

# THE COMMUNITY BUILDER

## Budget Season ... A Look Behind to Look Ahead

If you and your manager have not already begun working in earnest on your proposed budget for next year, it is time to get cracking. It's not too late to get your "wish list" of items together that you've been talking about all year to have your manager price and include them in your proposed budget along with all the needed and necessary items to provide adequate services to your community for next year. You are essentially fortune telling what you see as necessary for your community's future during the process of your budget projections.

Sentry provides a very nice starting point with the Budget Worksheet that is available in CommunityPro. Along with some ancillary data and back up, you should have a good idea of what you have spent in each category year to date, what your current annual budget is and based on your spent to date - what the projections are for year-end expenditures. Also, available to you is the ability to either view or print a purchase journal for any individual line item, that maybe a catchall (i.e. General Maintenance) to see what all has been coded to that category. It may provide some insight into creating additional individual categories for expenses. In any case, it is time to bear down on getting the budget together. Your manager can print out and provide the basic data to you for further review and input from the board or finance committee. If your community has a different year end, then you still have some time.

When was the last time you updated your reserve study? Are you putting enough money aside for future capital expenditures? Have you put any money aside for future capital expenditures? Most communities have a multitude of items that have finite useful lives, i.e. roofs, roads, paint, pool surfaces, irrigation components, pumps, walls, fences, clubhouse furniture and fixtures, cabana fixtures. Reserve studies are a great tool to have as they provide a plethora of information for your future planning. Your state may not require statutory reserves, but it is a prudent business practice to plan for the major capital component replacement in advance of their demise. Communicating your intention provides the ability for your owners to also plan in advance, without the fear that a huge special assessment may be necessary. How you plan to fund

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your reserves is also important. If your wish is to fund them each month, it is necessary to use a specific range of Chart of Account numbers. Florida requires statutory reserves, in all condos and many homeowner's associations. While in other states funding may be at the direction of the Board...they may wish them to be funded each month (use of those COA numbers is required) or if it is optional, then a second set of Chart of Account numbers is used to denote that. Please make sure to communicate your intention to the manager so the funding can be accomplished as required.

It is also a good idea to plan for at least one insurance event that may require the payment of a deductible during the year and plan for your insurance appraisals as a working cost is also a prudent idea. Reserve studies are another expense that may not occur every year, but have a fairly large impact on your budget allocations.

As part of your proposed budget, your manager should also be providing the accompanying Basis and Assumption - which is a verbal explanation of each of the line items in your budget. It should be a clear and transparent explanation of what each line item is for, why it may have a proposed increase (utility increase, contractual increase, increase in service level requested, etc.). With the explanations provided to you with the proposed budget is provided, you will spend less time questioning why there are increases or know why if a new line item has been added, allowing you to make the final decisions on the budget more quickly.

If you are facing a large project, think about phasing it in over a period of two or three years. This will make any required increases a little less stressful to the members, but is putting them on notice that it is going to happen over the next couple of years so they too, can plan ahead.

The one aspect of community living aside from being a corporate business entity is the social aspect of your community. Where this is permitted, do you have funds available to fund your community culture and bring neighbors together socially at some kind of community event? Could it be a Halloween parade, a winter social, the opening of the pool or a summer barbeque?

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Getting started now will provide ample time for whatever approval process is required, provide the time for your coupons to be printed and distributed to your members in a timely manner. Happy Budgeting!