Association Essentials Series

Helping you manage your association

Association Essentials Series

Budget Development Foundations

August 26, 2025 | 12 PM (MST)/1 PM (CST)

Helping you manage your association

AUGUST

BOARD MEMBER OF THE MONTH

CHUCK SCHWARTZENBERG

La Jolla Hills - CAM

- In 5 years of service, he's taken on big projects like landscaping, road repair, etc.
- He is very knowledgeable about HOA rules
- Great at research
- NEVER MISSES A BOARD MEETING

NOMINATE

an outstanding Board Member

bit.ly/HOA-Board-Month

PROFESSIONAL DESIGNATION UPDATE

Kimberly Graff

CAM Community Manager

RECEIVED PCAM

HOALIVING

EDUCATION SCHOLARSHIP

Winner & Honorable Mentions

2025

ESSAY PROMPT

Describe a community builder you admire and why

- **First Place: Jenny G.** - Garden Grove (FCS)
- **HM: Elisheva W.** - Highridge (FCS)
- **HM: Isabela S.** - Waters Edge (HOAL-MN)
- **HM - Tiffany M.** - Parkside (FCS)
- **HM - Ethan D.** - Long Valley (CAM)

Budget Development Foundations

- Understanding
- Planning
- Analyzing
- Setting Assessments

PRESENTER

Greg Gardner, PCAM

HOALiving

Director of Business Development

UNDERSTANDING:
Budget Basics

WHAT IS A BUDGET?

A tool for effectively running community associations that ***<u>does not</u>*** **limit the board's flexibility to adjust planned expenses as conditions change!**

WHY BUDGET?

Well-established budgets allow an association's board to more easily and responsibly:

- ✓ **Plan Community Activities**
- ✓ **Manage Operations**
- ✓ **Provide Services**
- ✓ **Establish Assessments**
- ✓ **Minimize Unexpected Expenditures**

RECOMMENDED BUDGETING PROCESS

Start Planning Early
(we’ve already started!)

Draft Budget (or request with management partner)

Treasurer Review & Approval

Board Review & Approval

Proper Notices

Finalize and Publish
(by November 1 for January 1 assessment increases)

PLANNING

Keep in mind

1. Inflation is real
2. Assessments must keep pace
3. Consider large projects & reserve study needs
4. Treasurer works with manager to draft - BEFORE IT GOES TO THE REST OF THE BOARD
5. Plan for required timelines and communications

REVIEW REQUIREMENTS

Consult Governing Documents for:

Budget Approval Process

Assessment Increase Provisions

Owner Notice Requirements

GOVERNING DOCUMENTS

Where to look?

- **CC&Rs:** These often contain a section on “Assessments” or “Budget & Assessments”
  - Look for annual caps on increases
- **Bylaws:** Sometimes procedural rules for adopting budgets and assessments can be found here
  - Check for voting requirements if increase exceeds cap

GOVERNING DOCUMENTS

Steps to review documents:

1. CC&Rs Table of Contents
2. Locate Assessments Article
3. Check for Special Assessments
4. Review the Bylaws (secondary check)

Use **CTRL + F** (find)
to search terms:

- “assessment”
- “increase”
- “budget”
- “dues”
- “special”
- “maximum”
- “membership approval”

Sample CC&Rs Excerpt

Assessments and Increases

Section 1. Creation of the Lien and Personal Obligation for Assessments
Each Owner of a Lot, by acceptance of a deed therefor, is deemed to covenant and agree to pay the Association: (a) monthly assessments, (b) special assessments, and (c) any other charges as established by the Association.

Section 2. Monthly Assessment
The initial monthly assessment **shall** be $135 per Lot, payable in advance on a schedule determined by the Board of Directors.

Section 3. Maximum Annual Assessment
(a) The annual assessment **may** be increased each year by the Board of Directors not more than 20% above the maximum assessment for the previous year without a vote of the membership.
(b) Any increase greater than 20% **shall** require the approval of a majority of Members present in person or by proxy at a meeting duly called for this purpose.

Section 4. Special Assessments for Capital Improvements
In addition to the annual assessments, the Association **may** levy a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement. Approval by a two-thirds vote of the Members **shall** be required.

Sample CC&Rs Excerpt

Assessments Based on Par Value

Section 1. Basis of Assessments
The annual assessment **shall** be determined according to the "par value" assigned to each Lot on the Plat or in these Covenants. Each Lot shall have a par value of 100, unless otherwise specified.

Section 2. Maximum Annual Assessment
(a) The maximum annual assessment **shall** be $360.00 per par value unit.
(b) The Board of Directors **may** increase the maximum annual assessment each year by no more than 10% of the previous maximum without a vote of the Members.
(c) Any increase exceeding 10% of the previous maximum, or any change to the par value formula, **shall** require the approval of two-thirds (2/3) of the Members present in person or by proxy at a duly called meeting.

Section 3. Special Assessments
Special assessments **may** be levied against each Lot in proportion to the par value assigned thereto, provided such assessment is approved by a majority of Members voting at a duly called meeting.

GATHER FINANCIAL INFORMATION

Primary Resources:

- ✓ Financial Statements
- ✓ Reserve Study
- ✓ Service Contracts

BALANCE SHEET

- Reflects the financial status at the time the report was prepared
- Lists all assets and liabilities

REVENUE & EXPENSES

- Financial transactions during a specific period
- Includes comparison of actual vs. budget

REVENUE & EXPENSES EXAMPLES

ABC ASSOCIATION

2025 Budget Comparison

GL NUMBER		2023 Actual	2024 YTD As of August	2024 Budget	2024 Annualized	2025 BUDGET	Cost Per Unit/Mo 202
INCOME:							
40000	Assessments	$620,577.00	$ 446,038.00	$672,216.00	$ 669,057.00	$ 732,816.00	$302.32
	TOTAL PRIMARY INCOME	**$620,577.00**	**$ 446,038.00**	**$672,216.00**	**$ 669,057.00**	**$ 732,816.00**	**$302.32**
ANCILLARY INCOME:							
40105	Clubhouse Rental	$ 1,045.00	$ 720.00	$ 1,200.00	$ 1,080.00	$ 1,200.00	$ 0.50
40125	Fines	$ 7,448.61	$ 320.00	$ -	$ 480.00	$ 480.00	$ 0.20
40131	Operating Interest	$ -	$ 32.31	$ -	$ 48.47	$ 50.00	$ 0.02
40150	Key & Remote Fees	$ 275.00	$ -	$ 400.00	$ -	$ -	$ -
40165	Late Fees	$ 3,125.00	$ -	$ 4,000.00	$ -	$ -	$ -
40185	Reinvestment Fees	$ 22,002.78	$ 13,600.00	$ 25,000.00	$ 20,400.00	$ 21,000.00	$ 8.66
40175	Returned Payment Fee	$ -	$ 205.00	$ -	$ 307.50	$ 300.00	$ 0.12
40200	Collection Fees	$ -	$ 600.00	$ -	$ 900.00	$ 1,000.00	$ 0.41
40225	Pre-Collection Notice Fee	$ -	$ 150.00	$ -	$ 225.00	$ 200.00	$ 0.08
40205	Payment Convenience Fee	$ 677.95	$ -	$ -	$ -	$ -	$ -
	TOTAL ANCILLARY INCOME	**$ 34,574.34**	**$ 15,627.31**	**$ 30,600.00**	**$ 23,440.97**	**$ 24,230.00**	**$ 10.00**
TOTAL INCOME:		**$655,151.34**	**$ 461,665.31**	**$702,816.00**	**$ 692,497.97**	**$ 757,046.00**	**$312.31**

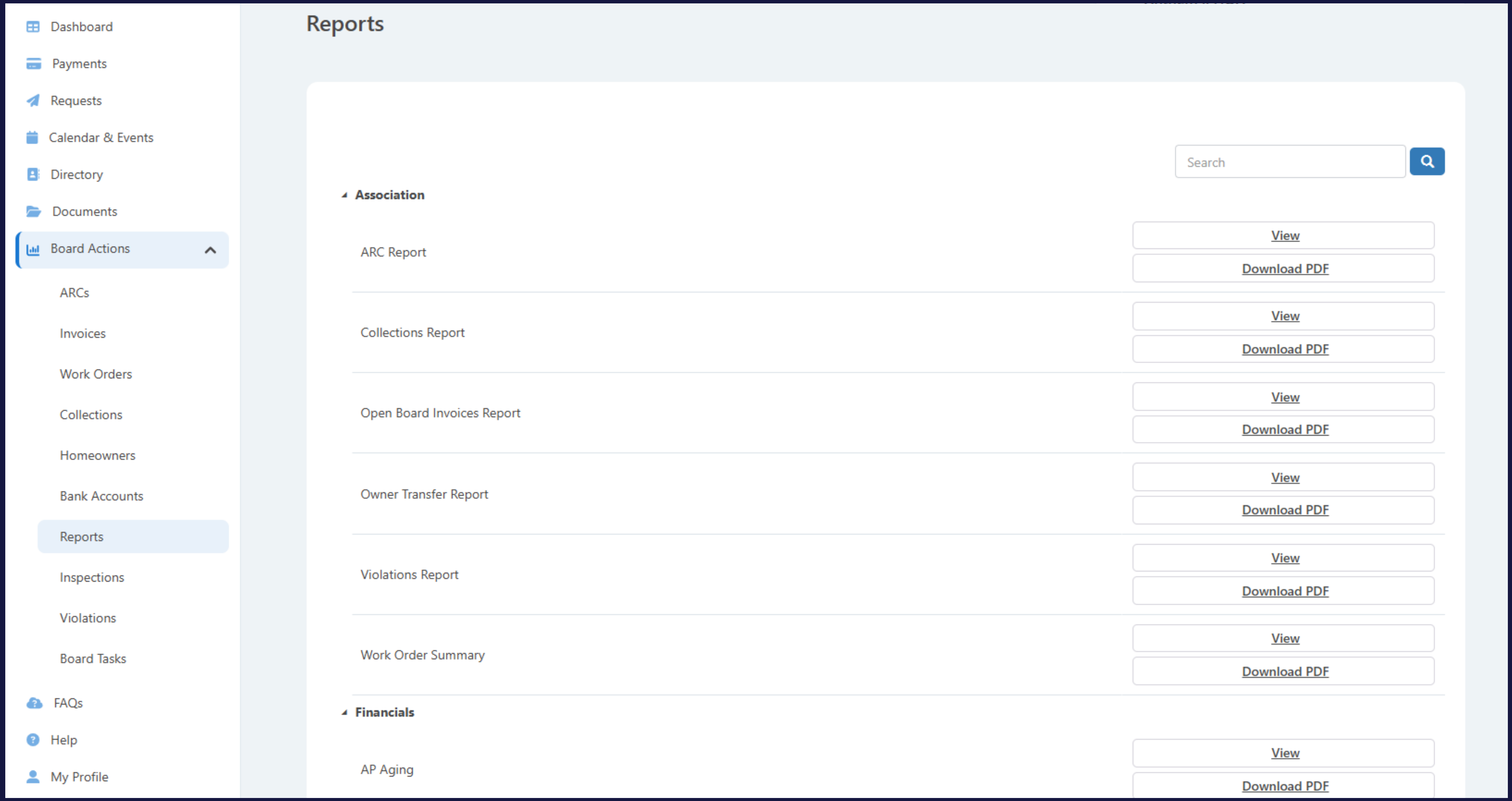
REVENUE & EXPENSES EXAMPLES

ABC ASSOCIATION

2025 Budget Comparison

GL NUMBER		2023 Actual	2024 YTD As of August	2024 Budget	2024 Annualized	2025 BUDGET	Cost Per Unit/Mo 202
EXPENSES:							
	ADMINISTRATIVE:						
50108	Annual Meeting	$ -	$ -	$ 1,200.00	$ -	$ 1,000.00	$ 0.41
50100	Fees (Bank, Liscensing, Etc.)	$ -	$ 75.00	$ -	$ 112.50	$ 300.00	$ 0.12
50110	Copies & Postage	$ 2,007.03	$ 1,414.38	$ 1,300.00	$ 2,121.57	$ 1,300.00	$ 0.54
50125	Management Fees	$ 17,230.50	$ 12,726.00	$ 18,180.00	$ 19,089.00	$ 17,816.00	$ 7.35
50150	Office Supplies	$ -	$ 357.50	$ 1,000.00	$ 536.25	$ 1,000.00	$ 0.41
50155	Professional Services (Legal, Acct, Tax	$ 400.00	$ 862.00	$ 18,000.00	$ 1,293.00	$ 1,000.00	$ 0.41
50165	Taxes	$ 2,293.10	$ 1,771.00	$ 2,400.00	$ 2,656.50	$ 2,400.00	$ 0.99
50300	Insurance	$ 58,683.30	$ 46,028.83	$ 77,540.00	$ 69,043.25	$ 82,000.00	$ 33.83
50400	Legal	$ 8,469.55	$ 14,076.00	$ -	$ 21,114.00	$ 10,000.00	$ 4.13
50505	Interest Expense	$ 7,463.40	$ -	$ -	$ -	$ -	$ -
	TOTAL ADMIN EXP:	**$ 96,546.88**	**$ 77,310.71**	**$ 119,620.00**	**$ 115,966.07**	**$ 116,816.00**	**$ 48.19**
	GROUNDS:						
65000	Maintenance & Repairs	$ 37,864.18	$ 75,502.33	$ 22,500.00	$ 113,253.50	$ 30,000.00	$ 12.38
65002	Maintenance & Repairs- Building	$ 20,967.10	$ -	$ -	$ -	$ -	$ -
65003	Maintenance & Repairs- Lighting	$ 1,175.47	$ -	$ -	$ -	$ -	$ -
65004	Maintenance & Repairs- Tennis	$ 93.84	$ -	$ 200.00	$ -	$ -	$ -
65001	Maintenance & Repairs- Window Clean	$ -	$ 600.00	$ 1,600.00	$ 900.00	$ -	$ -
65800	Electrical & Lights	$ -	$ 49.34	$ 3,000.00	$ 74.01	$ 1,000.00	$ 0.41
66800	Landscaping (other)	$ 207,070.41	$ -	$ 12,500.00	$ -	$ 20,000.00	$ 8.25
66805	Landscaping- Contract	$ -	$ 125,252.48	$ 146,600.00	$ 187,878.72	$ 147,000.00	$ 60.64
66835	Landscaping- Repairs	$ -	$ 62,663.63	$ 40,000.00	$ 93,995.45	$ 60,000.00	$ 24.75
67200	Pest Control	$ 4,290.00	$ 3,785.00	$ 4,600.00	$ 5,677.50	$ 5,000.00	$ 2.06
	TOTAL GROUNDS EXP:	**$ 271,461.00**	**$ 267,852.78**	**$ 231,000.00**	**$ 401,779.17**	**$ 263,000.00**	**$ 108.50**
	UTILITIES:						
70300	Electricity	$ 20,141.83	$ 11,497.70	$ 20,000.00	$ 17,246.55	$ 20,000.00	$ 8.25
70500	Gas	$ 18,418.40	$ 12,694.20	$ 23,000.00	$ 19,041.30	$ 20,000.00	$ 8.25
70900	Water & Sewer	$ 102,794.46	$ 73,826.18	$ 88,000.00	$ 110,739.27	$ 100,000.00	$ 41.25
	TOTAL UTILITIES:	**$ 141,354.69**	**$ 98,018.08**	**$ 131,000.00**	**$ 147,027.12**	**$ 140,000.00**	**$ 57.76**
6900	**RESERVES:**	**$ 51,957.32**	**$ 94,397.36**	**$ 141,596.00**	**$ 141,596.04**	**$ 186,030.00**	**$ 76.75**
TOTAL EXPENSE:		**$ 561,319.89**	**$ 537,578.93**	**$ 623,216.00**	**$ 806,368.40**	**$ 705,846.00**	**$ 291.19**
NET INCOME:		**$ 93,831.45**	**$ (75,913.62)**	**$ 79,600.00**	**$ (113,870.43)**	**$ 51,200.00**	**$ 21.12**

ACCESS FINANCIAL REPORTS IN VANTACA



DETERMINE BUDGETING METHOD

HISTORICAL TREND

Identify expense trends over time to forecast line items

ZERO-BASED

Set every line item to zero and justifying each dollar budgeted

ESTABLISH TIMELINE

SEPT

Plan, draft budget and Treasurer review

OCT

Board review and approve, send proper notices

NOV

Finalize and publish budget

DEC

Prepare accounting and billing

JAN

Apply increases

ANALYZING FINANCIALS

REVIEW REVENUE

Assessments

Interest from Investments

Other

Fees from: storage rentals, clubhouse rentals, snack bar, laundry machines, vending machines, etc.

PRIMARY INCOME SOURCES

PREPARE FOR EXPENSES

Check Existing Contracts for Increases

Obtain Bids for Planned Work

Consult Current Reserve Study

REVIEWING SERVICE CONTRACTS

Check existing contracts for costs and remember to account for any cost increases

- Landscaping
- Pool Care
- Snow Removal
- Trash / Recycling
- Pest Control
- Utilities
- Insurance
- Security
- Legal
- Management

Reserve Study

An in-depth evaluation of a
community's physical components

An analysis of the cost and time frame
for anticipated replacements

REVIEWING RESERVE STUDY

Understand:

- How much you have should have in your reserve fund
- How much you should be saving each month
- If the study is up to date
  - Governing documents requirements
  - Statutory requirements
- Review the financial analysis

SETTING ASSESSMENTS

TYPES OF ASSESSEMENTS

Regular Assessments:

- Determined Annually to cover operating expenses and services for the community
- Payable in whatever manner the governing documents specify

Special Assessments

One-time fees to cover non-routine or unbudgeted expenses that cannot wait for the next fiscal year, such as urgent repairs to a roof.

Assessments are calculated by: % of Ownership OR Equal Share

ASSESSEMENT INCREASES

Assessment increases WILL be necessary

ASSESSEMENT INCREASES

Hesitation vs. Responsibility

Boards often don’t want to be the “bad guy” or worry owners can’t afford an increase, but what is their responsibility to the association?

Hesitation vs. Responsibility

- Boards have a **fiduciary responsibility** to manage the association funds properly
- **Avoiding increases** can be a temporary fix that **causes serious future issues**

ASSESSEMENT INCREASES

Remember:

Underfunded Reserves → Eventual Special Assessments

Deferred Maintenance → Eventual Special Assessments

Deferred Payments → Creates Debt

ASSESSEMENT INCREASE ALTERNATIVES

Increase Revenue
Find other sources of revenue

Cut Costs
Reduce discretionary spending

REMINDERS

REMINDERS

Budget is a tool

Costs increase on most services

Know your governing documents

Your manager is here to help keep you in the black

Assessments need to increase with costs

Know key dates, missed can lead to assessments being challenged

BOARD MEMBERS HAVE A FIDUCIARY RESPONSIBILITY

Boards are obligated to act in the best interest of the association 🚫 individual members/neighbors


Q & A

CONNECT WITH US

COMMUNITY SCOOP

[an HOALiving e-newsletter for board members]

HOALIVING

Social Media

Instagram: @hoa_living
Facebook: HOALiving
Twitter: @HOA_Living
LinkedIn: HOALiving

Community Scoop

Watch for our NEW, monthly “Community Scoop” e-newsletter and consider sharing it with your homeowners (past editions are available on our website)

Website/Portal

HOALiving.com

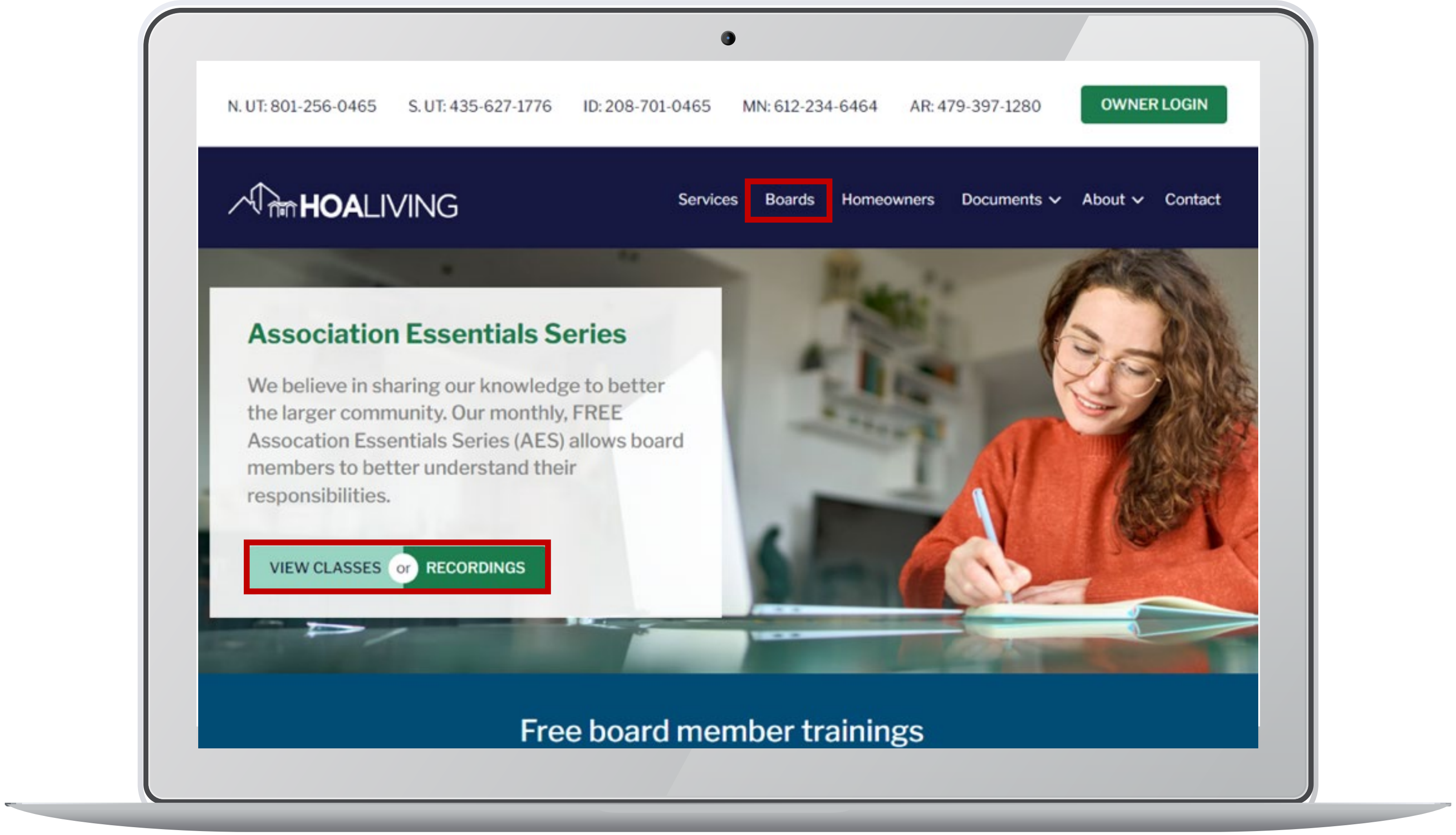
Access the AES schedule, timely updates and reminders, “You and Your Community Association,” contact information, and much more

YouTube

All AES sessions are recorded and posted to our YouTube channel. We recommend the “New HOA Board Member Basics” playlist.

ACCESS PREVIOUS TOPICS

HOALIVING.COM/AES/



Association Essentials Series

Preparing for Annual Meetings

Wednesday, Sept 24, 2025 | 12 PM (MST)/1 PM (CST)

Helping you manage your association