



FOREST HEIGHTS
HOMEOWNERS ASSOCIATION

FHHOA Budget and Finance Committee

**ANNUAL BUDGET
PROCESS**

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FHHOA Annual Budget Process

OVERVIEW

The budget is the Financial Plan of the Forest Heights Homeowners Association (FHHOA). It is a planning tool utilized by the FHHOA that includes input from the Board of Directors, Management, Staff and Committees to establish community services, amenities and goals to enhance the quality of life for residents of our community. The budget is derived from FHHOA documents including the Comprehensive Master Plan, the Common Property and Private Street Reserve Studies, Governing Documents and Association Resolutions. Through the budget our members learn about who we are, what we do and how their assessments are used. The budget is reflective of the FHHOA “*Vision, Mission and Core Values Statements*” focusing resources on the goals of the organization.

VISION / MISSION/CORE VALUES STATEMENTS

Vision Statement

- To Create and Foster Excellence in Community, Environment and Quality of Life.

Mission Statement

“Committed to excellence through:

- Volunteer Leadership
- Clarity and Consistency
- Stewardship of Assets
- Pro-Active Communication
- Service to Residents
- Providing a Safe and Secure Living Environment ”

Core Values

- Vision
- Integrity
- Accountability
- Clarity
- Respect

BUDGET AND FINANCE COMMITTEE OBJECTIVES

- ◆ Maintain fiscal responsibility and strong financial position now and in the future
- ◆ Provide staff with clear direction and objectives for budget preparation
- ◆ Link budget and financial requests to existing planning tools and Vision/Mission/Core Statements
- ◆ View the process as a strategic, multi-year decision making process

BUDGET DEFINITIONS AND OBJECTIVES

Definition - Operations & Maintenance Fund Budget

The Operations and Maintenance Fund Budget (O&M) identifies the amount needed to fund current operations and service levels for the day-to-day operations of the Association. Homeowner assessments must be sufficient to cover FHHOA expenses to avoid deficit spending

Objectives

1. Formulate a comprehensive Annual Budget with line items for Revenue categories (Assessments and Other Income), Expense categories (Management and Administrative, Landscape Maintenance, Common Area Maintenance, Transportation Services, Community Relations, Compliance Services and Miscellaneous Other Expenses)
2. Identify budget lines items (i.e. utilities), not directly controlled by the Association, that reflect increases above the CPI or other service specific benchmarks and measurements that impact the ability to maintain a budget category increase equivalent to CPI or other identified service specific benchmarks and measurements
3. Re-bid major service contracts maybe required if existing contracts require an increase greater than service specific benchmarks in the next budget year, if there are service level deficiencies or if recommended by the Board.
4. Determine proposed changes in services or service levels (see **Association Financial Request – “AFR”**)

Definition –Common Property Reserve Fund and Private Streets Reserve Fund Budgets

A reserve study quantifies assets then anticipates and prepares for the major repair or replacement of identified assets

Objectives

1. Maintain a reserve “threshold” of \$155,000 (Common Property Reserve) and \$15,000 (Private Street Reserve) while adequately funding all reserve components for the next thirty (30) years.
2. Consider economic trends and additions/deletion of assets that may affect the annual reserve fund balance and contributions to reserves

Definition – Capital Improvement Projects

A capital improvement is a major, non-recurring expenditure for new construction, redevelopment of assets, improvements to existing assets or the purchase of new equipment. The Board or membership must approve all capital improvement projects depending on cost of project.

Objectives

1. Identification of proposed projects utilizing existing planning tools or as a new service (see AFR).
2. Establish a capital improvement fund to supplement existing redevelopment project funds or for Board Approved “Neighborhood Improvement Projects”.

FHHOA Budget Instructions

BUDGET PROJECTIONS FISCAL YEAR

The purpose of projecting expenditures for the remainder of this fiscal year (FY) is to provide a financial picture of potential surplus funds and to begin gauging the need for an assessment increase (if necessary) based on maintaining current services and service levels for the following year. Management will provide the B & F Committee and the Board with a copy of year-to-date actual expenditures through the end of September during the first week of October and a projection of expenditures through the end of year. The B & F Committee and Treasurer will review line item allocations for reasonableness based on year-to-date actual and account history.

BUDGET PROJECTIONS FOR LONG RANGE PLANNING (Beyond current year)

Solid long-range planning and sound fiscal management practices will help ensure a strong financial position for the Association’s future. Although the FHHOA adopts an annual budget the Association should attempt to envision the financial and operational resources required to meet the future needs and challenges of the community over the course of the next five years, etc.

ASSOCIATION FINANCIAL REQUESTS (AFR)

AFR requires each committee to justify planned budgeted expenditures. Submittal of an AFR does not guarantee that the request will be funded or that it will be presented to the Board for their review.

BUDGET CALENDAR

See attachment “Schedule for FHHOA Budget Process and Time Line.”

FHHOA Budget Benchmarks and Indexes

Examples of Budget Benchmarks and Indexes – (Update Yearly)

- ◆ CPI - All Urban Consumers - 4.6%*
- ◆ Electricity – Utility Rate Increase 4%
- ◆ Insurance - recommended 5%
- ◆ Water – Not Yet Available
- ◆ Landscape – Contact increase @ 3.5%
- ◆ Projected Percent increase for salaries & wages
- ◆ Projected/Contracted Transportation Increase
- ◆ Other Categories?

* Consumer Price Index for Western States All Urban Areas
Fluctuations in these areas will continue to be monitored as the year progresses

ASSOCIATION FINANCIAL REQUEST (AFR)

Association Financial Requests (AFR) will be submitted (typically by Committee) if:

1. A budget category cannot maintain current services or service levels in accordance with objectives outlined in the Operations and Maintenance Fund Budget (O&M).
2. There is a proposed change in service or service levels (i.e. enhance existing service).
3. A new service is required.
4. For all Capital Improvement/Neighborhood Improvement Projects and new equipment.

Requests will be identified as a base increase or decrease, new service, enhanced service or capital/neighborhood improvement project. AFR forms will denote: requesting entity, description, justification, service level, expense, revenues (if any) and description of Pros and Cons of request.

All AFR's should tie back to at least one of the following planning tools utilized by the Association or be the result of a federal, state or local mandate:

- ◆ Comprehensive Master Plan
- ◆ Annual Operating Plan
- ◆ Annual Reserve Plan
- ◆ Capital Improvement/Neighborhood Improvement Projects
- ◆ Vision / Mission Statements
- ◆ Member Survey/Focus Groups/Homeowners Meeting
- ◆ Board Strategic Plan /Priorities

AFR's with supporting documentation will be submitted to the Budget & Finance Committee for its review, and then submitted to the General Manager, who will analyze the AFR, and then final submission to the Board for approval or non-approval.

FHHOA – Association Financial Request

Requesting Committee/Member: _____

Date of Request: _____/_____/_____

Title of Request: _____

Description for Request: (Attach additional documentation if necessary)

Maintain/Recurring

Decrease

Enhance

Capital New (mark one)

Justification for Request:

Member Survey

Master Plan

Cap. Imp. Project

Other (mark one)

Reason for Request (List Pros and Cons)

Pros -

Cons -

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Area of Budget Impact : (check one)

Maintenance & Operating

Capital

Debt Service

Frequency of Budget Impact:

Recurring

One Time

Funding Requested:

\$ _____

Projected Revenue:

\$ _____

(If any)

Net Change to Budget: \$ _____

Staff Responsibility: _____

F & B - Reviewed By: _____

FOR B & F COMMITTEE USE ONLY

Date submitted for Managers Review: ____/____/____ Increase or Per Unit Cost: _____

Date submitted for Board Review: ____/____/____