



Parkfairfax Budget Hearing

February 8, 2023

Remarks

- ▶ Our Association is in a strong and healthy financial position today; however, high inflation will continue to have a significant impact on our finances through 2024 and beyond.
- ▶ We have a maintenance backlog. The 2020 reserve study identifies a need for continued increases to reserve contributions to ensure maintenance can be completed and special assessments avoided.
- ▶ Starting in Spring 2023, the Association will initiate a major stabilization project of Building 716 and other tuckpointing projects across 20 buildings.
- ▶ We recently recently completed an assessment of our 80-year-old roofs, which identified 20 high priority buildings. The Board will continue to discuss the assessment's findings and develop a replacement plan as part of ongoing efforts to develop a 5-year budget and spend plan.
- ▶ The Association will need to continue to make needed capital improvements to ensure that our amenities are modernized for new and future owners

Parkfairfax Condominium Unit Owners Association

Inflation has significantly increased since the start of the pandemic and is higher in the building construction sectors than the consumer price index.

2022:

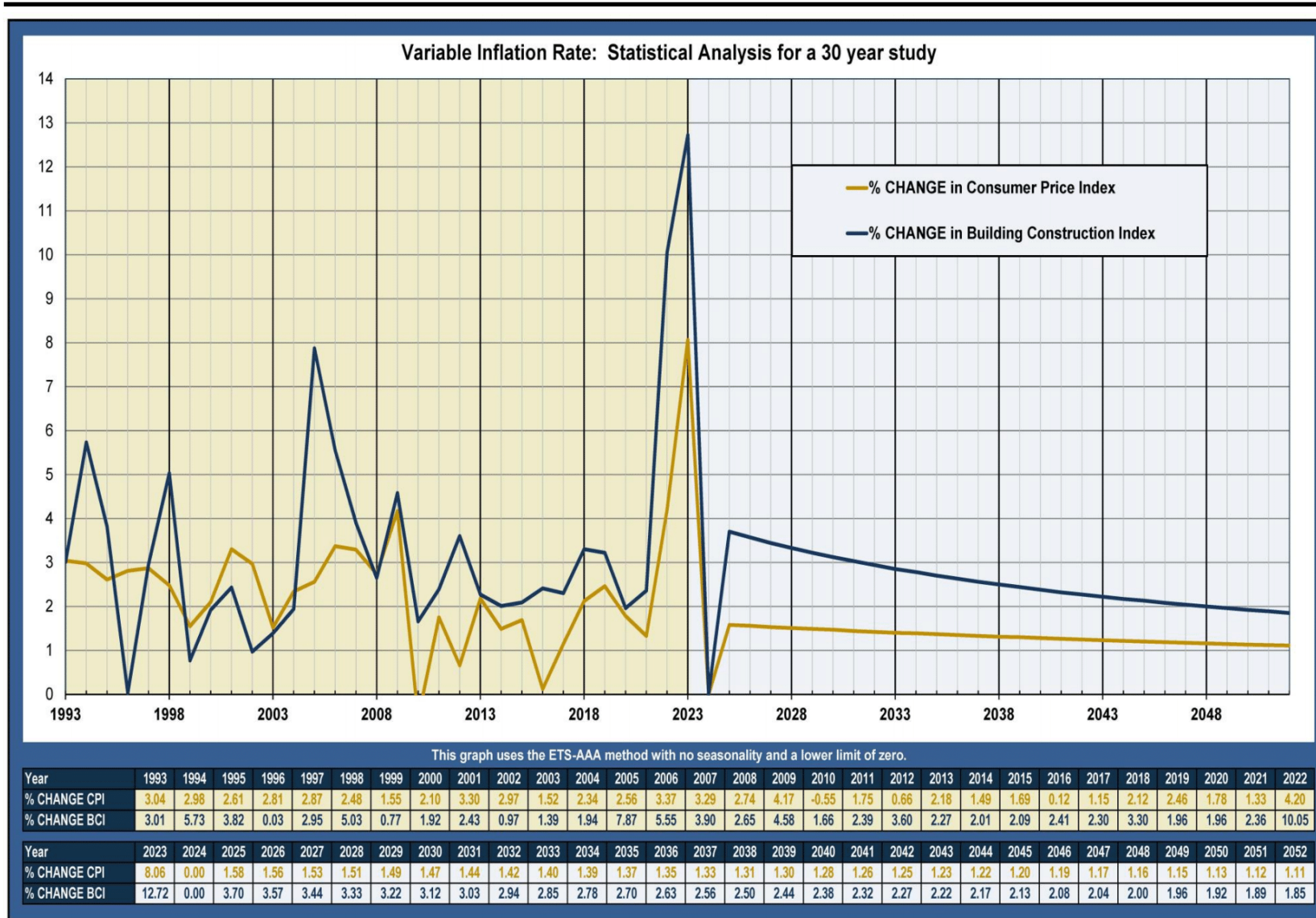
CPI: 4.20%

BCI: 10.05%

2023:

CPI: 8.06%

BCI: 12.72%



Current Financial Picture

- ▶ \$1.5M in Unreserved Equity (Owner's Equity)
- ▶ \$6.1M in Reserved Equity (Reserves)
- ▶ \$10.4M Operating Budget for FY2023

By all industry best practice metrics, the Association is above recommended thresholds for equity and reserve levels.

We've been able to generate more interest income this year by investing our cash in low-risk CD waterfalls in alignment with cash flow needs.

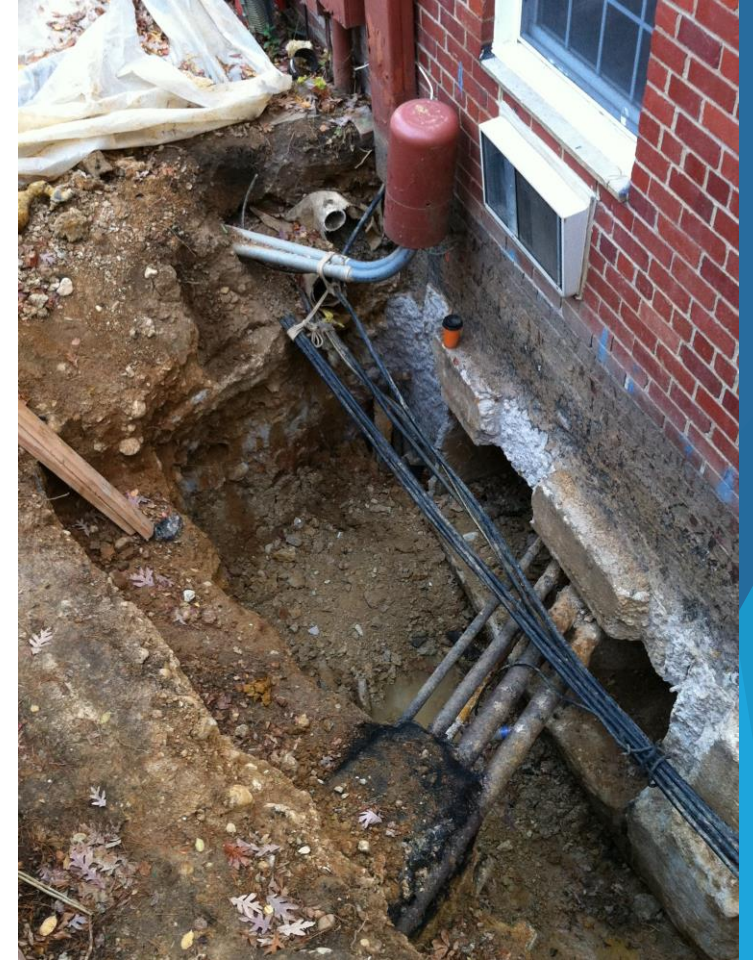
Major Maintenance Projects in 2024

- ▶ Building Settlement and Stabilization Projects
- ▶ Improvements to Martha Custis and Lyons Lane Pools
- ▶ Roof Repairs
- ▶ Domestic Pipe Replacement
- ▶ Stoop Replacement
- ▶ Gas Pipe Repair
- ▶ Retaining Wall Replacement
- ▶ Ceiling Repairs
- ▶ Boiler Room Electrical Panel Upgrades
- ▶ Tennis Court Recoating...AND MORE

Estimated Spending: \$3.6 million from Reserves



Building Challenges



FY2024 Draft Budget Overview

- ▶ This budget includes funding for new projects:
 - ▶ Sustains funding for landscaping and increases funding for invasive plant removal in the woodlands.
 - ▶ Funds additional erosion control projects building off completed pilots from FY2023.
 - ▶ Funds the installation of one EV charging station using the capital improvement fund.
- ▶ This budget creates a new carryover fund for insurance deductibles and emergencies. Money in this fund will carryover, rather than be spent on other operating expenses if not used.

Ongoing Erosion Projects



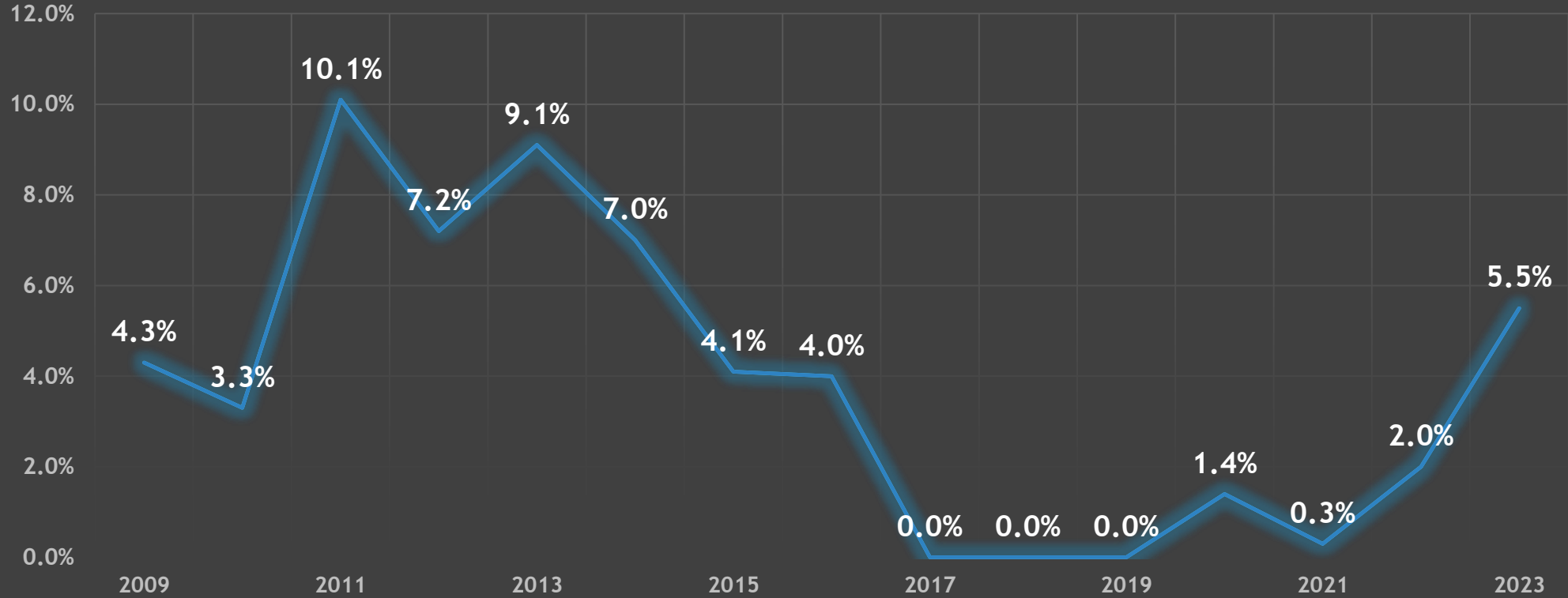
FY2024 Draft Budget Overview Continued...

- ▶ This budget reflects increases to alternative sources of income to offset assessment increases:
 - ▶ Proposes to sell two units owned by the Association in FY2024 with net income generated going directly into Reserves. (Approx. \$500,000)
 - ▶ Proposes increases to fees and resale packages.
 - ▶ Increases income from advertising revenue.
- ▶ This budget reflects cuts to operating expenses:
 - ▶ Decreasing overtime expenses.
 - ▶ Continued negotiation of insurance rates.
 - ▶ Reduction in annual meeting costs from electronic voting.
 - ▶ Decreasing pool contract hours based on 2022 usage data.

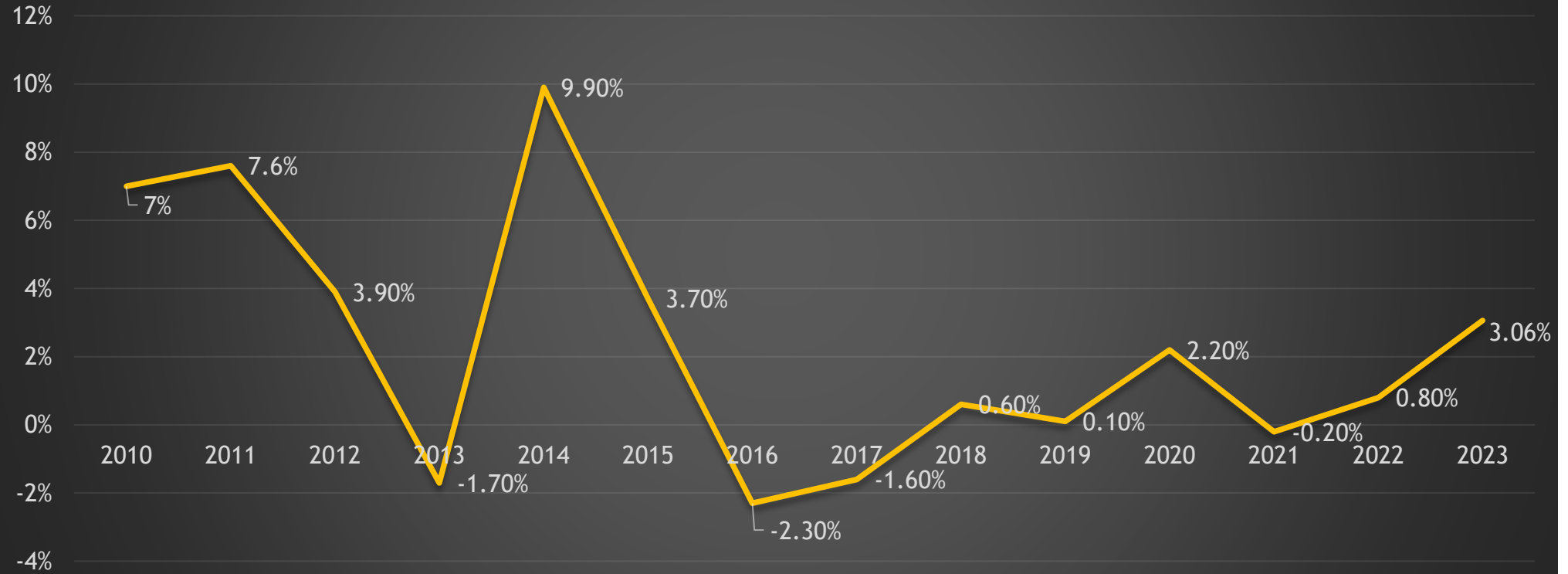
What does this all mean for me?

- ▶ Change in the draft budget will mean that the owner assessments would increase by 9.45%, starting on June 1, 2023.
 - ▶ This amounts to around \$40 to \$60 month, depending on the type of unit.
 - ▶ The Association will be improving its contribution to reserves based on the recommendations of the 2020 reserve study, which will support needed maintenance and minimize future risk.
- ▶ The Association needs to identify additional efficiencies in the budget. This year, we will initiate a review of our utilities expenditures to identify cost savings.

Annual Assessments Variance



Operating Budget Variance



Next Steps: Annual Budget Finalization

- ▶ **FEBRUARY** - The Board will vote on the draft budget at its upcoming meeting to consider comments from Owners provided during this Budget Hearing
- ▶ **MARCH** - The Board will vote on the final budget at the March Board meeting
- ▶ **JUNE** - FY2024 begins and the final budget goes into effect—new assessments will become due with notices sent well in advance
- ▶ **ONGOING** - Development of a 5-year Budget with a reserve spend plan