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A 2026 GUIDE FOR ASSOCIATION BUDGET PLANNING**

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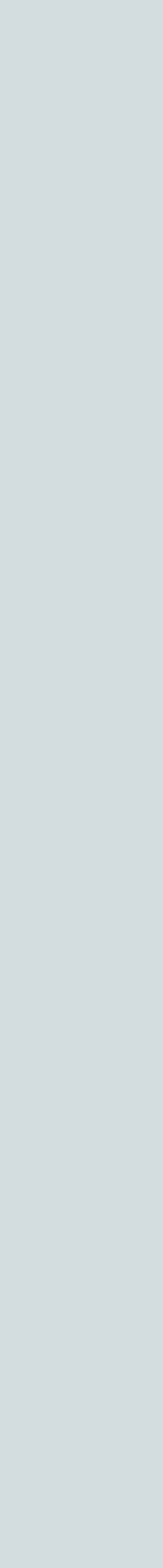


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SEPTEMBER

2026

“I’m Not Paying For That!”

A 2026 Guide for Association Budget Planning

As we all know, the annual budget is the financial blueprint that determines everything your association can and cannot do for the coming year. It sets assessment amounts, funds reserve contributions, allocates money for maintenance and improvements, and establishes the financial guardrails within which the board operates. At the C.A.N. events in September, a panel of experts presented some tips for a successful 2027 budget.





A well-crafted budget prevents the two most damaging financial scenarios for any Association: Unexpected special assessments that frustrate homeowners, and deferred maintenance that erodes property values. Some associations' fiscal year does run with the annual calendar, so they should prepare their budget 4-5 months before the start of a new fiscal year. Regardless of when your fiscal year begins and ends, the budget process begins by identifying operational and reserve requirements.

Who is responsible for preparing the budget? The requirements for the preparation of the annual budget for condominium associations are set forth in Section 718.112 (2) (f) FS; and for homeowners' associations, in Section 720.303 (6) FS. Generally, the community association manager (LCAM) is charged with the responsibility for preparing the preliminary draft of the budget and presenting it to the budget or finance committee for its review and approval. The budget committee, as appointed by the Board of Directors, and, ultimately, the Board itself, is responsible for the adoption of the association's annual budget.

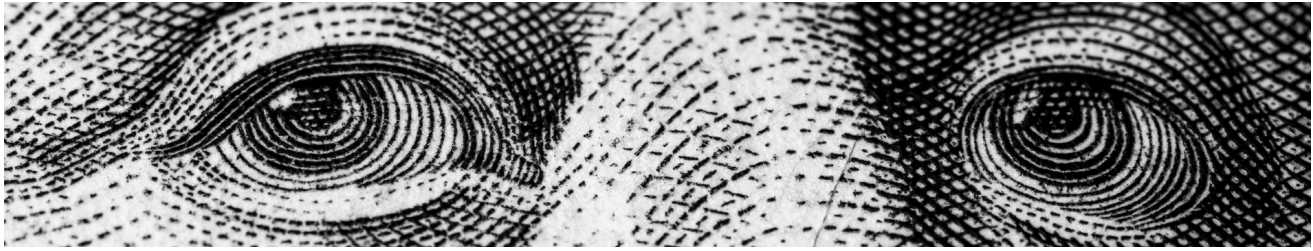
A budget also assists with-

- * Creating proper reserve funds. Measuring performance throughout the year.
- * Determining the amount of fees to be assessed to each unit owner for the upcoming fiscal year.

Association Budgeting Rules in Florida-

Whether you serve on a condominium association or an HOA, Florida Statutes provide a list of legal requirements that affect the way budgets are presented and what they must contain:

- * All associations, whether a condominium or HOA, are required to prepare an annual budget.
- * The budget must show the estimated revenues and expenses for the budget year.
- * An estimated deficit or surplus for the end of the current year must be reported.



What should an association keep in mind for 'Working Capital?'

As a generally accepted guideline, a community association should maintain its operating fund balance ("working capital") at a minimum of two months' maintenance assessments. If this guideline is not met, the Board should consider including a line item in the budget to increase working capital. However, if the working capital shortfall is significant, or if there is an accumulated deficit, a special assessment may be a better alternative. The amount of the budget line item or special assessment should be determined after considering the current year's expected results of operations.

If the current working capital is sufficient and the current year's operations are projected to have an excess of revenues over expenses ("operating surplus"), the Board can take advantage of this situation by including line items for special projects or improvements in next year's budget. Alternatively, that surplus can be applied as a credit to the following year's assessments to the owners. There are generally income tax considerations in applying this credit and therefore, the Board should consult with the Association's income tax advisor.

The Operating budget ensures that all operational costs and expenses are identified. They assist in approximating expenses for the upcoming fiscal year.

Budgeting Tips & Considerations For The Operating Account-

Unlike a personal household budget where you figure out what you can spend based on your income, a condominium or HOA budget must begin by estimating costs first, which will then determine the amount an owner will be charged.

1. Compile the current year's year-to-date expenses. They will serve as the basis for the new budget year.
2. Analyze these expenses carefully and factor out any that are non-recurring, such as plumbing or storm-related emergencies.
3. Review your current contracts for escalation clauses and/or scheduled increases. All contracts should be reviewed by your Association Attorney.
4. Request estimated costs for non-contractual expenses like general repairs and maintenance, utilities, and certain administrative expenses.

Insurance is one of if not the largest operating expenses an association must plan for. Insurance Agent, Colby Tuthill, of Mitchell Insurance Services, offered some tips for insurance budgeting in 2027, "Pending the calm storm season continues throughout the end of this year, we are advising managers and boards to put a flat to 10% decrease budget placeholder. This should be a conservative goal, if there is no updated appraisals or high frequency/severity claims on your property."



Budgeting Tips & Considerations For The Reserve Account-

Reserve schedules determine the amounts needed to be set aside for capital expenditures and deferred maintenance. These funds are used for two expenses: capital expenditures for common area components, such as roof replacement, pavement resurfacing, and elevator upgrades; and deferred maintenance that generally refers to interior and exterior painting.

House Bill 913, which took effect July 1, 2025, made some key changes for Florida Condominium Associations:

1. Insurance appraisals: a new property-appraisal requirement on a 36-month cycle.
2. Reserve funding: the statutory base threshold rose from \$10,000 to \$25,000 and is adjusted annually. The official 2026 threshold is \$25,675; the catch-all applies only when failure of the additional item would negatively affect a named SIRS category.
3. Conflict-of-interest protections: stronger rules governing board, manager, and vendor relationships.
4. Record retention: structural reports, including milestone inspections and SIRS, must be kept for 15 years.

Structural Integrity Reserve Studies (SIRS)-

Florida requires reserve funding for condominium and cooperative associations, and buildings three or more habitable stories tall must obtain a structural integrity reserve study (SIRS) at least every 10 years under Fla. Stat. § 718.112(2)(g). For budgets adopted on or after December 31, 2024, unit owners can no longer vote to waive or reduce reserves for SIRS structural components. Homeowners' association reserves under FI Chapter 720.303(6) are mandatory only if initially established by the developer or approved by a majority of the total voting interests; members may waive or reduce funding by majority vote, effective for one budget year at a time.

FI St 553.899 requires Milestone inspections for condo/co-op buildings three habitable stories or more: The first inspection by December 31 of the year the building turns 30 (local agencies may require age 25, e.g. for salt-water proximity), then every 10 years.

The most reliable method to determine reserve contributions is to obtain a professional reserve study conducted by a qualified reserve specialist. The study identifies all reserve components, estimates their remaining useful life and replacement cost, and recommends an annual funding plan. Reserve studies typically cost \$3,000 to \$8,000 depending on the size and complexity of the community, and should be updated every three to five years.



Financial experts generally recommend maintaining reserves at 70 percent or higher of the fully funded balance. Communities below 30 percent are considered critically underfunded. Below is a chart displaying a quick guide on reserves—

 Who it applies to Reserve and SIRS mandates apply to residential condominiums (Ch. 718) and cooperatives (Ch. 719); the SIRS specifically applies to buildings three or more habitable stories in height. Chapter 720 homeowners' associations have no reserve mandate unless reserves were established by the developer or by majority member vote.	 Study cycle SIRS at least every 10 years for buildings three or more habitable stories (§ 718.112(2)(g)); companion milestone inspections at year 30 (25 if required locally) and every 10 years thereafter (§ 553.899). No statutory study cycle for Ch. 720 HOAs.
 Funding rules For budgets adopted on or after December 31, 2024, associations that must obtain a SIRS may not provide no reserves or less-than-required reserves for the SIRS structural components — the historic waiver vote is eliminated for those items. HB 913 (2025) permits funding SIRS reserves via loans, lines of credit, or special assessments with majority owner approval, and allows a delay of the SIRS for up to two consecutive budget years following a milestone inspection while repairs are underway. Ch. 720 HOA reserves, once established, may still be waived or reduced annually by majority vote.	 Disclosure rules Condo budgets must present required reserves and the SIRS informs the reserve schedule; milestone inspection reports and the SIRS are association official records that must be made available to owners and prospective purchasers. Ch. 720 HOA financial reports without fully funded reserves must carry the statutory warning that the budget "does not provide for fully funded reserve accounts" and that special assessments may result.

While most of us in the association industry are familiar with the statutes by which our associations are governed, i.e., 718, 719 or 720, there is additional legislation, the Florida Administrative Code, 61B-22.003, which also provides a guide to association budgets. Since this information is quite lengthy, we won't attempt to cover the parameters of the legislation in this article, however, it is important that every Florida community association board familiarize themselves with all requirements that pertain to their specific association type.



A Step-by-Step Budget Checklist to start with-

Step 1: Review Last Year's Actual Spending

Start with the facts. Pull your actual income and expense data for the current year (or the most recent complete year) and compare it to the budget. For every line item, note whether you were over budget, under budget, or on track. This comparison reveals where your assumptions were wrong and where adjustments are needed.

Common findings include landscaping costs that exceeded the budget due to unplanned tree removal or irrigation repairs, insurance premiums that increased more than expected, utility costs that fluctuated with weather patterns, and legal fees that spiked due to a specific dispute or collection action.

Step 2: Gather Vendor Bids and Renewal Quotes

Contact all major vendors for the coming year's pricing. For ongoing contracts (landscaping, insurance, pest control), request renewal quotes or obtain competitive bids. Key questions to ask include whether there will be a price increase, what the increase percentage is, whether you can lock in rates with a multi-year agreement, and whether the scope of services will change.

Do this 60 to 90 days before your budget needs to be finalized. Waiting until the last minute limits your ability to negotiate or switch vendors.

Step 3: Account for Known Changes

Identify changes for the coming year that will affect the budget. These might include new amenities being added, major maintenance projects scheduled, changes in the number of units (for communities still under development), new state or local regulations requiring compliance spending, expiring contracts that need renewal at different rates, or planned technology upgrades (such as implementing HOA management software).



Step 4: Apply Inflation Adjustments

For line items where you do not have specific vendor quotes, apply an inflation factor. A general rule of thumb is 3 to 5 percent for most service categories, though some areas (insurance, utilities) may warrant higher adjustments. Using the same amount as last year without an inflation adjustment is a common error that leads to budget shortfalls.

Step 5: Calculate Reserve Contributions

Determine the appropriate reserve contribution for the coming year. If you have a professional reserve study, it will specify the recommended annual contribution. If you do not have a reserve study, estimate based on the major components your community will need to repair or replace over the next 20 to 30 years — our free [reserve fund calculator](#) turns that component list into an annual contribution estimate. We detail reserve planning in the next section.

Step 6: Calculate Total Expenses and Set Assessments

Add up all budgeted expenses, including reserve contributions. This total is what your assessments must fund. Divide the total annual budget by the number of units and then by the number of assessment periods (monthly, quarterly, or annually) to arrive at the per-unit assessment.

For example: if total annual budgeted expenses are \$180,000 and the community has 120 homes paying quarterly assessments, the calculation is \$180,000 divided by 120 units divided by 4 quarters, yielding \$375 per unit per quarter.

If the calculated assessment represents a significant increase over the current year, review the budget for areas where you can reduce spending without compromising the community. If reductions are not feasible, prepare a clear explanation for homeowners about why the increase is necessary.

Other considerations–

*For contractual expenses, read the related contracts to identify any increases that are anticipated in the following year.

*Contact your insurance agent as early as possible to determine insurance premiums. If financing insurance, try to obtain favorable rates.

*Request estimated costs for non-contractual expenses such as general repairs and maintenance, certain administrative expenses, trash removal, and utilities.

*Include a reasonable amount for bad debt expense.

*Avoid a “Contingency” line item if possible.

*Look at revenue trends for fee-for-service charges to unit owners such as work orders, laundry, parking, etc. Be sure to consider possible increases.

*If loan repayments will be required, include the entire payment amount (i.e., principal and interest) in the budget.

Recently, during one of our legal discussions at C.A.N., an attorney recommended associations add a line item for legal fees in their budgets. Setting aside a dedicated legal line item ensures your community can navigate covenant enforcement, amend governing documents, and review vendor contracts without triggering unexpected special assessments. Having these funds readily available—and explicitly spelled out in the operating budget—fosters financial transparency and protects the board's fiduciary duty to maintain community operations.

For a Florida community association, funding a legal line item acts as a necessary buffer for a few critical reasons:

- Preventive Governance: Retaining a law firm to review amendments to your governing documents or interpret complex state statutes ensures compliance with laws like Florida Statutes Chapter 720 (for HOAs) or Chapter 718 (for Condos).
- Covenant Enforcement: Communities inevitably face rule violations. Having a budget allows the board to send demand letters or pursue injunctions to force compliance without draining operating cash meant for landscaping or utilities.
- Contract and Dispute Management: Legal costs are frequently required to review construction contracts, handle employment disputes with staff, or navigate insurance claim negotiations after severe weather events.

Knowing this can help evaluate your community's typical risk factors and estimate a realistic legal budget.

There are other concepts to keep in mind in preparing the annual budget: Be realistic. It is generally difficult to keep maintenance assessments at last year's levels. The role of an association's treasurer or president is to run the association's business. It is not to win a popularity contest. That role should be treated with as much, if not more, respect than the association's officers' own businesses.

The budgeting process doesn't end with the adoption of the annual budget. Careful and routine monitoring of budget-to-actual results of operations is a vital part of the effective management of a community association.

What types of reports should association board members prepare for members each year?

Balance Sheet–

One of the reports included in the Financial Reports presented to the Board of Directors is the Balance Sheet. The Balance Sheet is a statement of the book value of all of the assets and liabilities (including equity) of the association. It provides a "snapshot" of the association's financial standing as of the end of that particular month.

Collection Status Report–

By far one of the most popular and most important reports is the aging report or the Collection Status Report. This report provides the Board with a listing of the owners that are past due. There are many variations of this report, however, the sample shown is the most concise. This report provides a glimpse of the names of those owners that are past due, the total amount past due, and at what stage in the collection process the account is in.

Check Register and/or Accounting Software–

A Check Register is a monthly report. This report is a list of all of the checks written by the association during a given period, typically each month. Among other information, it lists, the check number, the vendor's name, the invoice number, brief description of the payment, and the check mount.





Profit & Loss Report–

The second page of the Financial Report summarizes the revenues, costs and expenses incurred during a specific period of time. The Income and Expense Report follows a general format that begins with an entry for Income and subtracts from Income the costs of running the business, including operating expenses, insurance, contracted vendors, and repairs. The bottom line, literally and figuratively, is net income or loss.

Because we know Associations depend on their budget, our P&L reflects the Actual Expenses vs. the Budget Amount. This comparison is done for the current month as well as year-to-date. You are also provided with the variance (if any) between the actual expense and the budgeted amount.

Monthly Ledger–

The Monthly General Ledger is the main accounting record of a business which uses double-entry bookkeeping and is a summary of all of the transactions that occur in the company. It is built up by posting transactions recorded in the general journal. The Balance Sheet and the Income and Expense Report are both derived from the general ledger. The general ledger is where posting to the accounts occurs. Posting is the process of recording amounts as credits and debits in the pages of the general ledger. Because each bookkeeping entry debits one account and credits another account in an equal amount, the double-entry bookkeeping system will ensure that the general ledger will always be in balance.

In the end Board and Management Companies should upload these reports to the Secure Association website where Owners can view the financial records each year. This avoids Questioning and sometimes fighting by owners in the association regarding fees being paid with the new budgets.

Common Budgeting Mistakes-

- Using last year's budget as the starting point instead of last year's actuals: If you budgeted \$12,000 for landscaping but spent \$14,500, starting next year's budget at \$12,000 guarantees another shortfall. Always start with actual spending data.
- Ignoring inflation: Costs increase every year. A budget that does not account for inflation will produce a deficit.
- Underfunding reserves to keep dues low: This is the most damaging mistake a board can make. It defers costs to future boards and homeowners and eventually results in special assessments or deferred maintenance.
- Waiting too long to start the process: Budget planning should begin three to four months before the fiscal year starts. Rushing the process leads to errors and missed vendor negotiations.

Often times presenting the budget to homeowners creates hostility, especially if assessments are going to increase. But even if an increase isn't anticipated, a well-prepared budget can still generate conflict if it is presented poorly.

Effective Communication Tips-

1. Provide Context, Not Just Numbers-

Homeowners want to understand why, not just what. For every significant line item or increase, provide a brief explanation. "Insurance is increasing by 8 percent due to industry-wide rate adjustments" is more helpful than just showing an 8 percent increase. If assessments are increasing, explain exactly what is driving the increase and what would happen if the increase were not approved.

2. Show Comparisons-

Present the proposed budget alongside last year's budget and last year's actual spending. This three-column comparison shows how the budget has changed and demonstrates that the board's projections are based on real data, not guesswork.

3. Highlight Achievements-

If the board saved money through competitive bidding, efficient management, or cost-reduction initiatives, highlight those achievements. Homeowners are more willing to accept necessary increases when they see that the board is actively managing costs.

4. Be Transparent About Trade-offs-

If keeping assessments flat would require cutting services or reducing reserve contributions, present those trade-offs honestly. Let homeowners understand the choice: a modest increase to maintain current service levels and adequate reserves, or flat assessments with reduced landscaping, deferred maintenance, or underfunded reserves. Most homeowners, when presented with clear information, support responsible financial management.



Condo Meeting Notice Laws—Under Florida Statutes Chapter 718, condo boards must notify unit owners of any budget meeting at least 14 days in advance. This notice must include a written copy of the proposed annual budget.

Key Notice Requirements—

- **Delivery Method:** The notice, along with the proposed budget, must be mailed, hand-delivered, or electronically transmitted to the unit owners.
- **Physical Posting:** The notice must be posted conspicuously on the condominium property for at least 14 continuous days.
- **Meeting Agenda:** The notice must specifically identify the meeting as a budget meeting and include the agenda.
- **Affidavit:** The person providing the notice must execute an affidavit affirming that notice was mailed, delivered, or electronically transmitted in accordance with the statute, and this affidavit must be retained as an official record.

Fl St 720 on Budget Meeting Notice—

Under Florida Statute 720, boards must notify members of any meeting to adopt the annual budget. The association must conspicuously post a physical notice in the community at least 48 hours in advance, which must include a detailed meeting agenda.

Specific budget adoption notice requirements and best practices include:

- **Budget Mailing Rule:** While standard board meetings require only a 48-hour posted notice, a meeting to adopt a budget where assessments are proposed to increase by more than 11% requires a physical copy of the proposed budget to be mailed or delivered to all owners at least 14 days prior to the meeting date.
- **Member Rights:** All members have the right to attend budget meetings and to speak on the agenda items before the board votes.
- **Digital Posting Requirements:** If the association governs 100 or more parcels and operates a mandatory digital website or app, the meeting notice and the proposed budget must also be posted conspicuously on that site.

Does your association struggle to complete the annual budget every year? Educational organizations like Community Association Institute (C.A.I.) can provide you with the resources you need for a successful budget. If you have the space, invite reputable association experts to give a budget workshop for your board members.

Most industry professionals are eager to help! We are also available to connect your association to the right service providers!

Join us in October, where we will be discussing, "Boundaries, Conflicts & Penalties."
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Kristin Fourie

**Kristin Fourie, CAM, Owner of CORE Marketing Solutions
Operator of Community Association Network Group**

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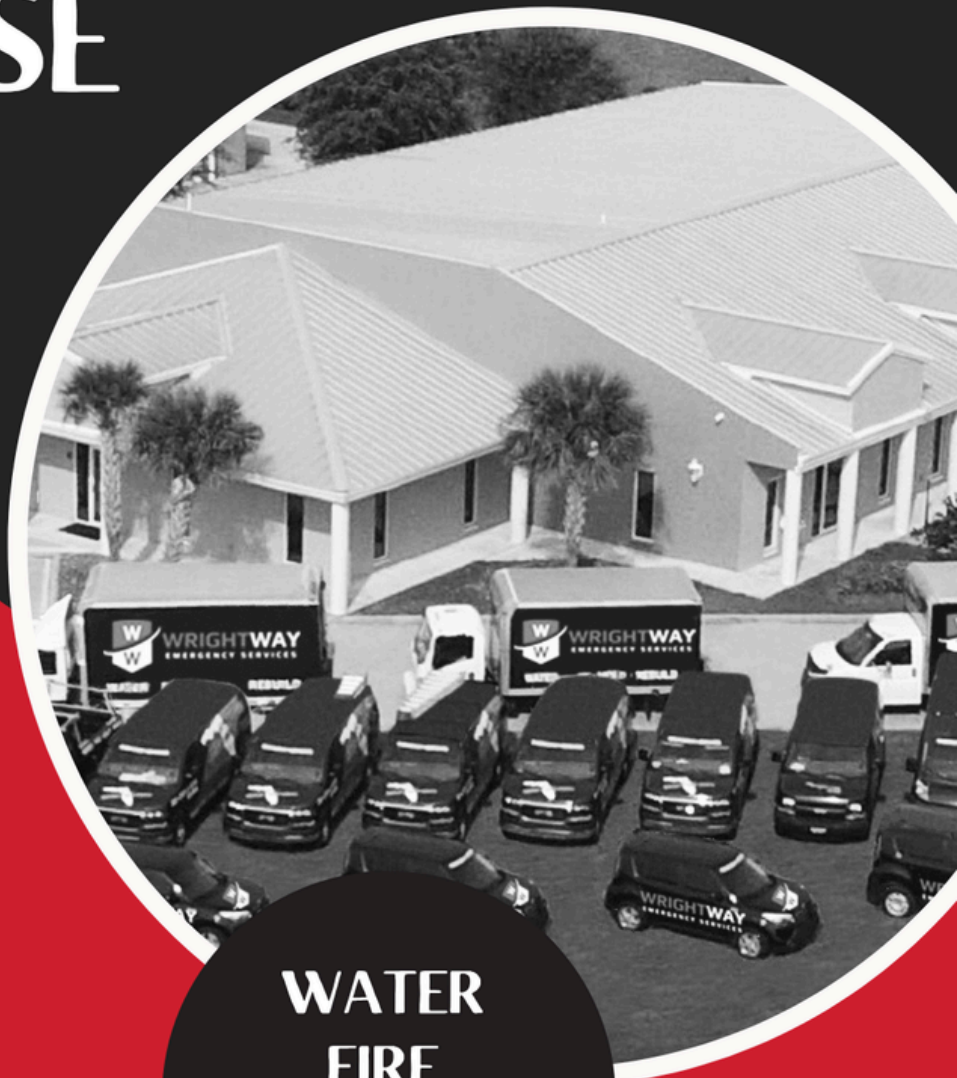
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