

HOAMCO – Best Practices



Budget Development

The budget season begins in August for communities operating on a calendar year. The budget is the formal financial plan that determines the operating and reserve expenditures and the annual assessment for the next budget cycle. In developing annual budgets, the following must be followed:

- 1) Assessment amount. The last thing to determine is the annual assessment, which is based on expenses. Avoid trying to fit the expenses to the current assessment or a predetermined increased amount.
- 2) Format. Separate budgets are necessary for operating, reserve and any neighborhood with additional assessments. Break into categories, such as Admin, Common Area, etc., so that line items under each category make sense.
- 3) Sub-contractor bids/rates. Evaluate all of the subcontractor agreements currently in place and obtain new bids where necessary and/or updated pricing. Examples include insurance, landscaping, audits, and management fees. HOAMCO will distribute adjusted annual contract fees and flat fees by the end of July.
- 4) Historical data. Evaluate budget to actual for the last year and determine where the variances are and why. Adjust numbers for next year accordingly. Don't forget that postage expenses have increased.
- 5) Utilities. Contact utility companies to verify any rate increases.
- 6) Reserve Study. Ensure that the budget reflects up-to-date reserve allocations, as per the association reserve study.
- 7) Board input. Work with your boards now to communicate the budget timeline and to identify the budget liaison.
- 8) Assessment increases. If it is determined that an assessment increase is required, ensure that the increase does not exceed that stated in declaration and/or State statute. Use care in how the assessment increase is communicated to members and make sure the communication is on behalf of the board or from the board president directly.
- 9) Developer communities. It is important to work with the developer in setting sales projections for the next budget year. Excellent budget templates are available in the HOAMCO forms and procedures shared file. If you are not able to access the template, let us know and the template will be e-mailed to you.
- 10) Timeline. Please follow the below timeline and submit approved budget on the attached Budget Approval Form:

Aug 1	Begin information gathering
Sep 1	Provide Board with first draft
Sep and Oct	Work with board to finalize budget – budget approval by October 31
Nov 1	Obtain Board Approval and input approved budget into TOPS
Nov 15	Signed approved budget due to HOAMCO Chief Financial Officer
No later than Dec 1	Mail budget to membership

IMPORTANT NOTE:

If your governing documents require that the budget be sent to the membership more than 30 days prior to year-end – adjust your timeline.

**HOAMCO
BUDGET APPROVAL**

COPY OF BUDGET MUST BE ATTACHED

Association: _____

Property Manager: _____

2008 Dues: _____ Monthly Quarterly Semi-Annual Annual
 Coupons Statements

Working Capital: _____ First Sale Only All Sales
 Operating Reserve
Reserve Contribution: _____ First Sale Only All Sales

Reserve Transfer: _____ Monthly
If not monthly, specify months:
 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Tax Preparer: _____

Annual Report Preparer: _____

Annual Report: Compilation without footnotes
 Compilation with footnotes
 Review
 Audit

Board Approval:

Entered into TOPS

Board Member Signature/Title

Property Manager Signature

Date

Date