

## Tips for Preparing Budgets for HOAs and Condos



Budgeting is extremely important to the success of your homeowners association (HOA) and can prevent your community from facing financial troubles. Here are some tips for ensuring that your community association is proactive, prepared, and properly plans for the future.

### **1. Create a task force**

By dedicating a subset of your board to focus on developing your HOA budget, you can speed the process up and work more effectively. Your task force should include the board president, treasurer, community manager, and the finance and budget committee heads. You may also want to enlist the help of a financial consultant or accountant.

### **2. Survey your homeowners**

Prior to your budget planning session, survey your homeowners to determine what changes are most important to the community and what things they may want to keep the same. While you don't have to do everything the homeowners want, it's important to get their input when determining priorities.

### **3. Schedule separate budget planning session(s)**

Set aside ample time for a meeting (or several meetings) where your task force can focus solely on the budget. The HOA budget is vital to your community's financial success, so you shouldn't rush through it or allow distractions.

#### **4. Know where your HOA finances stand**

It's impossible to plot a course for the future without assessing your current financial situation. It's important to know how much money your HOA has in its various accounts, and review and analyze your records over the past two years. You'll also want to review past budgets and compare budgeted expenses with actual costs. Note areas where you haven't allocated enough in the past or paid too much, so you can avoid those situations going forward.

#### **5. Outline community goals**

Determine what goals you want your HOA to achieve over the next three to five years, and what needs to be accomplished during the coming year to ensure you meet those goals.

#### **6. Prioritize projects**

List any repair and maintenance projects that your HOA wants to accomplish, and then prioritize that list based on things that you need to do versus things that you'd like to do. Obviously, projects that ensure resident's safety should be prioritized over beautification efforts.

#### **7. Make some calls**

Once you have your list, call vendors, and get estimates as to how much it would cost to get your various projects done. While these aren't exact figures, it may help you determine which projects you can address in this year's budget, and ones will have to wait. Also, call the people you regularly work with for things like landscaping and maintenance and to see if they are planning on raising prices or if you can lock in a rate.

#### **8. Prepare for the unexpected**

Leave some wiggle room in your budget for unexpected expenses. The economy could take a hit, causing vendor prices to rise. Some homeowners may not pay their dues. While your reserve fund can help with unanticipated expenses such as a natural disaster, you don't want to deplete those funds to make up for budgeting oversights.

#### **9. Don't forget to save**

Every year, set at least 20% of your HOA's income aside to go into your reserve fund or savings account. To make sure that your reserve fund is healthy enough to help the community when you need it, update your reserve study annually so you know how much money you need to allocate to the reserve in your budget. Remember, many states have specific laws around reserve studies, so make sure whatever you do complies with your state regulations.

#### **10. Create your budget**

Once you've taken all these factors into account, it's time to create your budget. List all anticipated costs, include the estimates you've gathered, and remember it's better to overestimate than underestimate. Your HOA budget should include income, administrative costs, utilities, contracts and services costs, insurance, and the portion for your reserve.

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*With more than 20 years of association banking experience, Marc Nuzzolo is a recognized leader in the banking industry. His career at Valley began in 2016 and, since then, he has been influential in on-boarding and servicing some of the largest management companies in Florida. He continues to grow the portfolio, implement products and services dedicated to this business line, and drive technological change in this industry.*