

MULCAHY ANSWERS

For Office Condominiums

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

The Key to Creating Successful Office Condominium Budgets

By Kristen L. Rosenbeck, Esq.



Beth Mulcahy, Esq.
Founder and Partner
Email:

bmulcahy@mulcahylaw.net



Kristen L. Rosenbeck, Esq.
Partner
E-mail:

krosenbeck@mulcahylaw.net

Receive

**Answers for
Office Condominiums
via E-Mail**

Subscribe online:
www.mulcahylawfirm.net/subscribe.php

MULCAHY LAW FIRM, P.C.

3001 East Camelback Road
Suite 130
Phoenix, Arizona 85016
Phone: 602.241.1093
Toll Free: 877.206.7164
Fax: 602.264.4663

www.mulcahylawfirm.net

The key to creating a successful office condominium budget is carefully following a process. Late summer or early fall is typically the time to start that process. The budgeting process is followed with the adoption of the proposed budget by the board of directors each fiscal year. The management company typically prepares the budget for the board's approval. However, an association's board of directors or finance committee should be encouraged to help with the process. The process requires time and research to reach a successful completion.

Both the operations and reserve budget are typically addressed. The operations budget consists of daily and monthly expenditures such as landscape maintenance, insurance, legal fees, water, 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.

The key to creating a successful budget can be found in the following process:

- 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 office condominium 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 office condominium?
- 3. Assess the needs of the office condominium 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 office condominium 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 office condominium association's contracts.** Are changes in services needed that may require an increase or decrease in the contract amount? Does the office condominium 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 unit owners.** Have backup information available and reasons as to how and why each line item was established.
- 10. Present the budget to the board of directors for adoption and the unit owners for approval.**

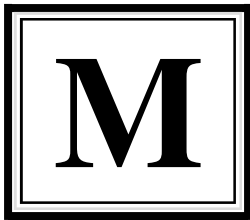
Be open and ready to answer questions.

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.

The key to successful budgeting for an office condominium requires looking at future needs, examining past expenditures, and planning for cost of living increases. A good comprehensive budget will address the board's duty to maintain and preserve the association by meeting the needs of the property as it ages and the welfare of the unit owners.

ANSWERS

For Office Condominiums



MULCAHY LAW FIRM, P.C.

3001 East Camelback Road, Suite 130
Phoenix, Arizona 85016

Phone: 602.241.1093

Fax: 602.264.4463

www.mulcahylawfirm.net

Associations Should Bank with FDIC Insured Institutions

On May 20, 2009 the FDIC extended the time frame for its insurance coverage of \$250,000 per account to December 31, 2013. It is wise to review all accounts, bank ratings, banker relationships and to engage in dialogue to ensure all association accounts are necessary and fully insured. You can obtain more information by going online to www.fdic.gov and clicking on the "Deposit Insurance" tab.

MULCAHY LAW FIRM, P.C.

Beth Mulcahy is the founding attorney and partner of the Mulcahy Law Firm, P.C. Beth's legal practice focuses exclusively on the legal representation of over eight hundred (800) community associations throughout the State of Arizona.

After receiving a Bachelor of Arts degree in Political Science from Marquette University in Milwaukee, Wisconsin, Beth earned her *Juris Doctor* degree from Marquette University Law School where she was on the Dean's List and a member of the Marquette University Law Review. A native of Wisconsin, Beth is licensed to practice law in the State of Wisconsin and the State of Arizona.

Beth has published numerous articles regarding community association law and frequently lectures on community association issues for seminars, conferences and workshops at state and national levels. Beth is a member of the National and the Central Arizona Chapter of Community Association Institute (CAI), a nonprofit organization supporting the interests of community associations and the Arizona Association of Community Managers (AACM).

Beth sits on the Board of Esperanca, Inc. a nonprofit charity that provides disease prevention, education and treatment to the poorest communities of the world.

E-mail: bmulcahy@mulcahylaw.net

Kristen L. Rosenbeck graduated from Valparaiso University with a Bachelor of Arts degree in Biology where she actively supported her school as the Student Body President. Kristen graduated in the top third of her law class receiving her *Juris Doctor* degree from Marquette University in Milwaukee, Wisconsin in 2001. She maintains licenses to practice law in both the State of Wisconsin and the State of Arizona.

Kristen's legal practice focuses on the representation of office condominium associations and residential community associations throughout the State of Arizona. She represents associations on interpretation and enforcement of documents, guidance on state and federal laws, collection of delinquent assessments and policy creation. Kristen is experienced in litigation and transactional law.

Kristen is a member of the National and the Central Arizona Chapter of Community Association Institute (CAI), a nonprofit organization supporting the interests of community associations. She is a regular contributing writer for "Strictly Legal", a CAI magazine for Community Managers. Kristen is also a member of Arizona Association of Community Managers (AACM) where she is a member of the Educational Committee.

E-mail: krosenbeck@mulcahylaw.net

ANSWERS OC is not intended to offer specific legal advice or responses to individual circumstances or problems.

If legal advice is required, please consult individually with the MULCAHY LAW FIRM, P.C.

All MULCAHY LAW FIRM, P.C. printed materials are copyrighted.

Copying our materials is permitted when they are presented in their complete format and written acknowledgment is given to MULCAHY LAW FIRM, P.C.

Questions may be directed to **Beth Mulcahy, Esq.** or **Kristen L. Rosenbeck, Esq.**
Phone: 602.241.1093 Facsimile: 602.264.4663 E-mail: bmulcahy@mulcahylaw.net or krosenbeck@mulcahylaw.net
www.mulcahylawfirm.net

Copyright 2009 by MULCAHY LAW FIRM, P.C., All Rights Reserved