



Budget checklist: Master your annual budget

Build a successful financial
plan for your community

Effective budgets don't happen by accident. They take time, attention to detail and support from your management team and financial partners. All of these factors work together to help your board develop a solid annual budget that accounts for all of your community's needs — now and in the future.

Life, simplified.[®]





Ready to get started? Follow the checklist below to create a healthy and dependable budget for your community.

Schedule budget workshop and budget adoption meeting

Setting your board up for success: Uniting with fellow board members during your budget planning sessions is just as critical as aligning on policies and projects. Remember to give yourself and fellow board members enough time to properly evaluate your budget and make important decisions for the year ahead.

Gather all supporting documents

Keep it together: Supporting documents include monthly management reports, reserve study, contracts, current financial statements, year-to-date general ledger report and annual CPA audit/review/compilation report.

Budget planning can feel challenging and complex at times. To help prevent common blunders, download the guide [5 common budget blunders to avoid](#).

Evaluate your current budget

Hindsight is 20/20: Remember that you're not starting from scratch. Work with your management partner to assess how your budget has performed over the last year to make educated decisions for the year ahead.

Review vendor contracts

Your community partners: Your maintenance, security, landscaping and property staff are the key to a healthy and thriving community. Make sure that you are accounting for any expiring contracts or potential automatic increases when planning your budget. Additionally, you may need to obtain bids or make a plan for future bids based on expiring contracts or price increases. Keep in mind that performance and service quality go a long way in maintaining a thriving community, so make sure that factor is included in contract considerations as well.

Evaluate salaries and staffing needs

Getting the right support: Whether your community employs a staff of 2 or 22, keeping salary and staffing needs in mind to maintain the community's service levels is critical for planning an effective budget. Reducing staffing without reviewing service levels can create unrealistic or unmet expectations and may even cause tension among existing staff, resulting in diminished performance or resignations. Work with your management company to ensure you are accounting for any staffing or salary requirements mandated by law (e.g., mandated minimum wage increases). Review medical expenses and discuss advantages of shared plan over funded plan.





Review reserves

The power of reserves: One important way to avoid unexpected expenses is to maintain adequate reserves on an ongoing basis. While state requirements for reserve studies vary, it's important to review reserve expenses annually and confirm that line items match assets identified in the latest reserve schedule. If there have been any significant improvements to your property or a change in state law, you may need a new or updated reserve study from a qualified firm. This will help ensure your budget accurately reflects future reserve expenses.

Important: *The laws that govern community reserves may change rapidly as legislatures respond to changing market conditions. This guide is not meant to be legal advice on how to fund and maintain your reserves. If you have questions about your community's reserves, check with your professional property management partner and your legal counsel.*

Review expenses

How are you doing? Planning your annual budget should always include a deep dive into your operating expenses, analyzing current year-to-date net income or loss, monthly management reports and current financial statements. Use this information to identify whether you have a surplus or a deficit and review your developer budget (if applicable). All of this information should be used to create a budget summary for the board and accounting teams to utilize.

Evaluate utility costs

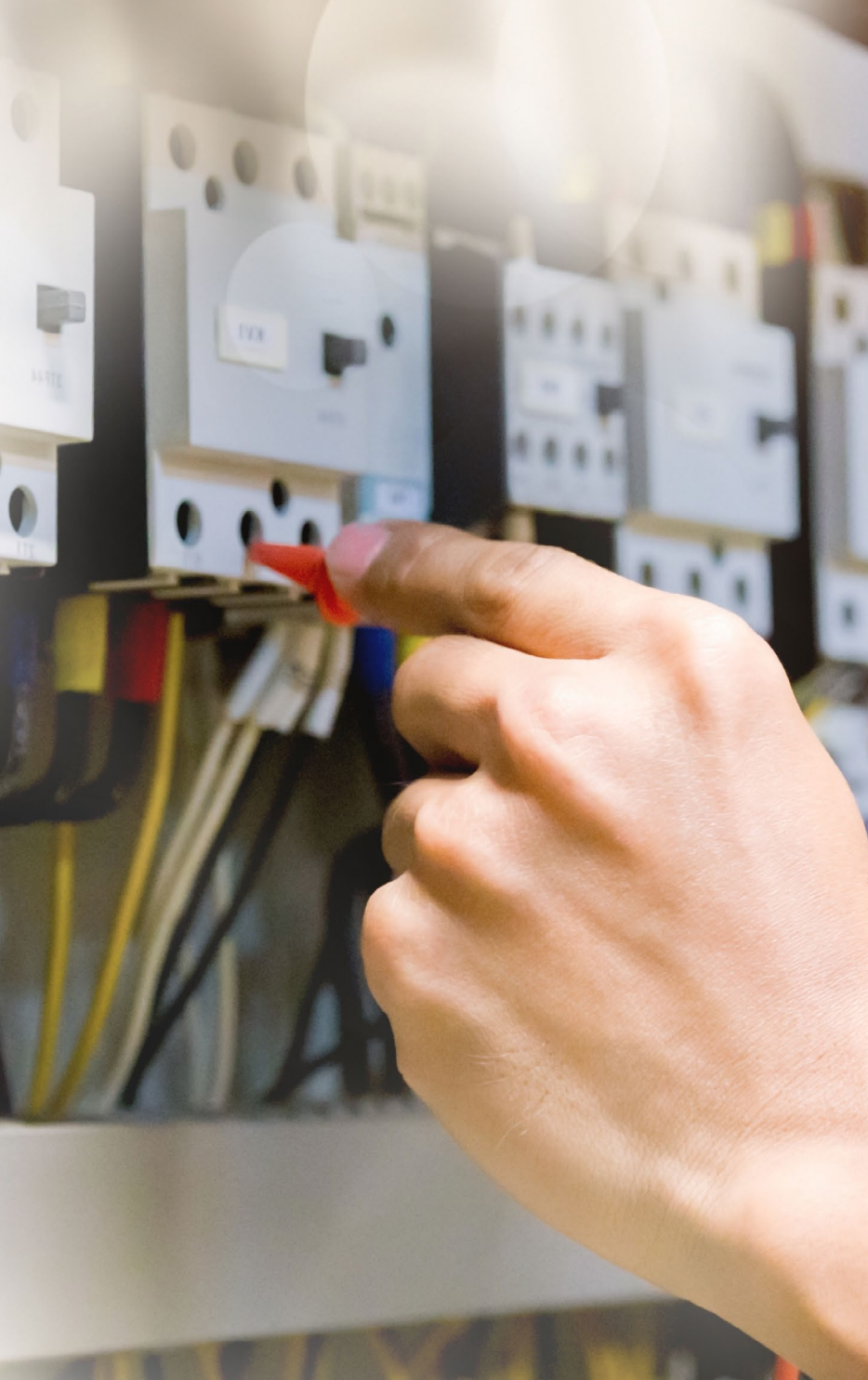
More than HVAC: Your budget should take all of these utilities into account: from heating the community pool to trash services, water usage and lighting around common areas. When planning your annual budget, examine how trends and seasonality affect usage and identify any increases in rates. While you can't control utility rate increases, you may be able to negotiate rates in some cases. Additionally, some utility companies allow communities to calculate what they spend in a year and pay a set monthly average amount. This may help you better predict costs and adjust your budget as needed.

Review insurance coverage

Maintaining coverage: Work with your broker or insurance agent to assess your coverage and make sure that it meets legal requirements, management agreement requirements as well as your community's specific needs. You should also meet with your agent to understand rate predictions, limits and deductibles, and to confirm if/when coverage expires within the fiscal year.

Since insurance makes up a significant percentage of your community's budget, it is an excellent idea to get professional guidance from a community insurance specialist. For instance, [FirstService Insurance Brokers](#), a subsidiary of FirstService Financial, utilizes its relationships with highly rated insurance carriers to provide cost-effective programs and products for communities managed by FirstService Residential. Consult with your insurance professional to find out if the current appraisal is adequate or if new appraisal is needed.





Consider repairs and maintenance

Project management: While your reserve study should help you determine when and how often to repair and replace major items, use your annual planning session to review current and pending projects as well as any special projects. Make sure you consider any new legislation that may require retrofits and improvements as well as new types of reserves and required maintenance items.

Keep in mind that current and future projects may have a positive impact on budget (e.g., updates to community lighting may help mitigate rising utility costs). You will also want to consider projects that may increase the life expectancy of equipment such as having variable drives installed in pumps to turn on when demand is high instead of running constantly.

Take stock of other income sources

Maximize your income: There may be opportunities to create valuable income sources within your community, like monetizing amenities (e.g., golf courses, spa facilities, etc.). Other examples of alternative revenue streams include valet parking, vending machines, grab-and-go markets, and clubhouse rentals.

Meet with your financial service provider

Make connections: Work with your financial service provider to better optimize community funds (e.g., reserve fund investments) and manage operating costs. For example, [FirstService Financial](#) provides a full range of cash management, lending, and investment solutions that are customized to the communities they serve.

Host budget workshop

Get your ducks in a row: Once you have all of the necessary statements and budget documents to review (your property management company should help you compile these), set time for a comprehensive meeting where the board and finance committee can work together to draft a proposed budget. Review the proposed budget in detail, taking note of revisions from board members and keep a copy of the original proposed budget and change requests. Use this time to review the current list of homeowners and stakeholders to ensure names and billing addresses are up to date.





Send proposed budget and budget adoption meeting notice to homeowners

Communication is key: First, make any necessary revisions and receive consensus on your budget. Then, it's your responsibility to distribute that budget (and budget adoption meeting notice) to the membership based on a specific timeline for your community. Take note of any returned mail due to being undeliverable and update contact information as needed.

Conduct budget adoption meeting

Meet with the membership: Once you've gone through the steps above, keep homeowners apprised of any changes and communicate when the new budget will go into effect. The budget adoption meeting is your opportunity to explain any changes to assessments based on adjustments or rising costs, and any impact to the community and their lifestyle.

Sign and submit approved budget

Dotted line: After the board signs a copy of the approved budget, include a copy of the signed budget in the meeting minutes, maintain the minutes with the community's records, and upload the minutes to your community website if you have one.

Obtain final approval from accounting

Final countdown: Lastly, work with your property management company and their team of budget experts, regional director, and most importantly, your accounting team, to review and finalize the budget. Once it's accepted, accounting will electronically file the budget.



Your path to an effective budget.

Developing a successful budget is key to a healthy community, but it's not always cut and dry. It requires time and a detailed approach, along with helpful guidance from your management team and financial partners. Following this checklist is a great first step to carving out an effective budget and will help you promote the longevity and financial well-being of both your board and community.

To learn more about budgeting and how a property management company can help, [contact FirstService Residential](#) today.

About FirstService Residential

FirstService Residential is simplifying property management. Its hospitality-minded teams serve residential communities across the United States and Canada. The organization partners with boards, owners, and developers to enhance the value of every property and the life of every resident.

Leveraging unique expertise and scale, FirstService serves its clients with proven solutions and a service-first philosophy. Residents can count on 24/7 customer care and tailored lifestyle programming, amenity activation, and technology for their community's specific needs. Market-leading programs with FirstService Financial, FirstService Energy, and special districts teams deliver additional levels of support.

Boards and developers select FirstService Residential to realize their vision and drive positive change for residents in the communities in their trusted care.

FirstService Residential is a subsidiary of FirstService Corporation (NASDAQ and TSX: FSV), a North American leader in providing essential property services to a wide range of residential and commercial clients.

Life, simplified.[®]
fsresidential.com