

Heritage Grand Financial Administration Overview

Budget Development – Routine (historical) Process

1. HG volunteers (mostly Finance Committee/Treasurer, Maintenance Committee chair, staff management, Board, etc.) start with existing spending (ultimately have available September YTD available in mid-October), then extended by anticipated 4Q spending.
This combined data is the basis for the next year's funding needs – the budget.
2. Finance makes "what if" studies while also utilizing, if available, any carry forward funds to develop their suggested (consensus) next year's operations budget; this is presented to the Board.
The budget identifies expected costs and the homeowner dues required to fund the costs.
3. The Board typically approves the next year's budget in November at the open Board meeting and, now approved, the information is mailed to all 650 homes to allow for in-depth homeowner study. (The November approval date complies with a 30-days notice requirement prior to implementing dues changes.)
4. A budget review "town hall" meeting is called for late November (usually the last Monday of the month) for homeowners to discuss the now-approved budget.
(If a budget "disallowal" effort were desired, it would be addressed via the petition process.)

Budget Design

The Declaration disallows for any "cafeteria-style" dues program where every homeowner picks and chooses which expenses to support or not support. We instead have two levels of dues – one for the 552 stand-alone home owners and the other for the 98 duplex home owners (the Americanas).

The need for two different dues amounts is that the duplex homeowners obtain cost contributions not available to stand-alone homeowners – group property insurance and group "duplex shell" maintenance are the largest of these deliverables. (These two provisions are procured independently by the stand-alone homeowners.)

Reserve Funds

These funds are generated from our dues and maintained ("reserved") so that anticipated future large expenditures may be funded without special assessments. For instance, funds for re-roofing the 49 duplex buildings (anticipated to currently cost in excess of \$1,000,000) is collected over time through contributions of current owners (we "pay as we go") so the required money is available when the job is needed (and that timing could be anywhere from "right now" to 20-plus years away). Funds for concrete street repair and clubhouse repair like HVAC replacements are similarly addressed through Reserves.

Reserve funds are collected in three "buckets": (a) the bucket associated with support for all 650 homes – this includes clubhouse costs and streets, (b) the bucket associated only with the stand-alone housing – mostly the house painting amenity and the front door refinishing amenity, and (c) the duplex housing amenities. (These three categories are also utilized in budget generation.) Depending on the housing type we own, we pay, as part of monthly dues, our component part of both the common 650 home bucket plus the adder of either the stand-alone or duplex bucket.

Carry Forward Funds

As a base design, dues are set to exactly fund a proposed budget. No plan has ever been made to have a surplus of funds (except for funding the Reserves program) at the end of a budget period. But note:

- If spending *exceeds* our income (= our dues), the HOA must find additional income to offset that extra spending – there is no *deficit spending* option available – the money has to come from somewhere.
- If spending is *less than* the budget's anticipated spending, those already collected funds become available to "carry forward" into a following budget year. If carry forward funds are available, they will be utilized to offset otherwise new dues requirements.

This guideline was ratified by majority vote of the Board on November 13, 2023.


(Board Secretary)