



How did we get here already? It feels like summer just started, yet we're somehow turning the calendar toward the second half of the year. Before long, kids will be back in school, pumpkins will reappear, and we will be deep into budget season. To help you get ahead, this month's newsletter includes updates on several new Illinois laws that may affect your association, along with practical budgeting tips to help boards and community association managers prepare for the coming year. As always, if you have questions about these topics (or anything else impacting your community), we are here to assist. Until then, enjoy what's left of summer! Chuck, Dawn, and Gabby

### ***Legislative Update***

The 2026 Illinois Legislative session resulted in some new laws, which will impact condominium and community associations in the year ahead. Here is a summary of the pertinent bills impacting condominium and community associations, which have passed both chambers and have been sent to Governor Pritzker. It is expected that both bills will become law and effective as of January 1, 2027.

- SB3527 amends both the Illinois Condominium Property Act and the Illinois Common Interest Community Association Act to require that associations adopt collection policies before taking legal action to collect assessments. These collection policies must include certain information, such as the date on which assessments are due and are considered delinquent, the amount of any late fee, any returned check fees, the circumstances under which payment plans will be accepted, how payments are applied, when accounts will be referred to an attorney, etc. A copy of the collection policy must be provided as part of the sale disclosures under applicable law.

- Associations without collection policies should take action before the end of this year to ensure that it adopts a legally compliant collection policy. Note: failure to promptly adopt a collection policy may interfere with the association's ability to institute legal proceedings to collect assessments as of January 1, 2027.
- Associations with collection policies should review their existing policies to confirm compliance with SB3527 and make updates as required.
- In addition, whether a collection policy is just now being adopted by your association or updated, to confirm compliance with SB3527, boards may want to consider incorporating the collection policy within their rules to ensure it is given as part of the sale disclosures required by this new law.
- HB 5449 amends both the Illinois Condominium Property Act and the Illinois Common Interest Community Association Act to require that no later than January 1, 2028, associations have a website, which owners can access, that includes information about meetings (board and membership) and approved board minutes. In addition, it requires that the association send out the year-end financial statement electronically to all members who have consented to receive association communications electronically.



### ***The 2027 Budget: Making Art of the Numbers***

With the 4<sup>th</sup> of July and the fireworks (and, hopefully, the floods) behind us, it is time to start talking about the most important topic of the second half of the year – budgets! Yes, the dreaded “b” word. It seems like we start talking about budgets earlier and earlier each year, and that’s a good thing because it is the budget that plans and governs the next year. As we start talking about 2027 budgets, here are some considerations that community association managers and boards should be thinking about.

In most cases, the budget starts with the Community Association Manager (“CAM”) and the management team. The CAM reviews the current year-to-date expenditures, current vendor contracts, and expected 2027 projects and puts together a forecast of the financial needs of the association for the coming year. Preparation of the budget is not simply taking the current budget and increasing it either by the rate of inflation or a set percentage. Rather, preparation of the budget is an art, which requires careful review of the **actual**, anticipated needs and expenses of the association.

So, what goes into the creation of this work of art? Initially, the CAM and the board need to review their contracted expenses, such as landscaping, snow removal and management. For some services, contracted expenses are easy to budget for as the contract firmly sets the costs. For other contracts, the contract may allow for annual increases tied to the Consumer Price Index (CPI) or provide for fuel surcharges, making it difficult to know the exact cost when the budget is being prepared. If an association's landscaping, snow removal, or other contracts are up for bid, now is the time to negotiate new contracts with firm (or, at least, as firm as can be) prices, so that the budget can be clear on estimated costs for routine services.

Next, the CAM and the board must account for insurance costs. If the association's insurance policies renew mid-year, a guessing game may be created with that potential cost for at least a portion of the year. Insurance agents are generally able to provide *some* guidance in terms of what to expect in terms of premium increases (because, yes, there will be premium increases). In order to be safe, CAMs and boards should budget on the higher end of those potential increases (do not assume that insurance premiums will stay the same or decrease). In addition, boards should not ignore or disregard risk assessment notices from the insurance carriers. If the insurance carrier is directing that certain action be taken, such as upgrading electrical panels, adopting rules about grilling, or requiring fire-rating modifications, be sure that you immediately act on those recommendations. Failure to do so may result in the association being dropped from the primary insurance market and **significant** premium increases.

The CAM and the board must also plan for current and future capital projects. Is this the year the roofs need to be replaced? Are the elevators due for modernization? To help answer those questions (and to determine how much should be budgeted for reserve contributions), the board should be relying upon a current reserve study (no more than three (3) years old). Reserve contributions should be based upon the recommendations contained in that study. In addition, for condominium associations, Fannie Mae and Freddie Mac lending guidelines generally require that at least fifteen percent (15%) of the association's annual budget be allocated to reserves (unless the association can demonstrate through a current reserve study that the reserves are fully funded). We understand that capital projects can be expensive; however, delaying capital projects (or attempting to further defer them with band-aid repairs) does not help the financial health of the association or its members.

As you can see from the above, the preparation of the budget requires a careful analysis and review of the association's needs and contractual obligations. The budget that is prepared must be the budget that is actually **needed** by the corporation, which is the association (not the one with the 0-3% increase, which may be wanted by the membership or even board members). Yes, this may mean that assessments must increase by a significant percent in an era where the cost of living continues to rise. However, it is generally easier for members to pay an increase in assessments, as opposed to a five- or six-figure special assessment. Therefore, as we head into the 2027 budget season, we encourage our CAMs and boards to be clear-eyed as to the actual expenses and needs of the association and to make the hard decisions now to ensure a financially sound future for the association and its membership.

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