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## Elite Management Professionals, Inc.

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## How the Budget is Prepared

Each year you receive a draft of the proposed budget for review and comment. A lot of work goes into preparing the budget. It's a complex activity that has to start early so the budget can be finalized and approved prior to the beginning of the new fiscal year. Here's how we do it:

- The board may appoint a budget committee or the treasurer to help with some or all of the following tasks.
- The board and manager work together to gather all financial information we'll need to project expenses for the coming year. This could be a reserve analysis, bids for contracts, projections for utility service increases, comparisons of past years' budget trends and many other details.
- We examine all sources of income—assessments, interest on investments, proceeds from concession or club operation and other types of miscellaneous income.
- We create a working draft by adjusting the expenses and income until they balance. This may be accomplished by foregoing certain expenses to avoid raising assessments. Or it may be necessary to raise assessments to cover increased expenses such as utilities that the board cannot control.
- The board finalizes the budget and sends this to all members before the end of the year. One of the reasons we start the process early is to allow plenty of time to study the budget, ask questions, make changes and offer comments.
- Many Associations ratify the budget at the annual meeting each year if it is required by the community legal documents.

## Reserve Funding: How Much is Enough?



Trying to figure out how much an association should put aside every year for their reserve account can be mind boggling. There are three main formulas boards utilize to figure this out. The three formulas are baseline, full, and threshold funding.

**Baseline Funding:** The least expensive, but riskiest approach. This approach focuses on the major property components that will need repair or replacement in the next 30 years. It takes into account the expected cost of repairs and when they will be due. Reserve contributions are set so that the reserve fund never becomes depleted.

**Full Funding:** The most expensive but safest approach. Each major property component is evaluated separately and then the cost of replacement is divided by the number of years left until replacement is needed. All of the component costs are added up to establish the annual reserve fund requirement.

**Threshold Funding:** The medium ground approach. The goal of this approach is to set the reserve fund balance at level between baseline and full funding. The level is based on the association's tolerance for risk.

## Elite Question of the Month ???

We want to hear from YOU! We will be putting a question of the month in every newsletter. We hope to get feedback from board members. Everyone who sends in a response will be entered in a drawing to win an Elite Gift . We will also include some of the feedback we received in the following month's newsletter.

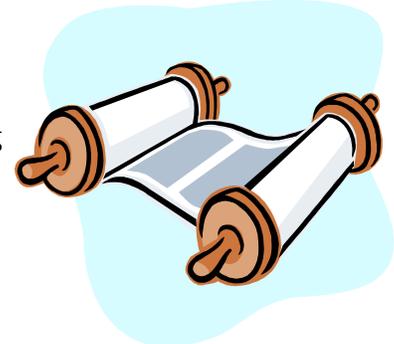
**Feedback can be sent to [dawnhatcher@elite-mgmt.com](mailto:dawnhatcher@elite-mgmt.com).**

**Question:** In consideration of the new pine straw regulations, will your board be recommending that homeowners make a change even if your community is not governed by the ordinance? Why or why not? Do you think the Association should enact any other fire prevention regulations?

## What is a Board Resolution?

A board resolution is a motion that follows a set format and is formally adopted by the board. Resolutions may enact rules and regulations or formalize other types of board decisions. There are four types of resolutions for a community association:

- 1. Policy Resolutions** affect owners' rights and obligations such as rules for the use of common areas and recreational facilities, architectural guidelines and enforcement procedures.
- 2. Administrative Resolutions** address the internal operations of the community association. Examples include operating procedures, collection procedures and where board meetings will be held.
- 3. Special Resolutions** document board decisions that apply a policy or rule to an individual situation, such as a decision about an alleged rule violation.
- 4. General Resolutions** involve routine events, such as adopting the annual budget and approving a contract.



The Management Company maintains all adopted resolutions. They are available to association members for review in the manager's office and also mailed with each Welcome Package for new homeowners.

## Upcoming Seminars and Events:

The next **Board Member Seminar** is on November 2, 2010 at 6:30 at our office. This seminar covers roles and responsibilities of the Board, Management Company, and Homeowners along with other important information.

To sign up contact Dawn Hatcher at [dawnhatcher@elite-mgmt.com](mailto:dawnhatcher@elite-mgmt.com) or 233-7660.

**Community Financial Planning, Contracting, and Budgeting**  
Time and Date TBD

**Elite Holiday Open House**  
December 7, 2010 at 6:00pm  
1401 Sunday Drive, Suite 116  
Raleigh, NC 27607

## Calendar of Events

**September 6, 2010**

Labor Day (Office will be closed)

**October 1, 2010**

NC CAI Conference in Charlotte

**November 2, 2010**

Board Member Seminar

**November 25 & 26, 2010**

Thanksgiving Holiday (office will be closed)

**December 7, 2010**

Elite Holiday Open House

**December 24-27, 2010**

Christmas Holiday (office will be closed)