



# Mulcahy Memo – August, 2019

Published for clients and friends of the Mulcahy Law Firm, P.C.

by Beth Mulcahy, Esq.



Dear Clients and Friends,

Although I don't love the heat, I do love this time of year! Kids are excited to go back to school and our firm's educational classes start again after a summer hiatus! Our firm had a busy summer planning all of our Fall education classes. Please check out our firm's website [here](#) to view a full listing of our upcoming classes.

August is a great time to get a jump start on your association's 2020 budget. Our Mulcahy Memo article this month provides an overview of the budgeting process and gives 9 tips to help simplify the budget process and preparation for associations. Please scroll down to the bottom of this email to read the full article.

## **New HOA/Condo Laws Going into Effect August 27, 2019**

*Several important changes to the Arizona laws pertaining to community associations will become effective on August 27, 2019.* For a quick and easy summary of the new laws, please view our new [2019 Legislative Update Mulcahy Cheat Sheet](#)©.

## **Free Document Review Offered**

Did you know that Mulcahy Law Firm, P.C. offers a complimentary 15-minute review of an association's CC&Rs and bylaws to outline the amendment procedure(s) and determine what needs to be changed? If your board is interested in this complimentary review, please contact Beth Mulcahy, Esq. at 602.241.1093 or [bmulcahy@mulcahylawfirm.com](mailto:bmulcahy@mulcahylawfirm.com). For more information on this topic, please view our Amending Association Documents Mulcahy Cheat Sheet© [here](#).

## **Board Member Boot Camps**

**A reminder!** Our firm is now offering board member boot camps. Many of our clients are taking advantage of this personal education time with our firm to answer their questions and help their boards be more effective. Each program is offered at an hourly rate and covers a variety of topics, including board of

director duties, compliance with Arizona and federal laws, potential pitfalls and Q&A. The boot camp can be held at a location chosen by the board or at our office. We can tailor the session to fit your board's desires as we understand that each board is unique and has different needs. For more information, please contact Beth Mulcahy, at 602.241.1093 or [bmulcahy@mulcahylawfirm.com](mailto:bmulcahy@mulcahylawfirm.com).

Finally, don't forget to "like" and follow Mulcahy Law Firm, P.C. on [Facebook](#) so you don't miss any of our important updates on Arizona community association law.

Thank you!



Sincerely,  
Beth Mulcahy, Founder and Senior Partner  
Mulcahy Law Firm, P.C.



## **Now is the Time to Start Planning your 2020 Association Budget** ***By: Beth Mulcahy, Esq.***

Most community association documents require an associations' board of directors to adopt a budget for each fiscal year and early to late fall is typically the time of year devoted to that process. Because the management company is familiar with all aspects of the association, they usually prepare the budget for the board's approval. However, an association's finance committee should be encouraged to help with the process. Whether the manager, a committee or a combination thereof develops the budget, it requires time and research to complete the process.

The association budget is broken down into two documents: (1) operations and (2) reserves. The operations budget consists of daily and monthly expenditures such as landscape maintenance, insurance, legal fees, water, social programs, etc. The reserve budget is money reserved for large capital expenditures such as painting, roofs, common area improvements, etc. Both operations and reserves should be addressed annually and budgeted appropriately. In my opinion, the board of directors has a fiduciary duty to review the operating budget of the association and provide annual reports if requested.

As the general counsel attorney for over 1,000 community associations in Arizona, I am often asked for tips on budget preparation. Set forth below are 9 steps to help simplify the budget process and preparation:

1. Review last year's budget and records and compare the differences between what was budgeted and what was actually spent. Review each line item in the budget. Is there a difference between what was budgeted and what was expended? Why is there a difference?
2. Evaluate the needs of the community for the upcoming year. Does the annual assessment need to be raised because of an increase in delinquencies and cost of living? Are there new expenditures for any of the line items in the operational budget that will benefit the community?
3. Assess the needs of the community for the future. What long term or capital projects need to be addressed in the reserve budget? When was the last reserve study conducted? Considering the cost of living increases, should a new reserve study be conducted? Does a larger percentage of the annual assessment need to be directed to the reserve budget?

4. Ask questions of the association's vendors. Are there potential cost increases or added services a vendor might deem necessary for the association? Are proposed cost increases necessary?
5. Review and analyze the association's contracts. Are changes in services needed that may require an increase or decrease in the contract amount? Does the association need to get three bids to determine value received?
6. Receive and analyze information from the vendors with regard to the budget.
7. Plan for the miscellaneous. Surprises are not fun in the operational budget. Consider including a line item for a reasonable amount of money to handle the unexpected.
8. Budget the line item amount taking all research and information gathered into account.
9. Prepare for the budget presentation to the board and homeowners. Have backup information available and reasons as to how and why each line item was established.

In a planned community the budget must be approved by the board, but there is no requirement that the budget be approved by the membership prior to the start of the fiscal year (unless the governing documents require this, which in my experience would be unusual). The Arizona Condominium Act (A.R.S. Section 33-1243) requires that the board of directors provide (typically by mail) a summary of the proposed condominium budget to all unit owners within thirty days after adoption. The unit owners in accordance with the procedures set forth in A.R.S. 33-1243 (D) shall ratify any budget or amendment, unless the board of directors is expressly authorized in the declaration to adopt and amend budgets from time to time. If ratification is required, the board of directors is required to set a date for a meeting of the unit owners (not fewer than fourteen nor more than thirty days after mailing the summary) to consider ratification of the budget. The budget is ratified whether or not a quorum is present, unless a majority or any larger vote of the unit owners as specified in the declaration rejects it at that meeting. If the proposed budget is rejected, the periodic budget last ratified by the unit owners will be continued until such time as the unit owners ratify a subsequent budget proposed by the board of directors.

Please go to our Mulcahy Cheat Sheet©, [Budgeting for Community Associations](#), to find complete information on the steps to complete the budgeting process.

If you have questions and need answers on budgeting questions or you'd like to request a copy of a sample budget, please contact Beth Mulcahy, Esq. at 602.241.1093 or [bmulcahy@mulcahylawfirm.com](mailto:bmulcahy@mulcahylawfirm.com).