



7 Tips to Prepare Your Community

ASSOCIATION BUDGET

The 2021 budget season for community associations is here. Using the simple guidelines below, your Community Association Manager will begin working with the Board to prepare and adopt a financially sound annual budget. In addition to the operating budget, this process should also include a budget for anticipated reserve fund activity. There are likely unique items for each association but this guide will serve as a starting point for budget items commonly found in most associations.

1. Know Your Community

Review your governing documents so you are aware of any specific Association budget requirements for your community. Review all short- and long-term projects so annual cash flow covers operating costs. Also, become familiar with the resident notice requirements so all owners are aware of the budget.

3. Maintenance & Utilities

Evaluate your maintenance and utility expenses. You can contact local utility companies and they will tell you what their increases will be for the next year. You can then use historical information to compute the estimated annual expense. When budgeting certain utilities, it is important to plan for seasonal trends in utility usage.

5. Anticipate Unexpected Expenses

Anticipate and allow for any unexpected expenses. Are you aware of any lawsuits that may be forthcoming and the potential associated costs? Are there insurance claim related projects or deductibles that are not part of the normal annual budget? Will a Special Assessment incur additional administrative costs not incurred in prior years? as there been a substantial change in owner delinquencies and does the allowance for bad debt need to be adjusted?.

7. Notify Homeowners

Properly notify your fellow homeowners using the means outlined in your governing documents. Timeliness of the notification is very important as well as providing information in a manner that is easy for homeowners to understand.

2. Contact Vendors

Contact existing vendors to find out what their anticipated increases may be for the coming year. Examples of these operating items include contracts for landscaping, pest control, pool maintenance, etc.

4. Reserve Study

Review your most recent reserve study so you can properly allocate the expenses into your budget. The budgeted reserve contribution should be evaluated on an annual basis to determine if short- and long-term reserve funding goals are being achieved.

6. Determine Revenue

Determine how much revenue is needed to cover association costs. Once your expenses are determined, calculate the homeowner assessment based on the association billing cycle whether it is annual, semi-annual, quarterly or monthly. Assessment increases should be carefully evaluated each budget season. This discussion might not be a popular one but prudently approving increases when needed will ensure sustained financial stability for the association.

Bonus Tips

- Compare previous line item costs to identify trends and allow for any adjustments. Your management company's accounting team should be able to provide prior year data. Compare the prior year budget to the current year as well as current year projected actuals to prior year actuals.
- Include notes or a detailed budget narrative to explain line item costs if relevant.
- Forming a Budget Committee can be helpful to add homeowner input and process transparency as to how association budget decisions are made.

Preparation Worksheet

The budget process can be challenging and even tedious. Following our 7 tips guide as well as using the preparation worksheet to take notes should assist in the process of creating of the association's annual budget.

Community Documents Requirements	
<input type="checkbox"/>	
<input type="checkbox"/>	
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<input type="checkbox"/>	

Existing Vendors Anticipated Increase	
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
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Anticipated Projects / Reserve Study Review	
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
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Local Utility Companies	
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>
<input type="checkbox"/>	\$ <input type="text"/>

Notify Homeowners Timeline		
<input type="text"/>	<input type="text"/>	<input type="text"/>
Date	Date	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>
Action	Action	Action

If you are not getting the assistance you need from your current association management firm, please feel free to contact AAM and we will be more than happy to help your community. **800.354.0257**



SAMPLE BUDGET

Sample HOA Community 2021 Built Out - Cash Basis			Property # : 10005												* Built Out Budget * Cash Flow Budget
Details:															
Built Out Budget 500 Lots on 12/31/2021 at \$150.00 quarterly															
Lots:															
Total Number of Closed Lots on 12/31/20:			500												
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021 Budget
Income	Assessment Amount	Bill Freq.													
40005	Assessments	\$150.00	75,000	-	-	75,000	-	-	75,000	-	-	75,000	-	-	300,000
42001	Late Fee		500	-	-	500	-	-	500	-	-	500	-	-	2,000
42003	Legal Fee Reimbursement		250	250	250	250	250	250	250	250	250	250	250	250	3,000
42005	CC&R Violation		175	175	175	175	175	175	175	175	175	175	175	175	2,100
42045	FOB / Gate / Key Income		75	75	75	75	75	75	75	75	75	75	75	75	900
Total Income			76,000	500	500	76,000	500	500	76,000	500	500	76,000	500	500	308,000
Contracted Services															
55006	Street Sweeping Contract		125	125	125	125	125	125	125	125	125	125	125	125	1,500
55024	Playground Contract		150	-	-	150	-	-	150	-	-	150	-	-	600
55025	Landscape Contract		7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000
55032	Pool & Spa Maintenance Contract		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
55035	Management Contract		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Total Contracted Services			11,275	11,125	11,125	11,275	11,125	11,125	11,275	11,125	11,125	11,275	11,125	11,125	134,100
General & Administrative															
51035	Postage & Copies		1,000	500	500	1,000	500	500	1,000	500	500	1,000	500	1,000	8,500
51065	Insurance		-	-	15,000	-	-	-	-	-	-	-	-	-	15,000
51128	Newsletter Expense		500	-	-	500	-	-	500	-	-	500	-	-	2,000
51156	Legal Fees - Collections		250	250	250	250	250	250	250	250	250	250	250	250	3,000
51195	CPA Services		-	-	350	-	-	1,350	-	-	-	-	-	-	1,700
Total General & Administrative			1,750	750	16,100	1,750	750	2,100	1,750	750	750	1,750	750	1,250	30,200
Repairs & Maintenance															
53005	Common Area Maintenance		500	500	500	500	500	500	500	500	500	500	500	500	6,000
53026	Cleaning Supplies		350	350	350	350	350	350	350	350	350	350	350	350	4,200
53055	Pest Control		75	75	75	75	75	75	75	75	75	75	75	75	900
53315	Sprinkler Repairs		250	250	250	500	500	500	500	500	500	250	250	250	4,500
53325	Plant & Tree Replacement		-	-	-	2,500	-	-	-	-	-	2,500	-	-	5,000
Total Repairs & Maintenance			1,175	1,175	1,175	3,925	1,425	1,425	1,425	1,425	1,425	3,675	1,175	1,175	20,600
Utilities															
52005	Electricity		1,000	1,250	1,250	1,250	1,500	1,500	1,750	1,750	1,500	1,250	1,250	1,000	16,250
52025	Water & Sewer		1,500	1,500	1,750	1,750	2,000	2,500	2,500	2,500	2,500	1,750	1,500	150	21,900
52045	Gas		2,000	2,000	1,500	1,000	750	750	500	500	500	750	1,000	1,000	11,750
52055	Telephone		100	100	100	100	100	100	100	100	100	100	100	100	1,200
52075	Trash Collection		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Utilities			5,600	5,850	5,600	5,100	5,350	5,850	5,850	5,850	5,600	4,600	4,800	3,250	63,100
Total Operating Expenses			19,800	18,900	34,000	22,050	18,650	20,500	20,300	19,150	18,900	21,300	17,650	16,800	248,000
Operating Income			56,200	(18,400)	(33,500)	53,950	(18,150)	(20,000)	55,700	(18,650)	(18,400)	54,700	(17,150)	(16,300)	60,000
49001	Transfers to Reserve Fund		(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)
Net Surplus / (Deficit)			51,200	(23,400)	(38,500)	48,950	(23,150)	(25,000)	50,700	(23,650)	(23,400)	49,700	(22,150)	(21,300)	-

Operating Budget

2021 Reserve Budget		Entity # : 10005												Reserve Summary:	
Annual Interest Rate: 0.15%														Recommended fully funded per reserve study:	
Monthly Reserve Contribution: 5,000.00														Projected reserve balance at end of year: 63,554	
														Percent Funded: 0%	
														Projected Percent Funded per Reseve Study	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Ending Reserve Balance as of 12/31/2020:		3,500	8,501	13,503	18,505	23,508	28,512	33,516	38,521	43,526	48,532	53,539	58,546	60,000	
89001	Transfers from Operating Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
85001	Reserve Interest	1	2	2	3	4	4	5	5	6	7	7	8	54	
89002	Transfers of Reserve Fund Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Income		5,001	5,002	5,002	5,003	5,004	5,004	5,005	5,005	5,006	5,007	5,007	5,008	60,054	
Reserve Expenses															
Total Reserve Expenses															
Net Increase / (Decrease)		5,001	5,002	5,002	5,003	5,004	5,004	5,005	5,005	5,006	5,007	5,007	5,008	60,054	
Ending Balance		8,501	13,503	18,505	23,508	28,512	33,516	38,521	43,526	48,532	53,539	58,546	63,554		

Reserve Budget

