



CCIOA and the Budget Process

A Presentation by the Colorado HOA Information and Resource Center
Friday, October 25th, 2024



COLORADO
Department of
Regulatory Agencies
Division of Real Estate

What we Do:

- Provides information to homeowners regarding their basic rights and responsibilities under the Colorado Common Interest Ownership Act “CCIOA”.
- Gathers, analyzes, and reports information through complaints and HOA registrations.
- Creates resource materials.

What we Don't Do:

- Does not mediate or arbitrate on behalf of homeowners, board members, or community association managers.
- Does not act as a regulatory program.
- Does not provide legal advice.

About Us

The HOA Information and Resource Center is:

Nick Altmann - HOA Information Officer

Amanda Lopez - Program Assistant



- This presentation is intended for educational purposes only. None of the information or statements in this presentation should be construed as legal advice. Any legal questions should be directed to a licensed, qualified attorney.

Disclaimer

Important Attendee Poll



- Projection
- Anticipated income
- Establish goals
- Review of periodic financial statements

Budgets

What is a budget?

- Declaration
- Bylaws
- CCIOA 38-33.3-302

❖ *the association, without specific authorization in the declaration, may...adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from the unit owners.*

Sources of Authority for Budgeting

Where is the authority found?

Example Budget

Colorado Homeowners Association Budget Comparison

ITEMS	2018	2019	2020	2021 (Proposed)
REVENUES				
Assessments Billed	109,600	122,050	122,050	136,950
Unpaid Assessments	(4,880)	(5,580)	(3,700)	(3,425)
Late Fees	1,000	1,000	1,000	1,000
Interest Income	190	225	204	200
Interest Income – Reserve	40	50	0	25
Other Income	0	0	0	1,250
Legal Recovery	0	0	0	5,000
TOTAL REVENUE	105,950	117,745	119,554	141,000
EXPENSES				
<u>Administrative Expenses</u>				
Management/Bookkeeping	42,800	48,400	48,400	42,000
Parking Enforcement	0	0	0	4,800
Office Expenses	6,000	7,000	7,800	9,000
Printing Expenses	7,200	7,200	5,400	2,200
Postage/Mailings	7,200	7,200	6,600	9,000
Archiving & Storage	265	320	1,224	1,225
Website	0	0	3,000	400
Meetings	250	225	360	360
Licenses/Fees	65	65	60	65
CPA Fees	1,400	1,000	1,500	1,500
Legal	11,000	6,000	1,500	2,000
Abatement Expense	10,000	6,000	1,500	2,000
Total Admin Expenses	86,780	98,410	97,526	117,550
<u>Insurance Expenses</u>				
General Liability	4,870	4,970	7,560	7,800
D & O	2,100	2,150	2,220	2,400
Workman's Comp	600	615	648	650
Total Admin Expenses	7,570	7,735	10,428	10,850
<u>Reserves</u>				
Reserve - Contingency	1,500	1,500	1,500	1,500
Reserve - Replacement	10,000	10,000	10,000	10,000
Total Reserve	11,500	11,500	11,500	11,500
TOTAL EXPENSES	105,850	117,645	119,454	139,900
NET (REVENUES-EXPENSES)	100	100	100	1,100



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HOA Budgets

Components of an HOA Budget



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- Funds intentionally set aside by the board for unplanned large expenditures.
- Reserve study not required, though associations must have a reserve policy that addresses when a reserve study is going to be done.
- Many aging common area components?
- Various levels of funding recommendations based on the study.
- Investing the reserve funds? Standards set forth in section 7-128-401, C.R.S. (in good faith, prudently, and in the best interest...)
- Authority to transfer granted by dec.?

Reserves

What about the reserve fund?



The CCIOA Budget Process

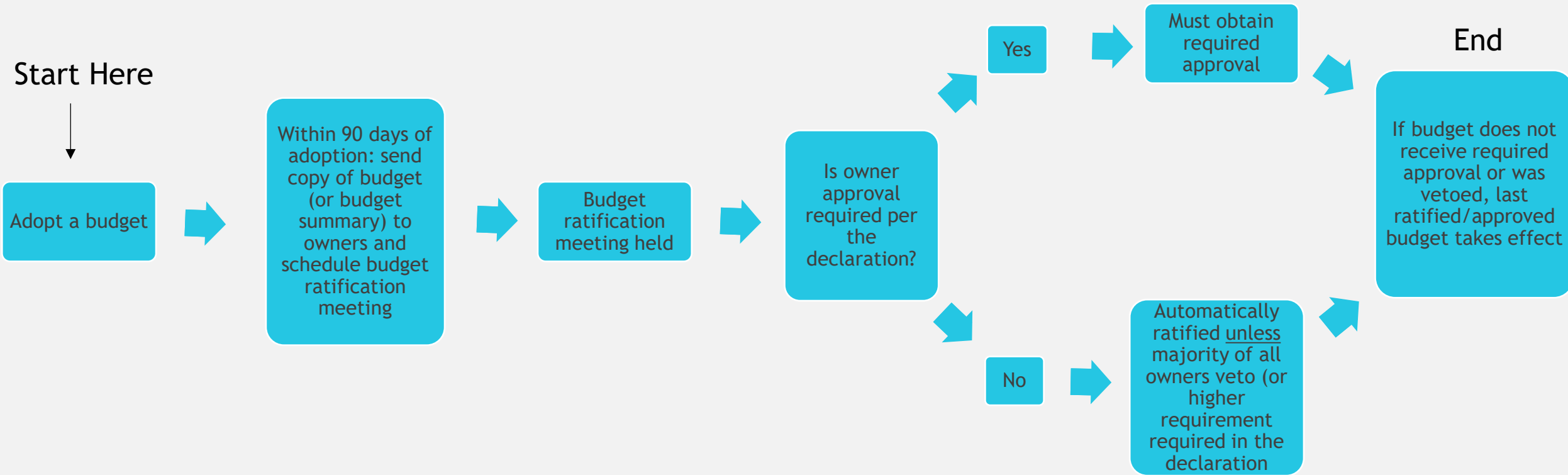
How does a budget get passed?

How to Pass a Budget in CCIOA Communities

(Communities created on or after July 1st, 1992)



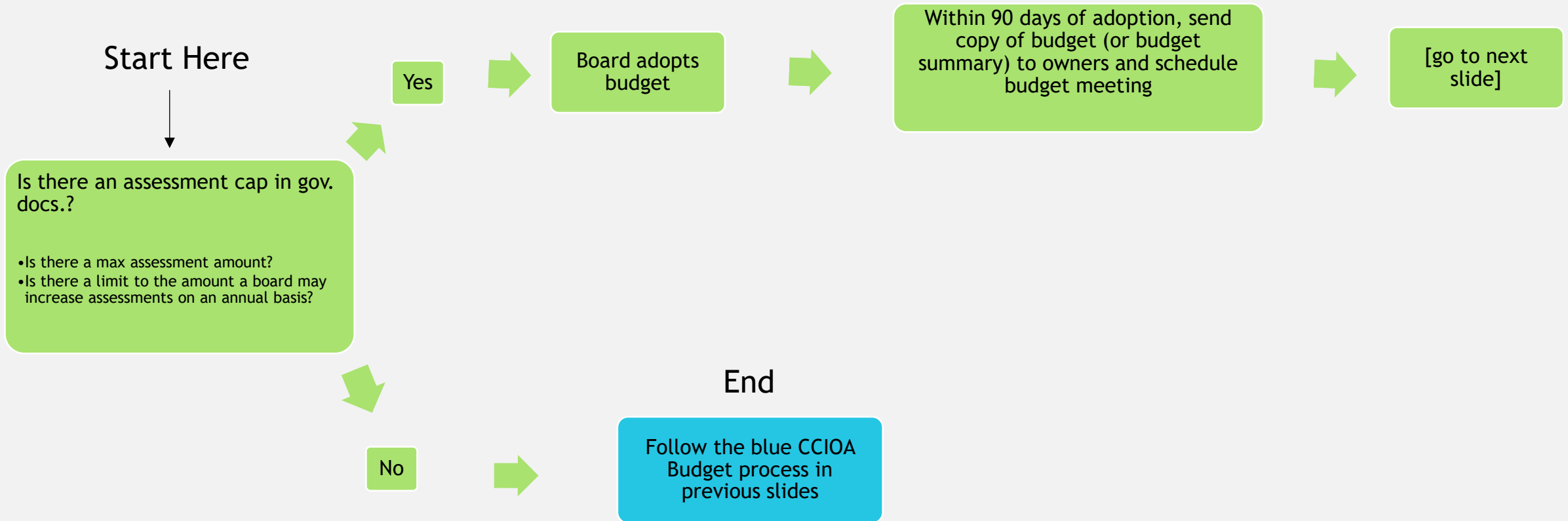
Flowchart



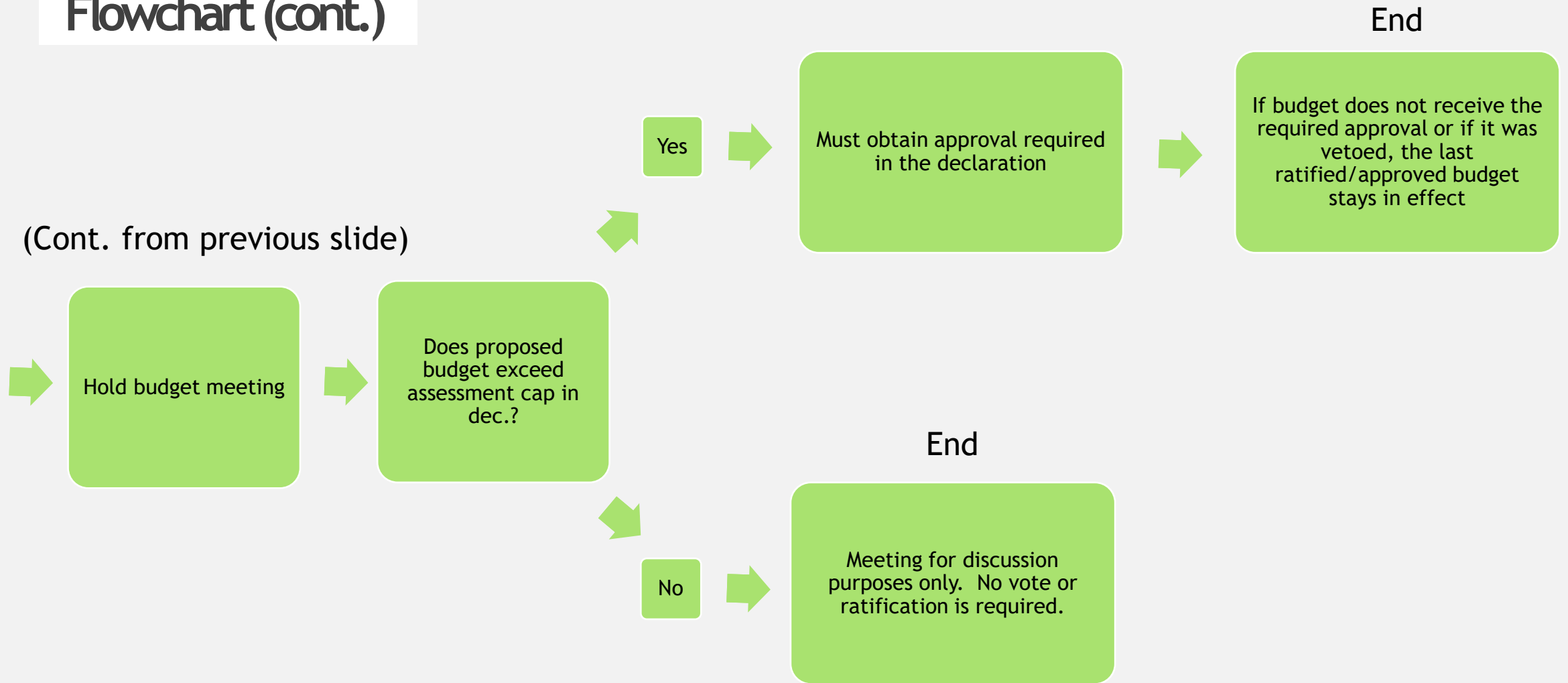
How to Pass a Budget in Pre-CCIOA Communities

(Communities created before July 1st, 1992)

Flowchart



Flowchart (cont.)



How to Pass a Budget in Limited Expense Communities

(Communities defined in section 38-33.3-119 of CCIOA)

Flowchart

Start and End Here



CCIOA does not define the budgetary requirements needed to pass this type of association's annual budget; therefore, look to the association's governing documents for the budget process.

- CCIOA does not require the budget ratification meeting **MUST** be held during the annual members meeting, so a standalone meeting is permissible.
- If apathy exists in the community, it may be safe to hold a standalone budget meeting to bypass the quorum requirement in order to ensure business may be conducted.
- Focus on one of the most important aspects of the community - revenues and expenses and whether to raise (or lower?!) dues
- Still must be properly noticed to the owners and in accordance with the governing documents.

Standalone Budget Ratification meeting

Why hold a Standalone Budget Meeting?

- Traditionally, the greatest number of owners/members tend to show up to the annual meeting.
- Provides for greater community input
- Offers a setting for an impassioned and lively debate of the community's goals and future.
- Still must be properly noticed to the owners and in accordance with the governing documents.

Combined Budget Ratification meeting

Why hold a Combined Budget Meeting?

Recap of the Budget Process

- Board creates proposed budget;
 - ❖ Might delegate to management company, bookkeeper, or accounting firm;
 - Once a draft is complete, board votes to adopt budget.
- Within 90 days after adoption of a proposed budget, the Board must:
 - ❖ Deliver a summary of the budget to the unit owners
 - ❖ Set a date for a meeting of the unit owners to consider the budget
 - The meeting must occur within a reasonable time after delivery of the summary, or per the bylaws
 - ❖ Provide notice of the meeting to all unit owners as allowed for in the bylaws.
- Post-CCIOA and pre-CCIOA communities without an assessment cap must allow the owners an opportunity to veto the budget.
 - ❖ Pre-CCIOA communities with an assessment cap that is exceeded must also allow the membership an opportunity to veto
 - ❖ Pre-CCIOA communities with an assessment cap that is not exceeded will not need to allow a veto vote.
- Veto must be a majority of all unit owners
 - ❖ NOT the same as only those members present at the noticed meeting

Recap of the Budget Process (cont.)

- Standalone budget ratification meeting - No quorum needed
- Combined (with the annual meeting) budget ratification meeting - check governing docs for quorum requirements
 - ❖ If governing documents are silent on quorum requirements, then quorum requirements are:
 - 1,000 or less units - 20% of the votes which may be cast for election of the executive board are present, in person or by proxy at the beginning of the meeting
 - 1,001 or more units - 10% of the votes which may be cast for election of the executive board are present, in person or by proxy at the beginning of the meeting
- If the budget is vetoed, the last proposed budget by the Board which was not vetoed stands until a new budget is adopted by the Board and not vetoed by the owners.

Dissemination of Information to All Board Members

The Colorado Common Interest Ownership Act (“CCIOA”) and the Colorado Nonprofit Corporation Act address the information and documents that board members are entitled to and must be granted access. The specific section of CCIOA referencing the dissemination of information to all Board members is 38-33.3-303(1)(b). It provides, in relevant part:

“Notwithstanding any provision of the declaration or bylaws to the contrary, all members of the executive board shall have available to them all information related to the responsibilities and operation of the association obtained by any other member of the executive board. This information shall include, but is not necessarily limited to, reports of detailed monthly expenditures, contracts to which the association is a party, and copies of communications, reports, and opinions to and from any member of the executive board or any managing agent, attorney, or accountant employed or engaged by the executive board to whom the executive board delegates responsibilities under this article.”

Sample Timeline of Budget Preparation

(assuming fiscal year is same as calendar year)

May and June: Board evaluates current vendor contracts and determines if it wants to hire any new vendors.

July and August: Board agrees on goals, reviews reserve study (if any), determines funding levels, decides what to do with surplus funds (if any).

September: Budget review meeting, determine most important expenses, consider any possible special assessments.

October: Adopt a budget. Send a budget summary to owners (or post on website) and set a meeting.

November: Hold a board meeting or two to solicit feedback from the unit owners. Allow time for the board to make any necessary changes.

December: Hold annual members meeting with the budget ratification meeting to allow owners an opportunity to veto the final budget.

January 1st: New budget goes into effect on new fiscal year.

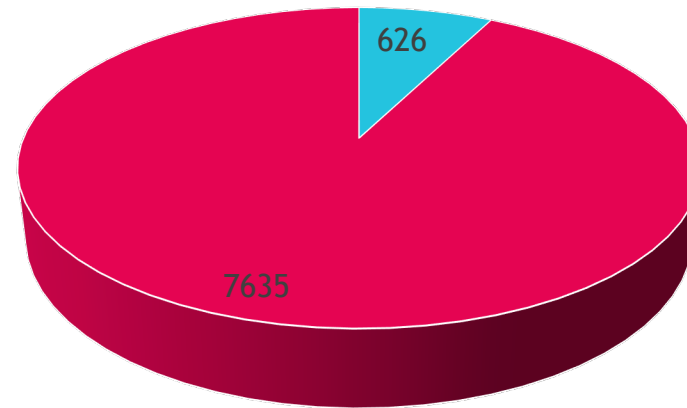
Notions to Consider

- Does your declaration require owner approval and the community constantly struggles to achieve quorum at meetings? Consider amending the declaration to loosen the quorum requirements so the association may properly conduct business.
- Being a board member is not easy. Decisions may need to be made that are not popular with the owners/members (such as raising dues). In making fiscal decisions, the board must ensure they are acting in good faith, prudently, and in the best interests of the association (Colorado Nonprofit Act).
- Solicit feedback from the owners during the budgeting process about what services are most important to them (surveys/polls can be effective).

Select Registration Data

(as of 2024-10-24)

Number of Active unit owners' associations with:



■ \$5,000 or less in annual revenues ■ \$5,001 or greater in annual revenues



Thank You

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