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## Agenda Item: **2022 Budget**

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*A proposed agenda item to be presented by Treasurer for board decision at the 15-Nov-21 board meeting. This item is being presented because the board should approve the budget for 2022 at least 30 days before then end of 2021.*

*The intent of this presentation is to determine the annual budget for 2022.*

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Motion Title:

### **State Income Taxes**

Proposed Motion:

**Authorize the expenditure of \$50 for State Income Taxes in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for State Income Taxes in the 2022 budget.**

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Motion Title:

### **County Property Taxes**

Proposed Motion:

**Authorize the expenditure of \$35 for County Property Taxes in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for County Property Taxes in the 2022 budget.**

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Motion Title:

### **Arizona Corporation Registration**

Proposed Motion:

**Authorize the expenditure of \$15 for Arizona Corporation Registration in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Arizona Corporation Registration in the 2022 budget.**

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Motion Title:

### **Tax Preparation Costs**

Proposed Motion:

**Authorize the expenditure of \$0 for Tax Preparation Costs in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Tax Preparation Costs in the 2022 budget.**

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Motion Title:

### **Meeting Venue Rental**

Proposed Motion:

**Authorize the expenditure of \$0 for Meeting Venue Rental in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Meeting Venue Rental in the 2022 budget.**

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Motion Title:

**Post Office Box**

Proposed Motion:

**Authorize the expenditure of \$75 for Post Office Box in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Post Office Box in the 2022 budget.**

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Motion Title:

**Website License**

Proposed Motion:

**Authorize the expenditure of \$180 for Website License in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Website License in the 2022 budget.**

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Motion Title:

**County Recording Fees - Liens and Governing Documents**

Proposed Motion:

**Authorize the expenditure of \$150 for County Recording Fees - Liens and Governing Documents in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for County Recording Fees - Liens and Governing Documents in the 2022 budget.**

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Motion Title:

**External Financial Review**

Proposed Motion:

**Authorize the expenditure of \$125 for External Financial Review in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for External Financial Review in the 2022 budget.**

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Motion Title:

**Nominations and Elections Committee Fund 2022**

Proposed Motion:

**Authorize the expenditure of \$392 for Nominations and Elections Committee Fund 2022 in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Nominations and Elections Committee Fund 2022 in the 2022 budget.**

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Motion Title:

**Governing Documents Committee Fund 2022**

Proposed Motion:

**Authorize the expenditure of \$300 for Governing Documents Committee Fund 2022 in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Governing Documents Committee Fund 2022 in the 2022 budget.**

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Motion Title:

**Printing and Postal Expenses**

Proposed Motion:

**Authorize the expenditure of \$50 for Printing and Postal Expenses in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Printing and Postal Expenses in the 2022 budget.**

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Motion Title:

**Attorney Subscription / Retainer**

Proposed Motion:

**Authorize the expenditure of \$600 for Attorney Subscription / Retainer in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Attorney Subscription / Retainer in the 2022 budget.**

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Motion Title:

**Additional Legal Services**

Proposed Motion:

**Authorize the expenditure of \$900 for Additional Legal Services in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Additional Legal Services in the 2022 budget.**

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Motion Title:

**Foreclosure Processing**

Proposed Motion:

**Authorize the expenditure of \$3,750 for Foreclosure Processing in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$3,750 for Foreclosure Processing in the current budget.**

**Authorize the expenditure of \$\_\_\_\_\_ for Foreclosure Processing in the \_\_\_\_\_ budget.**

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Motion Title:

**Insurance**

Proposed Motion:

**Authorize the expenditure of \$1,900 for liability and litigation insurance in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for liability and litigation insurance in the 2022 budget.**

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Motion Title:

**Hazard Insurance**

Proposed Motion:

**Authorize the expenditure of \$325 for Hazard Insurance in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$325 for Hazard Insurance in the current budget.**

**Authorize the expenditure of \$\_\_\_\_\_ for Hazard Insurance in the \_\_\_\_\_ budget.**

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Motion Title:

**Windmill**

Proposed Motion:

**Authorize the expenditure of \$500 for Windmill in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Windmill in the 2022 budget.**

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Motion Title:

**Caution Signs**

Proposed Motion:

**Authorize the expenditure of \$711 for Caution Signs in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$711 for Caution Signs in the current budget.**

**Authorize the expenditure of \$\_\_\_\_\_ for Caution Signs in the 2022 budget.**

**Authorize the expenditure of \$\_\_\_\_\_ for Caution Signs in the current budget.**

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Motion Title:

**Road Grading**

Proposed Motion:

**Authorize the expenditure of \$11,500 for Road Grading in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Road Grading in the 2022 budget.**

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Motion Title:

**Road Repair**

Proposed Motion:

**Authorize the expenditure of \$8,800 for Road Repair in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Road Repair in the 2022 budget.**

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Motion Title:

**Road Damage Prevention**

Proposed Motion:

**Authorize the expenditure of \$6,350 for Road Damage Prevention in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$\_\_\_\_\_ for Road Damage Prevention in the 2022 budget.**

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Motion Title:

**Reserve Fund Addition**

Proposed Motion:

**Authorize the expenditure of \$1,000 for Reserve Fund Addition in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$1,000 for Reserve Fund Addition in the current budget.**

**Authorize the expenditure of \$\_\_\_\_\_ for Reserve Fund Addition in the \_\_\_\_\_ budget.**

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Motion Title:

**Professional Association Management**

Proposed Motion:

**Authorize the expenditure of \$3,250 for Professional Association Management in the 2022 budget.**

Alternate Motion(s):

**Authorize the expenditure of \$ \_\_\_\_\_ for Professional Association Management in the 2022 budget.**

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Motion Title:

**2022 Annual Budget**

Proposed Motion:

**Approve the annual budget for 2022 in the amount of \$ \_\_\_\_\_**

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Information/Arguments:

**Quality of Life, Property Values, and Sense of Community**, our three core interests, should be the key considerations in our budget decisions, just like other board decisions. In addition however, we have mandatory financial obligations. In all matters, we should strive to remain proper stewards of association resources, remembering that we are using other people's money.

Our budget is is not an obligation to spend. It is a limitation on our spending.

It is generally preferable to end next year with unspent budget than it is to fall short and need to shift funds within the budget, authorize additional funds, or conduct a special assessment. Therefore, some amount of 'padding' is appropriate, particularly when inflation rates are potentially unpredictable.

If we are projecting excess funds for the end of 2021, we have the option to authorize funds in the current budget rather than the 2022 annual budget to pay for some budget item requests.

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Additional Information:

Background: Budget Instructions

1.  The board establishes the budget in accordance with the Declaration and subordinate governing documents. The actions and procedures, and their timing, to create the budget are contained herein. Should there arise any conflict between the policies and procedures of this document and those of the Association Rules and Procedures, Association Bylaw, association declaration, or association Articles of Incorporation, or government statute(s), the superior document will prevail.

2.  The budget consists of the cumulative individual budget items.

a.  Each budget item will ultimately be presented to the board as a resolution. Most of these resolutions will serve two purposes: 1) To approve funding for an action, and 2) to approve the action. The routing of the item to the board (see paragraph 4.b below) will therefore be similar to that of any resolution.

b.  These budget items are organized into budget categories that include: Administrative, Services (insurance and legal), Taxes, and Common Areas.

3.  Annual Budget and Current Budget. The initial budget is the annual budget, which should be established and approved at least 30 days before the beginning of the fiscal year (as of this writing, the fiscal year and the calendar year are the same). With the beginning of the fiscal year, the

annual budget becomes the current budget which consists of the annual budget plus any budget changes approved by the board.

4. Annual Budget. The annual budget is created via six steps (see Figure 1, Annual Budget Timeline):

a. Step 1 – Solicit budget item inputs/requests. The Treasurer will use official means (reports, website, email, etc.) to keep board members, committee members, and association members advised on the procedures and schedule for submitting budget item inputs and requests.

b. Step 2 – Submit budget item inputs/requests. All budget item inputs and requests must include all information required for due consideration by the board (title, purpose, description, cost detail, pro and con arguments, etc. (see example form at Attachment 1)). All items deserve and must receive due consideration by the board. All budget item inputs and requests must be submitted by a board member, no matter where the item or request was initiated. The board member will ensure each item is complete, including coordination with committees and/or board members as appropriate based upon item content.

i. Initiated by Association Member. Association members send these budget items to the board. The Secretary then forwards them to the Member at Large. When complete, the Member at Large sends the item to the Treasurer.

ii. Initiated by Committee. When complete, the board member serving as the Liaison or Chair of the committee will send these items to the Treasurer.

iii. Initiated by Board Member. The board member requesting an item related to the performance of their board member position will ensure each item is complete before sending these items to the Treasurer. Items not involving their board position should be submitted in accordance with paragraph 4.b.i above.

c. Step 3 – Organize and standardize budget item inputs/requests. The Treasurer will review all submissions for completeness and will seek resolution of incomplete requests with the submitting board member. The Treasurer will standardize the presentation of all requests to facilitate fair consideration by the board during budget deliberations. The Treasurer will organize the requests into categories to expedite the decision process. The Treasurer will request that the budget request package be included in the read-ahead for the November board meeting and that it be posted on the association website sufficiently in advance of the board meeting to allow adequate review and comment.

d. Step 4 – Budget deliberations. The deliberations process should be accomplished each year at the November board meeting. The process entails five rounds of actions:

i. Round 1 – Non-binding Initial Approval / Disapproval. Without discussion and based upon only the contents of the individual budget requests, each board member will vote on each budget request item, voting either 'Approval,' 'Disapproval,' or 'Abstain.' The Treasurer will compile the results of the voting for presentation to the board in Round 3.

ii. Round 2 – End-of-Year Financial Forecast. The Treasurer will present the expected end-of-year financial situation of the association. The presentation will include the minimum end-of-year balance (on 10 November 2020, the board voted that an end-of-year balance of \$5,000.00 is

sufficient to address any expenses that might arise in the new year before the board collects assessment payments). The Treasurer will also include in the presentation options and recommendations for addressing any excess funds or funding shortfalls, as appropriate.

iii.  Round 3 – Set Budget Target. The Treasurer will brief the board members on the results of the non-binding votes from Round 1. The board then may use these results in combination with other factors (such as the assessment burden per lot chart at Attachment 2, or legal constraints) to formulate a target or target range for the total annual budget. The board may also develop guiding concepts for reaching the desired target in Round 4.

iv.  Round 4 – Binding Final Approval / Disapproval. Considering the results from Round 3 and the financial forecast from Round 2, the board will review each budget item. During this round, the board is not constrained by the funding amount requested and may adjust the funding amount. The board will address each item as a separate resolution (motion and vote) for final funding approval or disapproval.

v.  Round 5 – Alternative Funding Options. The board will consider and as appropriate approve or disapprove alternative funding for the items approved in Round 4. (Alternative funding is anything other than inclusion in the annual budget, such as funding with end-of-year excess funds, delaying funding to the next annual budget, etc.)

e.  Step 5 – Budget approval. The Treasurer will present the annual budget as it results from Step 4 Rounds 4 and 5. The board will vote to approve the annual budget, or failing approval, will return to and redo Step 4 Rounds 4 and 5 until the annual budget is approved.

f.  Step 6 – Publish the budget. The Treasurer will request that the approved annual budget be published on the association website. The Treasurer will ensure budget comments include the budget approval date and cite the annual budget approval as the authority for all items approved in the annual budget.

5.  Current Budget. During the year, circumstances may warrant consideration of actions and/or decisions that require funding authority for items not addressed and/or not approved during the annual budget deliberations. The board may make deliberate and specific changes to the current budget in response to such circumstances, actions, and decisions.

a.  As deemed appropriate, the board will make associated changes to the current budget to maintain balance in the current budget (i.e., additional funding authority may require a corresponding decrease in another budget item to 'pay' for the added/increased item).

b.  Only the board can make changes to the current budget. All changes to the current budget must be made via board resolution (motion and vote).

c.  The Treasurer will ensure budget comments include the budget resolution approval date and cite the resolution approval as the authority for the added/changed items in the current budget.

d.  The Treasurer will request that the current budget, with changes, be published on the association website.

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