

Solutions

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Anyone?

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Community Association Solutions

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BUDGET COMMITTEE ANYONE?

By: Sara E. Barry

You know you need to start working on the 2010 budget, but where do you start? Rather than try to put the whole burden on the Manager or the Treasurer, experience has shown that the TEAM approach to the annual budget really works. It not only gets more of the members involved, but provides for more analysis and input from more owners.

There is perhaps no more significant board responsibility than that of preparing annual budgets and overseeing the financial management system of the association. Each individual owner is affected by this process through the establishment of the annual assessment. The Board may delegate to management the authority to take on some or

all of the functions associated with the financial management and budget process. However, the board has an obligation and a responsibility to oversee that this process is consistent with the standards of a fiduciary any comply with Nevada law.

We are going to make an assumption that you are on a calendar year for discussion purposes. The following time-lines work effectively to have the budget ready for distribution to the owners in time for the required owners' meeting and their ratification prior to necessary implementation.



Monthly Actions

Each month has a critical activity that contributes to the whole process. We have detailed below the activities that should happen each month.

Prior to JUNE, the Board has the reserve study prepared by someone who is registered with the Real Estate Division and is qualified to prepare reserve studies.

In JUNE the Treasurer seeks out volunteers for the Ad Hoc Budget Committee through contact with other Association Committees and notice in the newsletter. The Treasurer submits the names of at least five (5) proposed committee members for July Board meeting action/approval. He or she also ensures that the previously mentioned professional reserve

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“It is important to treat the Board, Committee’s, “not so nice people” and “really nice people” equally. ”

study has been conducted or is in the process of being conducted for use in preparing the reserve portion of the budget planning.

In JULY of each year, the *first draft* of next year’s budget should be prepared by Management or the Treasurer. It is marked “draft” and given to each Committee Chair and each Board Member for review and their important contributions at the August Meeting. Their Committee Charters should detail their responsibility in the budgeting process and describe how they can request funds for their committee in next year’s budget.

In AUGUST, all of the Committee’s reports back to the Budget Committee with all of their specific requirements and/or requests for the following years activities. This can be called a “Wish List” of each Committee.

In SEPTEMBER, The Budget Committee provides accumulated information to the Manager or Treasurer for inclusion in the “draft” budget.

At the OCTOBER Board Meeting, the Board reviews the “draft” budget presented by the Budget Committee, recommends final changes, and normally adopts the budget conditional on those

changes, if any.

The final revised budget is adopted by the Board of Director at their OCTOBER Board meeting. A summary is then distributed to the owners along with the notice of a special meeting which must be scheduled within 60 days from Board adoption, but not less than 14 or 30 days from the mailing date of the summaries (NRS 116.31151).

Not less than 30 days or more than 60 days before the beginning of the fiscal year of the association, the budget must be distributed to the owner, which includes the reserve budget separate from the operating budget. *This is totally based on your documents NOT having more stringent requirements for the budget.*

The owners meet in the first part of NOVEMBER (They must have at least 15 days notice of the meeting, however.) to approve the 2010 budget and unless a majority of the owners attend and vote against the budget, it is deemed approved. If a majority of owners vote against the budget, the prior budget stays in effect until a new budget is adopted by the Board and approved by the owners. Remember that if your documents have a limit on how much the assessments can be raised in one year, you are bound by the document’s requirements.

We know it is hard to find the volunteers who wish to serve on any committee, but owners who are critical of the assessments and necessary increases will be part of the solution rather than the problem when involved in researching the budget and finding solutions. Ask for their help. It will surprise you when they say yes.



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