Budgeting Process

for

Homeowner Associations

ACNA Meeting, Jan 25, 2018
Overview

• New or Existing Associations
• Plan and Set up for the Year
• Monitoring
• Maintenance
• Auditing
• Reporting
New Association

• Collect Information from All Sources
  – Developer; Other Associations; ACNA
  – Income Estimate
  – Expense Categories, Contractors and Estimates
  – Priorities
  – Schedules
    • Dues; Invite Bids & Select; Pay Bills

• Agree on Process

• Prepare Budget for the Year

• Plan for Savings
  – Contingencies; Deferred Items
  – Big Ticket Items
Existing Association

• Not Much Different but Have an Historical/Experience Base
• Call on Past Board Members
• Size Matters
  – Number of Homeowners
    • Dues collection may be onerous
  – Amount of Dues
    • Directors’ responsibility increase
    • Insurance requirements
Typical Expense Categories

• Electrical Bills
• Landscape Maintenance
• Pond Maintenance
• Snow removal
• Repairs: Lights, Signs, Roads, Common Areas
• Other Maintenance: Tree Removal
• Insurance, Auditor
• Minor Items: Bank, Mailing, Office Supplies
Primary Activities

• Budget projection
  – Income from dues
  – Estimates for electrical bills
  – Bids and selection of services
  – Contingencies
• Review/Update Budget During Year
• Collect Dues
• Write Checks
• Maintain Records
• Compare Against History
• Reserve and Savings for Big Items
My Personal Experience

• Developer Provided Some Help
• Some Members Had Prior Experience
• Original Dues Were Unrealistically Low
• Covenant-allowed Annual Increase Insufficient
• Some Homeowners Including Board Members Pre-paid Dues to Cover Bills at Year-end
• Dues Raised by Homeowner Vote (2/3 required by Covenant)
# Monthly Summary Report Example

<table>
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<tr>
<th>To Whom</th>
<th>For What</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
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Auditing & Reporting

• Self-Auditing/Hire Auditor
• Reporting to Homeowners
• IRS Filing