THE 2024 BUDGET GUIDE FOR CONDOMINIUM ASSOCIATION’s

STEP 1: PREPARATION- FL ST 718.112

As we approach another budget season, board members of condominium associations in Florida, particularly those with buildings over three stories, face new regulations that must be addressed in the annual budget. For COA’s, preparation begins with a planning meeting.

The first step in budget planning is to initiate the process early in the third quarter, in order to allow sufficient time for research, contract increases, new bids for services as well as the implementation of new legislation.

Many condominium board members establish a budget committee, who will gather information required for the completion of the budget.

Florida condominium associations are regulated by Fl St. 718.112( 2)

(f) *Annual budget.*—

*1. The proposed annual budget of estimated revenues and expenses must be detailed and must show the amounts budgeted by accounts and expense classifications, including, at a minimum, any applicable expenses listed in s.*[*718.504*](https://www.flsenate.gov/Laws/Statutes/2024/718.504)*(21). The board shall adopt the annual budget at least 14 days before the start of the association’s fiscal year. In the event that the board fails to timely adopt the annual budget a second time, it is deemed a minor violation and the prior year’s budget shall continue in effect until a new budget is adopted.*

STEP 2: OPERATING EXPENSES-

*A multi condominium association must adopt a separate budget of common expenses for each condominium the association operates and must adopt a separate budget of common expenses for the association. In addition, if the association maintains limited common elements with the cost to be shared only by those entitled to use the limited common elements as provided for in s.*[*718.113*](https://www.flsenate.gov/Laws/Statutes/2024/718.113)*(1), the budget or a schedule attached to it must show the amount budgeted for this maintenance. If, after turnover of control of the association to the unit owners, any of the expenses listed in s.*[*718.504*](https://www.flsenate.gov/Laws/Statutes/2024/718.504)*(21) are not applicable, they do not need to be listed.*

STEP 3: RESERVES- Following the tragic Surfside collapse, recent Florida condominium legislation has highlighted the critical need for buildings to maintain fully funded reserve accounts. More than ever, this budget season necessitates a clear, detailed, and frequent communication strategy with residents in order to be prepared and stay in compliance.

Fl St. 718.112( f) Annual budget, reserves-

*2.a. In addition to annual operating expenses, the budget must include reserve accounts for capital expenditures and deferred maintenance. These accounts must include, but are not limited to, roof replacement, building painting, and pavement resurfacing, regardless of the amount of deferred maintenance expense or replacement cost, and any other item that has a deferred maintenance expense or replacement cost that exceeds $10,000.*

*The amount to be reserved must be computed using a formula based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of the reserve item.*

THE STRUCTURAL INTEGRITY RESERVE STUDY- Fl St. 718.112(g)

*In a budget adopted by an association that is required to obtain a structural integrity reserve study, reserves must be maintained for the items identified in paragraph (g) for which the association is responsible pursuant to the declaration of condominium, and the reserve amount for such items must be based on the findings and recommendations of the association’s most recent structural integrity reserve study.*

(g) *Structural integrity reserve study, or S.I.R.S.-*

*1. A residential condominium association must have a structural integrity reserve study completed at least every 10 years after the condominium’s creation for each building on the condominium property that is three stories or higher in height, as determined by the Florida Building Code, which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building:*

*a. Roof.*

*b. Structure, including load-bearing walls and other primary structural members and primary structural systems as those terms are defined in s.*[*627.706*](https://www.flsenate.gov/Laws/Statutes/2024/627.706)*.*

*c. Fireproofing and fire protection systems.*

*d. Plumbing.*

*e. Electrical systems.*

*f. Waterproofing and exterior painting.*

*g. Windows and exterior doors.*

*h. Any other item that has a deferred maintenance expense or replacement cost that exceeds $10,000 and the failure to replace or maintain such item negatively affects the items listed in sub-subparagraphs a.-g., as determined by the visual inspection portion of the structural integrity reserve study.*

*2. A structural integrity reserve study is based on a visual inspection of the condominium property. A structural integrity reserve study may be performed by any person qualified to perform such study. However, the visual inspection portion of the structural integrity reserve study must be performed or verified by an engineer licensed under chapter 471, an architect licensed under chapter 481, or a person certified as a reserve specialist or professional reserve analyst by the Community Associations Institute or the Association of Professional Reserve Analysts.*

*3. At a minimum, a structural integrity reserve study must identify each item of the condominium property being visually inspected, state the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of each item of the condominium property being visually inspected, and provide a reserve funding schedule with a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each item of condominium property being visually inspected by the end of the estimated remaining useful life of the item. The structural integrity reserve study may recommend that reserves do not need to be maintained for any item for which an estimate of useful life and an estimate of replacement cost cannot be determined, or the study may recommend a deferred maintenance expense amount for such item. The structural integrity reserve study may recommend that reserves for replacement costs do not need to be maintained for any item with an estimated remaining useful life of greater than 25 years, but the study may recommend a deferred maintenance expense amount for such item.*

*4. This paragraph does not apply to buildings less than three stories in height; single-family, two-family, or three-family dwellings with three or fewer habitable stories above ground; any portion or component of a building that has not been submitted to the condominium form of ownership; or any portion or component of a building that is maintained by a party other than the association.*

Currently, condominium associations existing on or before July 1, 2022, which are controlled by unit owners other than the developer, must have a structural integrity reserve study completed by December 31, 2024, for each building on the condominium property that is three stories or higher in height.

In no event may the structural integrity reserve study be completed after December 31, 2026. Therefore, it is critical for C.O.A.’s to implement the expenses resulting from the S.I.R.S in the 2025 budget.

TURNOVER- Fl St. 718.112( f)

*2.b. Before turnover of control of an association by a developer to unit owners other than a developer under s.*[*718.301*](https://www.flsenate.gov/Laws/Statutes/2024/718.301)*, the developer-controlled association may not vote to waive the reserves or reduce funding of the reserves. If a meeting of the unit owners has been called to determine whether to waive or reduce the funding of reserves and no such result is achieved or a quorum is not attained, the reserves included in the budget shall go into effect. After the turnover, the developer may vote its voting interest to waive or reduce the funding of reserves.*

PURPOSES OF RESERVES- Boards of Florida condominium associations must only use reserve funds for their use and purpose. Fl St. 718.112

*3. Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts, and may be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote of all the total voting interests of the association.*

*Before turnover of control of an association by a developer to unit owners other than the developer pursuant to s.*[*718.301*](https://www.flsenate.gov/Laws/Statutes/2024/718.301)*, the developer-controlled association may not vote to use reserves for purposes other than those for which they were intended.*

*For a budget adopted on or after December 31, 2024, members of a unit-owner-controlled association that must obtain a structural integrity reserve study may not vote to use reserve funds, or any interest accruing thereon, for any other purpose other than the replacement or deferred maintenance costs of the components listed in paragraph (g).*

This new legislation essentially excludes the former ‘pooled method’ of reserves as an option. Therefore, reserve funds within each component reserve account can only be used for that specific reserve asset unless the members vote to use the funds in one component account for another purpose.

VOTING & WAIVING OF RESERVES- Another major change to Florida condominium law addresses how associations handle their reserve funds. Under previous law, Florida condo associations could vote to waive their reserve contributions. That is no longer the case. As of December 31, 2024, associations may no longer waive their reserve contributions.

*Fl St. 718.112(f)*

*4. The only voting interests that are eligible to vote on questions that involve waiving or reducing the funding of reserves, or using existing reserve funds for purposes other than purposes for which the reserves were intended, are the voting interests of the units subject to assessment to fund the reserves in question.*

*Proxy questions relating to waiving or reducing the funding of reserves or using existing reserve funds for purposes other than purposes for which the reserves were intended must contain the following statement in capitalized, bold letters in a font size larger than any other used on the face of the proxy ballot:*

WAIVING OF RESERVES, IN WHOLE OR IN PART, OR ALLOWING ALTERNATIVE USES OF EXISTING RESERVES MAY RESULT IN UNIT OWNER LIABILITY FOR PAYMENT OF UNANTICIPATED SPECIAL ASSESSMENTS REGARDING THOSE ITEMS.

It’s important to note that the reserve requirement doesn’t mean projects must always be fully funded. However, the board must be sure to collect enough reserve funds to pay for replacement by the end of a component’s useful life. For example, a roof’s useful life is estimated at approximately 20 years. If the estimated replacement cost for a roof is $2 million, the association must collect $100,000 annually to accumulate the replacement cost by the end of the 20-year period.

MILESTONE INSPECTIONS- Should your association be required to perform a milestone inspection, the board should consult with a local, licensed engineering firm or architect in order to ascertain the expenses associated with this report. This expense must be included in the budget.

*718.112(h) Mandatory milestone inspections.—If an association is required to have a milestone inspection performed pursuant to s.*[*553.899*](https://www.flsenate.gov/Laws/Statutes/2024/553.899)*, the association must arrange for the milestone inspection to be performed and is responsible for ensuring compliance with the requirements of s.*[*553.899*](https://www.flsenate.gov/Laws/Statutes/2024/553.899)*. The association is responsible for all costs associated with the milestone inspection attributable to the portions of the building which the association is responsible for maintaining under the governing documents of the association.*

*718.112(i) Assessments.—The manner of collecting from the unit owners their shares of the common expenses shall be stated in the bylaws. Assessments shall be made against units not less frequently than quarterly in an amount which is not less than that required to provide funds in advance for payment of all of the anticipated current operating expenses and for all of the unpaid operating expenses previously incurred. Nothing in this paragraph shall preclude the right of an association to accelerate assessments of an owner delinquent in payment of common expenses. Accelerated assessments shall be due and payable on the date the claim of lien is filed. Such accelerated assessments shall include the amounts due for the remainder of the budget year in which the claim of lien was filed.*

STEP 4: BUDGET MEETING-

718.112( 2)(e) *Budget meeting.*—

*1. Any meeting at which a proposed annual budget of an association will be considered by the board or unit owners shall be open to all unit owners. At least 14 days prior to such a meeting, the board shall hand deliver to each unit owner, mail to each unit owner at the address last furnished to the association by the unit owner, or electronically transmit to the location furnished by the unit owner for that purpose a notice of such meeting and a copy of the proposed annual budget. An officer or manager of the association, or other person providing notice of such meeting, shall execute an affidavit evidencing compliance with such notice requirement, and such affidavit shall be filed among the official records of the association.*

*2.a. If a board adopts in any fiscal year an annual budget which requires assessments against unit owners which exceed 115 percent of assessments for the preceding fiscal year, the board shall conduct a special meeting of the unit owners to consider a substitute budget if the board receives, within 21 days after adoption of the annual budget, a written request for a special meeting from at least 10 percent of all voting interests. The special meeting shall be conducted within 60 days after adoption of the annual budget. At least 14 days prior to such special meeting, the board shall hand deliver to each unit owner, or mail to each unit owner at the address last furnished to the association, a notice of the meeting. An officer or manager of the association, or other person providing notice of such meeting shall execute an affidavit evidencing compliance with this notice requirement, and such affidavit shall be filed among the official records of the association. Unit owners may consider and adopt a substitute budget at the special meeting. A substitute budget is adopted if approved by a majority of all voting interests unless the bylaws require adoption by a greater percentage of voting interests. If there is not a quorum at the special meeting or a substitute budget is not adopted, the annual budget previously adopted by the board shall take effect as scheduled.*

*b. Any determination of whether assessments exceed 115 percent of assessments for the prior fiscal year shall exclude any authorized provision for reasonable reserves for repair or replacement of the condominium property, anticipated expenses of the association which the board does not expect to be incurred on a regular or annual basis, insurance premiums, or assessments for betterments to the condominium property.*

*c. If the developer controls the board, assessments shall not exceed 115 percent of assessments for the prior fiscal year unless approved by a majority of all voting interests.*

STEP 5: FINANCIAL REPORTING- Fl St. 718.112

*(13) WIthin 90 days after the end of the fiscal year, or annually on a date provided in the bylaws, the association shall prepare and complete, or contract for the preparation and completion of, a financial report for the preceding fiscal year.*

*Within 21 days after the final financial report is completed by the association or received from the third party, but not later than 120 days after the end of the fiscal year or other date as provided in the bylaws, the association shall mail to each unit owner at the address last furnished to the association by the unit owner, or hand deliver to each unit owner, a copy of the most recent financial report or a notice that a copy of the most recent financial report will be mailed or hand delivered to the unit owner, without charge, within 5 business days after receipt of a written request from the unit owner.*

*The division shall adopt rules setting forth uniform accounting principles and standards to be used by all associations and addressing the financial reporting requirements for multi condominium associations. The rules must include, but not be limited to, standards for presenting a summary of association reserves, including a good faith estimate disclosing the annual amount of reserve funds that would be necessary for the association to fully fund reserves for each reserve item based on the straight-line accounting method.*

*This disclosure is not applicable to reserves funded via the pooling method. In adopting such rules, the division shall consider the number of members and annual revenues of an association. Financial reports shall be prepared as follows:*

FINANCIAL STATEMENTS- 718.112(13)(a) *An association that meets the criteria of this paragraph shall prepare a complete set of financial statements in accordance with generally accepted accounting principles. The financial statements must be based upon the association’s total annual revenues, as follows:*

1. An association with total annual revenues of $150,000 or more, but less than $300,000, shall prepare compiled financial statements.

2. An association with total annual revenues of at least $300,000, but less than $500,000, shall prepare reviewed financial statements.

3. An association with total annual revenues of $500,000 or more shall prepare audited financial statements.

(b)1. An association with total annual revenues of less than $150,000 shall prepare a report of cash receipts and expenditures.

CASH RECEIPTS & EXPENDITURES- 718.112(13)(a)

*2. A report of cash receipts and disbursements must disclose the amount of receipts by accounts and receipt classifications and the amount of expenses by accounts and expense classifications, including, but not limited to, the following, as applicable: costs for security, professional and management fees and expenses, taxes, costs for recreation facilities, expenses for refuse collection and utility services, expenses for lawn care, costs for building maintenance and repair, insurance costs, administration and salary expenses, and reserves accumulated and expended for capital expenditures, deferred maintenance, and any other category for which the association maintains reserves.*

718.112(13)(c) *An association may prepare, without a meeting of or approval by the unit owners:*

1. Compiled, reviewed, or audited financial statements, if the association is required to prepare a report of cash receipts and expenditures;

2. Reviewed or audited financial statements, if the association is required to prepare compiled financial statements; or

3. Audited financial statements if the association is required to prepare reviewed financial statements.

VOTING- 718.112(13)(d) *If approved by a majority of the voting interests present at a properly called meeting of the association, an association may prepare:*

1. A report of cash receipts and expenditures in lieu of a compiled, reviewed, or audited financial statement;

2. A report of cash receipts and expenditures or a compiled financial statement in lieu of a reviewed or audited financial statement; or

3. A report of cash receipts and expenditures, a compiled financial statement, or a reviewed financial statement in lieu of an audited financial statement.

Such meeting and approval must occur before the end of the fiscal year and is effective only for the fiscal year in which the vote is taken, except that the approval may also be effective for the following fiscal year.

FAILURE TO PROVIDE FINANCIAL REPORT TO OWNERS- 718.112(13)(e)

*A unit owner may provide written notice to the division of the association’s failure to mail or hand deliver him or her a copy of the most recent financial report within 5 business days after he or she submitted a written request to the association for a copy of such report.*

 *If the division determines that the association failed to mail or hand deliver a copy of the most recent financial report to the unit owner, the division shall provide written notice to the association that the association must mail or hand deliver a copy of the most recent financial report to the unit owner and the division within 5 business days after it receives such notice from the division.*

*An association that fails to comply with the division’s request may not waive the financial reporting requirement provided in paragraph (d) for the fiscal year in which the unit owner’s request was made and the following fiscal year.*

*A financial report received by the division pursuant to this paragraph shall be maintained, and the division shall provide a copy of such report to an association member upon his or her request.*

STEP 6: ADDITIONAL BUDGETARY ITEMS TO CONSIDER-

Budget Planning for an HOA can be a time-consuming process. While the Florida Statutes regulate the budget process for homeowner associations, there are many items to consider when preparing your budget:

* Learn to Prioritize the most urgent expenses first. If a surplus allows for it, other less urgent items may be considered.
* Consider Economic Factors. Inflationary items like the increase of labor and materials must be considered.
* Emergency events. Between the Pandemic, Surfside and the Florida Hurricane Season, homeowner associations must make preparations in their budgets for emergencies.
* Insurance Premiums & Rate Hikes. Insurance is a must for HOAs, and with the recent premium rate hikes, homeowner associations need to be prepared. A skilled insurance agent can educate your association on how much to budget for insurance.
* Contracts. Contact your service providers early, to determine whether they will increase their fees the following year.
* Capital Projects. Your local Engineering Firm can guide you through any capital projects you may be planning for. Utilize their expertise for the most economical approach to capital repairs and the replacement of common components.
* Include a reasonable amount for bad debt expense.
* Avoid a “Contingency” line item if possible.
* If loan repayments will be required, include the entire payment amount in the budget.

CONCLUSION-

At Community Association Network Group, we are dedicated to providing education for active board members and managers, through monthly luncheons, webinars and on-site presentations.

If you need additional assistance with your annual budget, we can put you in contact with local professionals and service providers who can deliver the personal attention you need. Many of these vendors offer advice, services, consultations and property inspections at no charge. Contact us at communityassociationnetworkgroup.com for more information.