives (NAHC). Go to the classes and network with other Board members who can become resources. Visit the exhibition hall and buy the materials. Visit the websites:

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MAHC – <http://www.mahc.coop/>

NAHC – <http://www.coophousing.org/>

We have one for National Cooperatives <http://nationalcooperativelawcenter.com/> and contains our course materials, primers and other pertinent legal information.

6. Adopt the “corporate” mind set. Realize that you are part of a Board that, just like General Motors, oversees a multimillion dollar operation. Train yourself to think “big.” Consider that your job is vitally important. If you don’t do it, it won’t get done. This isn’t about your personal agenda; you now need to think about the cooperative community in general. Learn what it is to become a fiduciary. You are one now, and owe a fiduciary’s duty to your membership. If you breach it, you may be personally liable to your members.
7. Learn the “business judgment rule.” This legal doctrine gives you immunity from liability for your actions as a Board if you sought and obtained advice from professionals such as the Cooperative Attorney, Auditor, and Management Agent. It also is a doctrine used by the Courts to avoid second-guessing Board decisions.
8. Understand that you are a just a member of the Cooperative except when your Board is in session. That is your only authority. Avoid the temptation to throw your weight around. You don’t have the right to issues directives on your own. It is the Board that acts, not you.
9. Learn that what happens in the Board room stays in the Board room. You are charged with maintaining confidentiality. You will be exposed to much personal information about members, and sensitive information that could harm the cooperative if it was released to the wrong people. Keep your mouth shut

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shut and any Board materials under lock and key.

10. Familiarize yourself with the basics of parliamentary procedure. Buy a copy of Roberts Rules of Order. Take my classes at MAHC and NAHC. Know these fundamentals:

- Making a motion

- Modifying a motion

- Quorum rules

- Protocols during the meeting

- Reconsideration of defeated motions

- Minutes

- Right to dissent

- Making an objection

- Tabling motions

- Agendas

11. If you are elected to an office on the Board, know your job. First, examine the job description in the bylaws. Then get specialized training at the MAHC and NAHC conferences. Ask for guidance from your Cooperative Attorney and Management Agent.
12. Know the roles of the professionals. Remember who the boss is. Your Management Agent works for the Board. The Cooperative Attorney and the Auditor also work for the Board. They do not work for the Management Agent. If that is not the case, get rid of them.
13. Understand how the Board is organized. Read the bylaw section on how officers are selected and realize that the officers serve at the pleasure of the Board, meaning that you can hold an election whenever the majority of the

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Directors decide.

14. Selecting Officers on the Board must be based on their qualities, not popularity. Someone who is not good with finances should not be the Treasurer; someone who is not good with record-keeping should not be Secretary, and someone who cannot lead should not be President.
15. Generally speaking the Officers can be removed from office by the Board, but the Directors cannot; only the members can remove Directors. But the Board may censure bad behavior and may also call for a special membership meeting to remove a Director.
16. Find out if there are any “automatic” removal provisions in your bylaws. Some provide for the automatic removal if a Director is late in paying carrying charges.
17. Conflicts of interest must be dealt with openly and above reproach, not secretly. If there is a real or perceived conflict, the involved Director is to abstain from discussion and voting. Seek legal advice when in doubt. Remember you are protecting the integrity and reputation of the Board.
18. The Board policy book should exist, and every Board member should have one. This records each policy decision ever made by the Board since its inception, arranged by topic and the date of the minutes where decided. It is a guide to the past, designed to avoid having to repeat decisions. It spells out matters such as how business is to be conducted. Few Boards take the effort to do this, so you end up relying on short term memory or rehashing decisions. Topics may include the way per diem for conferences are determined; which meetings are open; how many meetings will be held in a

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year; election procedures; employee benefits and compensation; employee bonuses; and the like.

19. A major responsibility of each Director is to see that he or she continues to be educated. MAHC now has a special program for Director training, designed to help you keep current on new challenges and developments. In fact, at the recent MAHC Board retreat, we decided to enhance every possible way of fulfilling the educational component of what we do – so look for better newsletters, a more resourceful website, improved classes and additional training materials.

If you would like a complimentary copy of the primer

“101 Ways to Improve Your Cooperative”

Please contact Randall Pentiuk at rpentiuk@pck-law.com.

Preparing Co-op Budgets in an Age of Austerity Continued . .

your community to live. Seek opportunities for positive local media coverage for events in your co-op and consider paying for advertising.

Third, look for other ways to produce revenue for your co-op. Review your laundry and vending contracts to see if they might produce additional income for your co-op. Look at the fees you charge members for the use of community rooms, late fees and other charges to determine if those fees can be increased. If your co-op has space that is not being used and that space can legally be used for commercial purposes, consider leasing that space. If there's unused parking or land that is not being used, and if that property might be developed, consider selling or leasing that property.

Fourth, look for ways to reduce your expenses. Have your property management firm bid your contracts, especially your property insurance, to see if savings are possible. Consider changing your property management agreement so that you can solicit bids and possibly save on this expense. Seek a reduction in your property taxes. Consider refinancing your mortgage if your mortgage can be refinanced and rates might be advantageous.

Finally, cooperatives can inform their members of the impacts from the loss of HUD funding and encourage their members to communicate with their elected representatives.

It's not currently possible to determine the exact effects on HUD funds from the recent debt ceiling actions and the mood of Congress, but it is prudent for cooperatives to plan for reductions in HUD funding. Cooperatives can draw from their strength to reduce their vacancy losses, increase their revenues and reduce their expenses.

Herb Cooper-Levy is Director of Business Development for Jeffrey Charles and Associates, a property management firm that specializes in cooperatives and other ownership associations



Professional Profile

Tailor Made Property Services



Since 2002, Tailor Made Property Services has been in business by telling property owners, “you tell us what you need, and we’ll go from there”. Now managing 16 properties, the Tailor Made name continues to be based on a promise to constantly adapt to each property’s custom needs. The property services group has implemented what they call the “out of the box” philosophy which is designed to encourage all clients who own property to look beyond the day to day errands regarding people, pets and parking, and think about future goals. Tailor Made wants to be a part of their client’s vision for the future and aspires to always keep the big picture goal in mind.

President, Marlene Dau has specialized in cooperative living since 1984 and believes in the democratic process for housing. “Our idea of a great property management company is one that tailors its services to your needs not our ego. Some property management companies sacrifice quality for the sake of quantity meaning, they balance over developed portfolios with under developed staff. We do not strive to be the biggest; we strive to be the best. If we do not believe we can make a difference, we will not take the assignment”, says Marlene.

Marlene describes the company’s most recent and memorable award as the “IREM Chapter #23 2011 Certified Property Manager of the Year Award”, which the company has received for the last 6 years. Marlene is proud that the industry recognizes what Tailor Made does and referred to the award as a “huge complement”.

Tailor Made Property Services write and teaches many of its own classes. Some popular topics are: Fair housing, Professional Conduct, Sexual Harassment, Fiscal management, Marketing and Board Leadership. Depending on client directives and staffing needs, individual training programs can be developed at no additional cost to the property.

Treating members as individual people and remembering that property is someone’s home, Tailor Made Property Services has flourished and looks forward to continuing an even stronger relationship with MAHC well into the future.



Comments? Suggestions? Ideas?

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**MICHIGAN
CCD CLASS
A SUCCESS!!**

On October 7th and 8th, Branford Cooperative played host to the MAHC CCD (Certified Cooperative Director) class. We had almost 40 attendees and every single one passed their test! We would like to thank Branford Cooperative for playing host and Georgetown Cooperative for sponsoring lunch. Most importantly, we want to thank all of those who participated – you made this successful! ***Congratulations*** to all of our new Certified Directors!

**MAHC**

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