

BURDMAN & WARD

ATTORNEYS AT LAW

Construction Defect Attorneys
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Law in Hand

PREPARING THE ANNUAL BUDGET

Plan Ahead

Preparing the annual budget is extremely time sensitive. Managers wonder how this can be done when they have so many other assignments that are also time sensitive. The secret is to plan ahead. It is never too early to get the reserve study completed. Get that done and out of the way first! Once your reserves are in order, you can build your budget from there. Reserves are your long-term business plan, so work with your board of directors at each meeting to help you create the outline or "picture" of progress that they would like to achieve the following year.

Coach the Finance Committee

The board's treasurer can chair a finance committee that prepares a recommended operating and reserve budget for the coming year. California Civil Code § 5300 *et seq.* notes what the annual budget must include. Coach this team to create its own business plan.

Obtain a Full Year of Expenses

You should obtain a full year of the association expenses. If your association is a new client, and the files have been transferred, take the last financial statement available and average out the expenses by the number of months included to create an average. Take into consideration that some expenses, such as utility services and pool maintenance, vary seasonally. A quick time saving tip is to contact the customer service department for each service and request a history report. Most companies will comply for minimal or no charge. This history of expenses can be a great help in creating your association's budget.

Project Expenses

What about your vendors? Are they going to increase their contract fees next year? Will your association's utility rates increase? Call your vendors for gas, telephone, cable, water, and electrical rates and share this information with other managers in your office. This call only needs to be made once. It may sound overwhelming, but done correctly, your budget becomes your business plan, and your board's decisions throughout the year can be based on it.

If you think you have potential construction defects, contact Burdman & Ward for a free, no obligation inspection with a licensed contractor.

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