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How to Build Your HOA Budget

Your Members Can Actually Trust

A practical worksheet for self-managed HOA boards, covering operating revenue, expenses, and a 30-year reserve plan in plain English.

Your HOA budget shouldn't be a mystery to your members.

Here's how to build one that's defensible, transparent, and adopted on time.

Most HOA budget conflicts trace back to two things: a special assessment nobody saw coming, and a budget that members never had a real chance to read. Both are preventable. Both come from the same root — a board that builds the budget in private, adopts it late, and underfunds reserves to keep the dues number small.

This template walks through what a defensible HOA budget actually contains: operating revenue, operating expenses, and the reserve plan that protects your community from the special assessment everyone else is dreading.

You'll fill in numbers that match your community. The categories, structure, and adoption process are the same whether your community has 30 homes or 300.

Why Most HOA Budgets Underperform

A budget isn't an accounting exercise — it's a communication tool. The Community Associations Institute (CAI) consistently identifies inadequate reserves and lack of financial transparency as two of the most common sources of board-member conflict. A clear budget addresses both at once.

For your board

A defensible record of how every dollar is planned, and protection against the political cost of a special assessment that arrives without warning.

For your members

Trust through transparency. Members who see the budget before adoption are far less likely to challenge it after.

For your future board

A baseline they don't have to rebuild from scratch. Three years of well-organized budgets is one of the most valuable assets a self-managed community can hand off.

Research from the Foundation for Community Association Research shows that fewer than one in three associations carry reserves at full-funding levels — and inadequate reserves remain the single largest predictor of an unplanned special assessment within five years.

What to Include in Your Budget

A complete HOA budget covers three buckets: what comes in, what goes out, and what's set aside for the big-ticket replacements coming down the road. Here's a framework organized into five sections.

01

Operating Revenue

The income side of the budget. For most communities, regular assessments do the heavy lifting — but list everything you collect so the total is honest.

- Regular assessments — the recurring dues your members pay
- Special assessments — one-time charges tied to a specific project
- Late fees and fines
- Interest and investment income on reserve and operating balances
- Facility-rental income (clubhouse, pool deck, meeting rooms)
- Vending or commission income (multi-housing condo projects)
- Transfer fees, where governing documents permit

02

Operating Expenses

Everything the community spends to keep running this year. Group expenses into five categories — it makes year-over-year comparison straightforward and exposes which lines are growing faster than dues.

- **Utilities** — water, sewer, common-area electricity, gas, trash, internet
- **Maintenance & repairs** — landscaping, irrigation, snow removal, pest control, janitorial, pool service, elevator (condos), HVAC, common-area lighting
- **Insurance** — property and hazard, general liability, D&O, fidelity bond, umbrella, flood
- **Administrative** — legal, CPA, tax prep, management (if applicable), bank fees, software, postage, hosting
- **Professional services** — reserve-study fees, audit fees, engineering inspections

03

Reserves

The reserve plan funds the major replacements that come up every five, ten, or twenty-five years. Underfunding here is the most common cause of a surprise special assessment. List every component with a useful life over three years.

- Roofing replacement; exterior painting on a 5–7 year cycle
- Paving and asphalt resurfacing; concrete sidewalks and curbs
- HVAC major equipment; pool resurfacing and equipment
- Elevator modernization (condos); fencing, signage, gates
- Playground equipment; common-area furnishings

According to CAI's research on reserve adequacy, fewer than one in three associations carry reserves at full-funding levels — and inadequate reserves remain the single largest predictor of an unplanned special assessment within five years.

04

Funding Strategy

Three established approaches to reserve funding. Pick one. The choice drives the dues number, and it's the conversation worth having with your members before adoption rather than after a special assessment.

- Full Funding** · 100% of fully-funded balance · highest dues, lowest assessment risk
Collect enough each year to keep reserves at the actuarially-calculated balance. Predictable and stable, but the most expensive month to month.
- Threshold Funding** · stay above 70% percent funded · balanced
Target a percent-funded floor — commonly 70%. The middle path most self-managed communities take.
- Baseline Funding** · never below zero · lowest dues, highest assessment risk
Collect just enough to keep the reserve account from going negative. Cheapest in the short term, most exposed to a special assessment when a major component fails.

05

State Requirements

Statutory rules vary considerably by state. Confirm current text with your governing documents or an attorney familiar with HOA law in your jurisdiction before adoption.

California Civil Code §5550	Visual reserve study every three years, plus annual review and a funding plan. Required — the reserve study is not optional.
Florida §720.303(6)	Proposed budget must show estimated revenues, expenses, and a separate reserve schedule. A member vote is required to waive or reduce statutory reserves.
Texas Property Code (general HOA)	Largely silent on budget content. Read your CC&Rs and declaration — that's where the binding rules live for most Texas communities.
FHA Condo Federal — Project Approval	Reserves of at least 10% of operating budget or a reserve study completed within the last 24 months. Applies to multi-housing condo projects of 50 or more units.

A budget is a snapshot. The reserve study is the long view behind it. Together they tell members why the dues number is what it is, where the money is going, and what the board has already planned for the next decade — which is the conversation that prevents a special assessment from becoming a fight.

Reserve Components Worksheet

Component	Typical Useful Life	Last Replaced	Years Remaining	Replacement Cost
Roofing	20–30 years	—	—	\$
Exterior paint	5–7 years	—	—	\$
Paving & asphalt	20–25 years	—	—	\$
HVAC equipment	15–20 years	—	—	\$
Pool resurfacing	8–12 years	—	—	\$
Elevators (condos)	25–30 years	—	—	\$
Site amenities & furnishings	10–15 years	—	—	\$

Useful-life ranges reflect industry norms from the Foundation for Community Association Research. Your community's actual ranges come from a reserve study or engineering inspection.

Annual Operating Budget Worksheet

The structure most self-managed boards need on one page. Copy the categories into your own spreadsheet, or print and fill it in by hand. The point isn't perfection on the first pass — it's having every line in front of you before adoption.

A quick scale reference: a 40-home community charging \$200 per month collects \$96,000 in regular assessments per year. A reasonable starting split might be \$48,000 to operating expenses, \$24,000 to reserves, and \$24,000 spread across insurance and professional services. Your numbers will vary widely by region, age, and amenities — this is a scale reference, not a benchmark.

Category	Last Year Actual	This Year Budget
OPERATING REVENUE		
Regular assessments	\$	\$
Late fees & fines	\$	\$
Interest & investment income	\$	\$
Other (facility rental, transfer fees)	\$	\$
Total revenue	\$	\$
OPERATING EXPENSES		
Utilities	\$	\$
Maintenance & repairs	\$	\$
Insurance	\$	\$
Administrative	\$	\$
Professional services	\$	\$
Reserve transfer (planned contribution)	\$	\$
Contingency (3–5% of operating)	\$	\$
Bad-debt allowance (2–5% of revenue)	\$	\$
Total expenses	\$	\$
Net position (revenue – expenses)	\$	\$

The contingency and bad-debt lines are healthy-budget basics that catch what the line items don't — winter storms, an unexpected lawsuit, two homes in collections. A budget without them works until the year it doesn't.

How to Actually Build It

A budget rarely fails on the math. It fails on the calendar — adopted too late, with too little member input, and reserves estimated rather than studied. Here's a realistic sequence that fits a volunteer board's bandwidth.

- 1. Start with last year's actuals.** Pull the prior fiscal year's income and expense detail. Identify the three or four lines that varied most from budget — those are the ones that need attention first.
- 2. Adjust by category, not by total.** Inflation rarely hits every expense line equally. Insurance, water, and landscaping typically move faster than admin or postage. Update each category on its own evidence, not a flat percentage.
- 3. Refresh the reserve study on cycle.** Every three years at minimum — annually in California. The reserve study is the foundation under your funding plan, and stale studies are the single most common cause of surprise assessments.
- 4. Disclose to members before adoption.** Florida requires this explicitly; everywhere else, it's still how trust gets built. Send the proposed budget at least 30 days before the adoption meeting, and accept written questions.
- 5. Adopt before fiscal year start.** Adopting late costs you member trust and can create legal exposure depending on your state and governing documents. Put the adoption deadline on the calendar before anything else.

FirstService Residential's 2025 guide emphasizes that disclosure timing — not budget content — is the most common procedural failure self-managed boards encounter. A defensible budget adopted late is a far weaker document than a reasonable one adopted on time.

Common Mistakes to Avoid

- ✗ **Under-funded reserves.** The special assessment is coming — it's just a question of when, and whether the board that pays the political cost is yours or the next one.
- ✗ **Commingling reserves with operating funds.** Separate accounts only. This is both a fiduciary basic and the simplest audit trail your board can give itself.
- ✗ **Adopting the budget after fiscal year start.** Costs you member trust and can create legal exposure depending on your state and governing documents.
- ✗ **Skipping the disclosure step.** Florida is explicit about this, but the principle — members see the proposed budget before it's adopted — applies everywhere.
- ✗ **Forgetting the three-year reserve study cycle.** A California mandate and the industry recommendation elsewhere. Three years passes faster than boards expect.

Start with Last Year, Improve Forever

You don't need a perfect budget on day one. Start with last year's actuals, get an honest reserve study, disclose to members on time, and adopt before the fiscal year starts. That's the minimum that protects your board and your community.

The goal is a budget your members trust enough that they don't argue about it — and a reserve plan strong enough that next year's board doesn't inherit a problem you could have prevented.

Your budget shouldn't be a mystery. Put it where your community can read it, ask about it, and trust it.

Ready to publish your budget where your community can find it?

Aldea HQ helps HOAs, condos, co-ops, and homeschool groups manage members, documents, and communication in one place — and your adopted budget lives in the community handbook where every member can read it.

Try free at aldeahq.com

Sources & Further Reading

Community Associations Institute (CAI) — Best Practices for Association Budgeting & Reserves
caionline.org/publications

Foundation for Community Association Research — National Reserve Study Standards
foundation.caionline.org

FirstService Residential — HOA Budgeting and Financial Planning Guide (2025)
fsresidential.com

California Department of Real Estate — Civil Code §5550 (Reserve Study Requirements)
leginfo.legislature.ca.gov

Florida Statutes — §720.303(6) (Proposed Budget and Reserve Disclosure)
flsenate.gov

Texas Property Code — Chapter 209 (Residential Property Owners Associations)
statutes.capitol.texas.gov

U.S. Department of Housing and Urban Development — FHA Condominium Project Approval & Reserve Requirements
hud.gov