

STONEWOOD TOWERS PROCEDURE NO. 42

(This Procedure supersedes Procedure #23 in its entirety)

**Subject: Financial Administration & Annual Budget Development**

**BACKGROUND:**

The Finance Committee and the Property Manager play a key role in the development of the Association's Annual Budget. The budget planning cycle is initiated on or about June 1<sup>st</sup> each year. Annually, at the September Board meeting, the Finance Committee submits their proposed annual budget to the board for review. Since a new board is elected every October, the outgoing board defers approval and adoption of the proposed Annual Budget to the new incoming board. Consequently this necessitates Finance Committee coordination with both the outgoing and incoming Board.

Approval to implement the "pooled" method of reserve fund accounting, as provided by Florida Statute 718.112(2)(f)(2) and (3) and Florida Administrative Code Section 61B-22.005(3), was granted by a 105 to 5 membership vote at a specially convened membership meeting on December 14, 2015.

**POLICY:**

- 1) The Finance Committee shall provide the following budgetary support to the board:
  - a) Develop and recommend the Association's Annual Budget.
  - b) Recommend financial strategies to assist the board, in formulating its financial and investment decisions.
  - c) Monitor the Board's financial/investment decisions.
- 2) The Finance Committee shall NOT make any financial or investment decisions on behalf of the board.

**PROCEDURES:**

**1. OPERATING BUDGET FORMULATION:**

- a) On or about June 1, the Property Manager (herein called Manager) will provide the Finance Committee his/her proposed line item Operating Budget for the following calendar year.
- b) The estimated budget forecast shall consist of current Year-To-Date actuals by account, estimated year-end balances, current year's budget, estimated variances to the budget, and recommended new estimated budget figures.
- c) Large budget variances, either positive or negative, between the forecast and existing budgets shall be explained by the Manager.
- d) The Finance Committee shall, in coordination with the Manager, review and make any necessary adjustments before submitting the proposed operating budget to the board for their review.

## **2. RESERVE BUDGET FORMULATION:**

- a) On or about June 1, the Finance Committee shall draft a proposed Reserve Accounts schedule for the following calendar year.
- b) The Finance Committee, in coordination with the Manager and Board Treasurer, shall then examine each account to insure the asset's projected life expectancy, the updated asset replacement costs, and the asset's funding schedule are based on realistic estimates and projections.
- c) The Finance Committee shall then review and make any necessary adjustments before submitting the proposed reserve budget to the board for their review.
- d) The Board and Finance Committee, shall insure the proposed reserve budget is fully funded and compliant with Section 718.112(2)(f) of the Florida Statutes.

## **3. BOA RECEIPT, CONCURRENCE AND ADOPTION**

- a) The Finance Committee shall submit their proposed Annual Budget to the BOA during its scheduled September board meeting for their review.
- b) The "current" board shall complete their review of the proposed Annual Budget before the October board elections. If accepted, the current board shall recommend approval of the proposed Annual Budget to the incoming board.
- c) The incoming Board shall finalize the Annual Budget and provide a copy to each voting member, for their review and comment, no later than the statutory requirement of fourteen (14) days prior to the December Budget meeting held each year.
- d) If there are no budget issues/concerns raised by the members, the new Board shall vote to adopt the new Annual Budget at their scheduled Budget meeting and, at that time, advise the owners of their maintenance fee for the coming year.

## **4. INVESTMENT DECISIONS:**

- a) For "Safety and Fiscal Soundness", the board requires its Reserve Accounts to be fully FDIC insured in banking institutions with the best Certificate of Deposit yields.
- b) To maximize portfolio yields, CD maturity dates shall be laddered to match the life expectancy of the asset(s) in the Reserve Account Funding Schedule.
- c) When a CD matures earlier than the payment date for the reserve replacement asset, Treasury Bills, Money Market Accounts, or Cash Accounts may be used as an interim warehousing vehicle. Fiscal soundness of the investment vehicle shall be paramount.
- d) To insure the available cash flow meets the Reserve Account Funding Schedule, the board, in coordination with the Finance Committee, shall periodically review and determine the minimum available balance required in the reserve cash account.

- e) In all cases and prior to any investment decisions (i.e., CD rollover, cash out etc.), the board shall consult with the Finance Committee.

#### **5. MONITORING-INVESTMENT DECISIONS**

- Since maturity dates can accidentally be overlooked, the Treasurer or his/her designee shall send a monthly notice, to the Finance Committee and Board Treasurer, of the maturity dates of all CD investments maturing that year.
- In addition to the CD maturity schedules, the Treasurer or his/her designee shall also provide the current Investments CD rates.
- For 30, 60, 90, 180 T-Bills or MMA's, if any, the Treasurer shall, on a monthly basis, forward the appropriate rate schedule to the Finance Committee.

#### **6. MONITORING-FINANCIAL BUDGET COMPLIANCE**

- The Treasurer or, in his absence, his designee shall provide a copy of the monthly Financial Report to the Finance Committee for their review /comment /edit as needed.
- Each finance committee member shall review this monthly report and respond via e-mail with any edits within 3 business days from the Treasurer's transmittal to the committee. All committee members shall be copied on any committee member's response. The Finance Committee Chairman shall then consolidate and incorporate the appropriate edits and forward the report back to the Treasurer.
- If a committee member does not respond via e-mail with edits or questions within the 3 day time frame, the non-response shall be taken as a "no comment" to the report as provided.
- The Treasurer shall then forward the report to the BOA.

FOR THE BOARD OF ADMINISTRATION