



Parkfairfax Budget Hearing

February 15, 2024



Agenda

- ▶ Budget Considerations and Priorities
- ▶ Current Financial Picture
- ▶ Draft FY2025 Budget Overview
- ▶ Major Maintenance Projects
- ▶ Operating Cost Drivers
- ▶ Discussion and Questions

Budget Priorities and Considerations

- ▶ Our Association is in a strong and healthy financial position today; however, inflation continues to have a significant impact on our finances and insurance rates have substantially increased over the passed several years.
- ▶ Additionally, 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.
- ▶ In Spring 2023, the Association initiated a major stabilization project of Building 716 and other tuckpointing projects across 20 buildings. This Spring we will need to initiate major stabilization projects for Buildings 110 and 111.
- ▶ The Board continues to discuss last year's review of our 80-year-old roofs and has directed Management to initiate a pilot project in FY2024 to collect data on two approaches to replacing our roofs that will inform a replacement plan that is incorporated into our Reserve Study and 5-year Reserve Expenditure Plan.
- ▶ The Association has made several capital improvements and will need to balance modernizing amenities against the need to fund reserve contributions and avoid special assessments.

Current Financial Picture

- ▶ \$1.4M in Unreserved Equity (Owner's Equity) - 12% of the annual budget.
- ▶ \$5.0M in Reserved Equity (Reserves)
- ▶ \$12.6M Operating Budget for FY2024

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

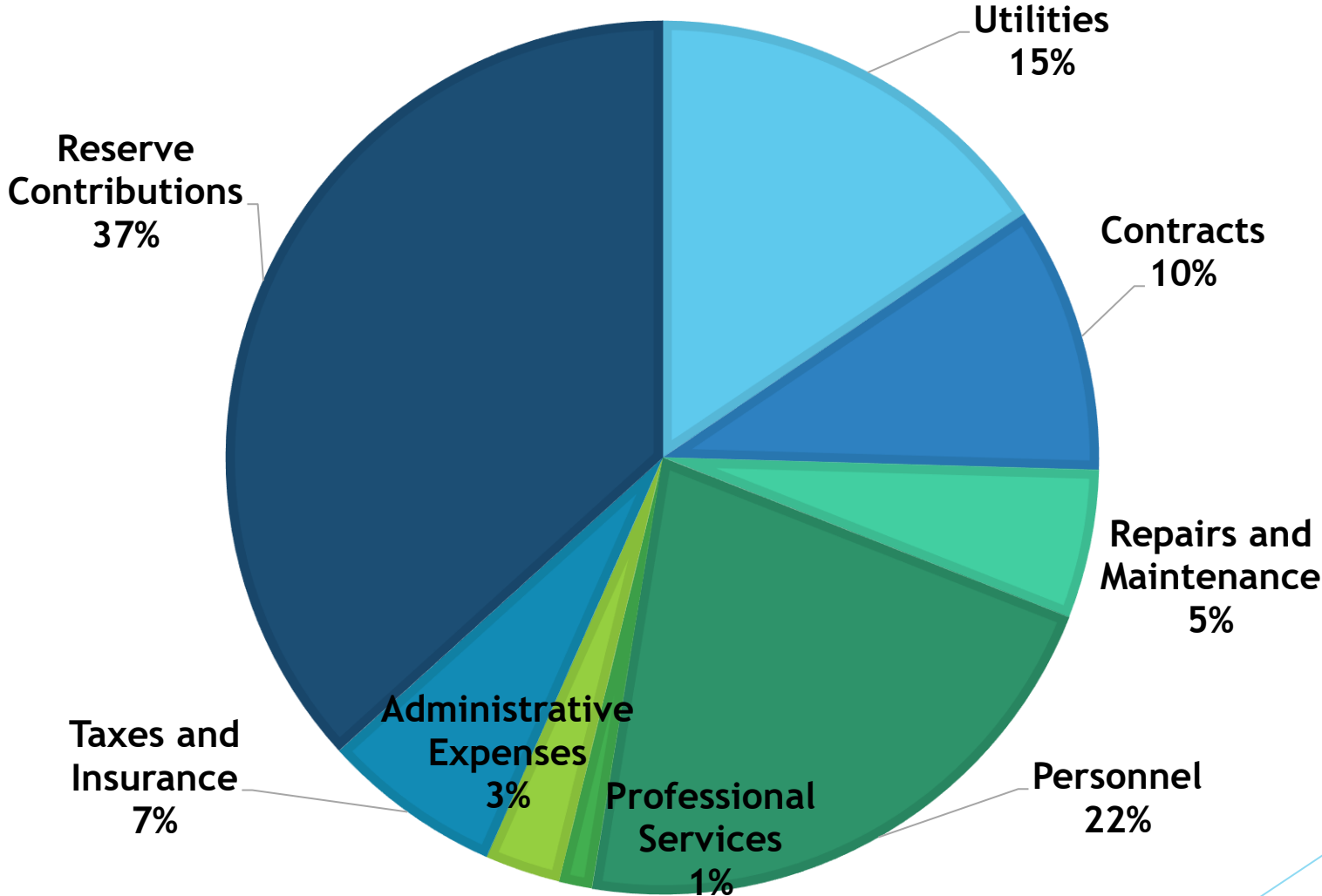
We've continued to generate more interest income this year by investing our cash in low-risk CD waterfalls in alignment with cash flow needs.

Draft FY2025 Budget Overview

- ▶ This draft budget includes funding for:
 - ▶ Our renegotiated landscaping contract.
 - ▶ Increased costs of obtaining insurance based on the recommendation of our broker.
- ▶ This budget proposes increases to alternative sources of income to offset the assessment increase by:
 - ▶ Proposing to sell two units owned by the Association in FY2025 with net income generated going directly into Reserves. (Approx. \$500,000)
 - ▶ Proposing increases to fees based on inflation.
 - ▶ Reflects increased income projections from renovating and reopening the community room.
- ▶ The Board discussed the following ideas during the budget workshop that will be revisited at the February meeting:
 - ▶ Reducing the number of days of trash pick up.
 - ▶ Charging move-in fees for units that are sold.

FY2025 Budget Overview Continued

Current Draft Budget includes an Assessment increase of 7.08%



The Key Benefits of Reserve Contributions in Condo Associations

- ▶ When Associations do not set aside enough money in reserve funds, they may struggle to cover major repairs and replacements or structural issues.
- ▶ Without contributing to reserves, Associations run the risk of having to levy special assessments to fund major repairs and replacements, which is detrimental to property values.
- ▶ The Virginia Condominium Act and the Virginia Property Owners Association Act require associations to undertake a reserve study at least once every five (5) years. A review of the reserve study should also be conducted at least once annually and adjustments made as needed to maintain reserves.

Major Maintenance Projects in 2025



- ▶ Ongoing Building Settlement and Stabilization Projects (Buildings 716, 110, and 111)
- ▶ Brick Tuckpointing
- ▶ Roof Replacement Pilot (2 roofs)
- ▶ Roof Maintenance and Repair
- ▶ Domestic Pipe Replacement
- ▶ Stoop Replacement
- ▶ Gas Pipe Repair
- ▶ Retaining Wall Replacement
- ▶ Sewer Line Repairs and MORE

Proposed Spending: \$4.0 million from Reserves

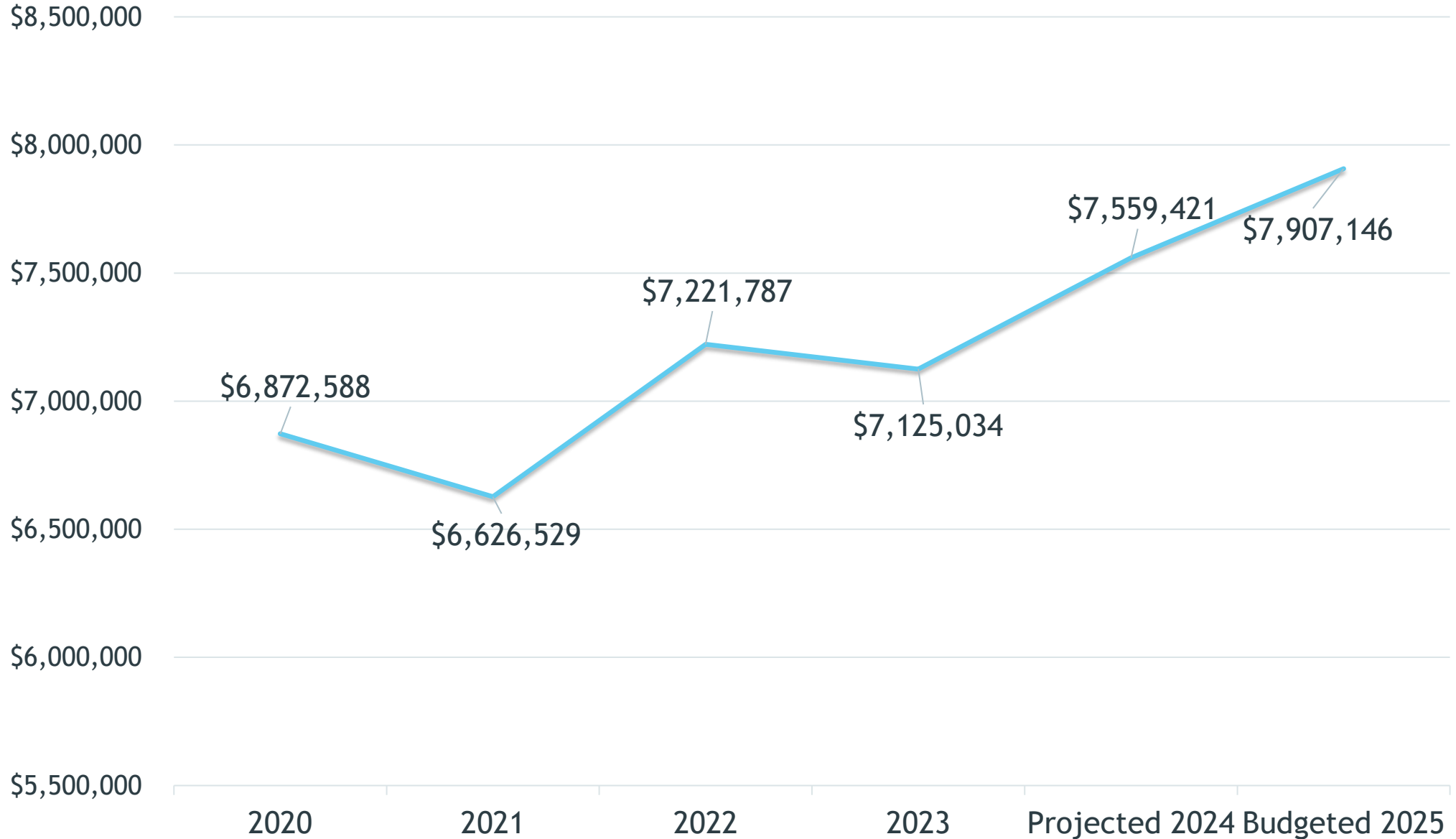
Major Maintenance Projects in 2024





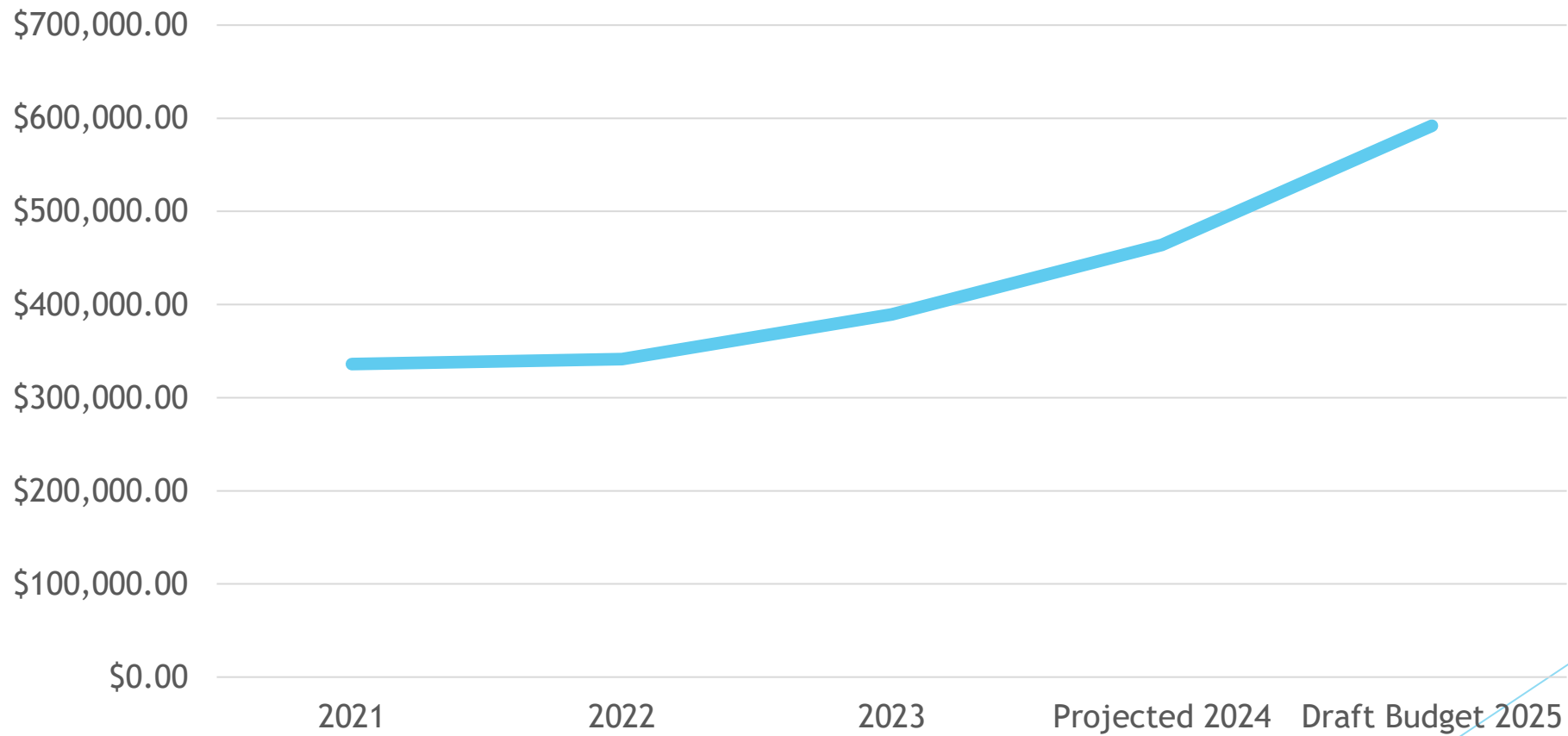
Roof Maintenance in 2024

Annual Operating Expenses



Insurance Premiums Increased by 76 % since 2021

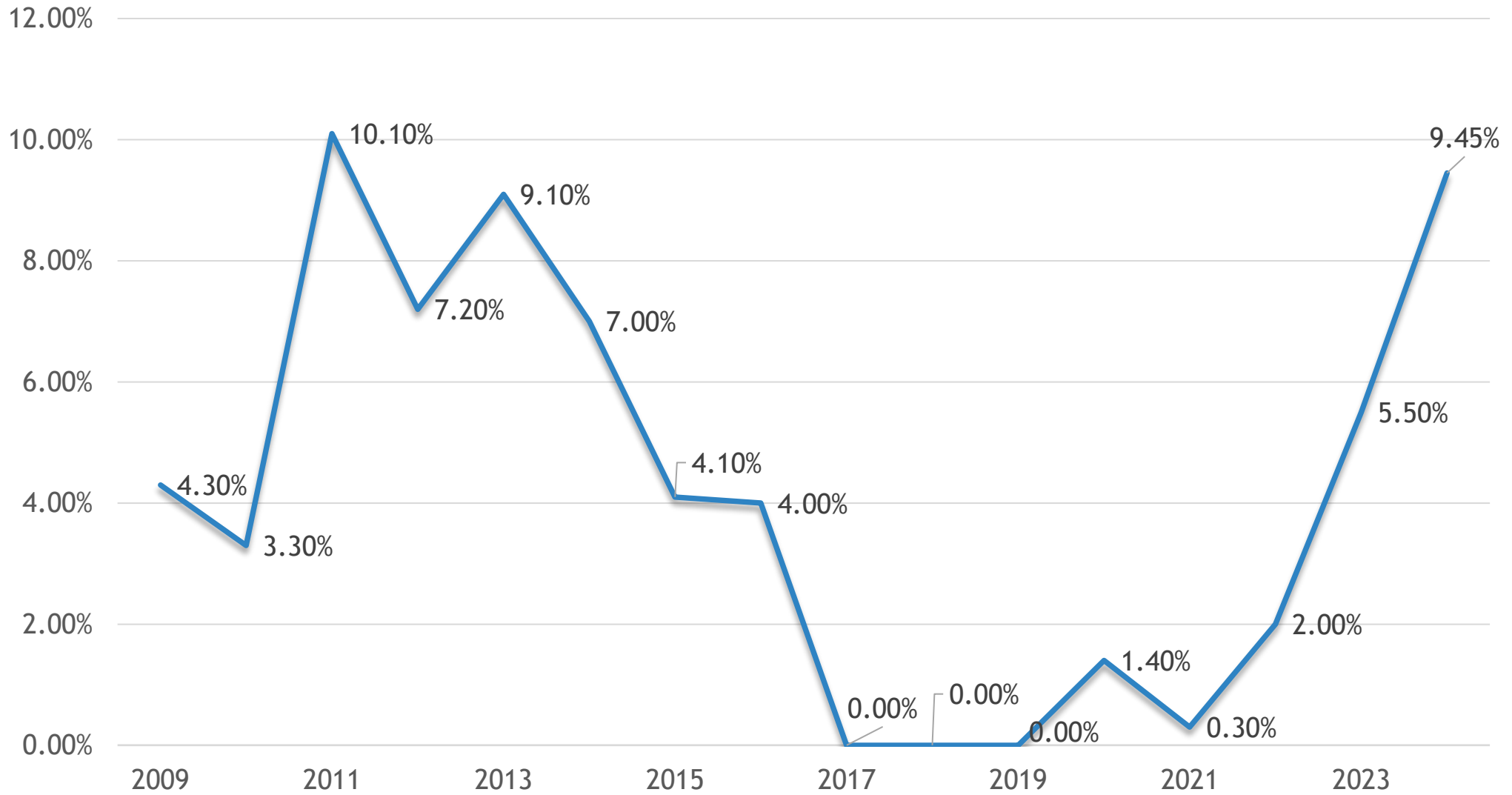
Parkfairfax Insurance Premiums



What does this all mean for me?

- ▶ Change in the draft budget will mean that the owner assessments would increase by 7.08%, starting on June 1, 2024.
 - ▶ This amounts to around \$30 to \$60 month, depending on the type of unit.
 - ▶ The Association will be continuing to provide contributions to reserves based on the recommendations of the 2020 reserve study, which will support needed maintenance and minimize future risk.

Annual Assessments Increases

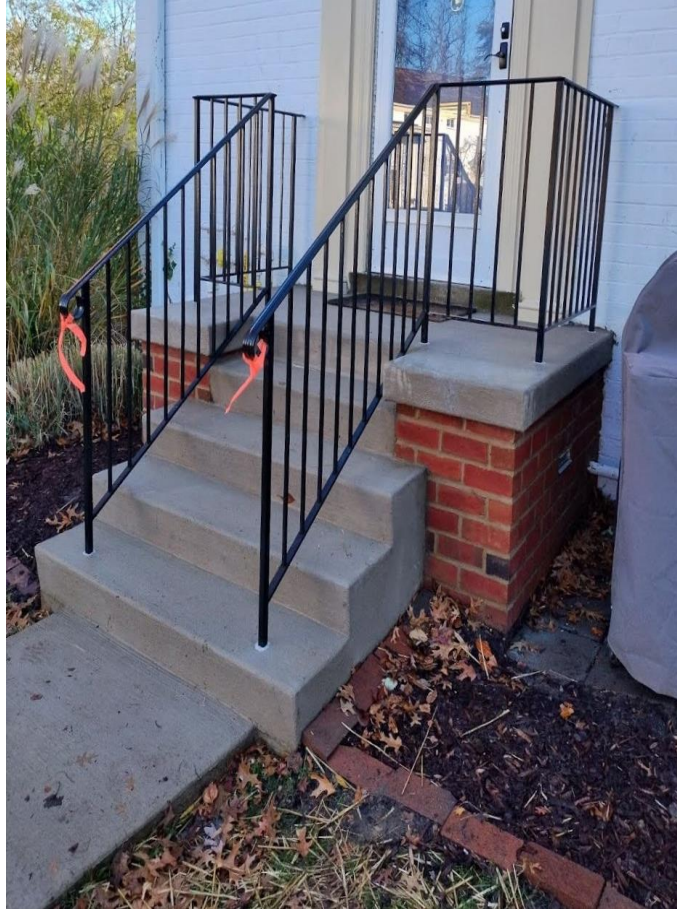


Update on Multi-Year Budgeting Initiative

- ▶ In July 2023, the Board held an additional 5-year budget workshop and discussed Reserve components and different strategies for addressing them.
- ▶ The Board discussed prioritizing components that relate to the structural integrity of our buildings for future reserve studies.
- ▶ The Board will continue to work with Management on ways to monitor and prioritize reserve spending on component's that relate to preserving structural integrity, and by identifying opportunities to monitor certain components and accept some risk by delaying their replacement.
- ▶ The Board agrees with the Finance Committee recommendation to solicit a new Reserve Study by the end of calendar year 2024.

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 Townhall
- ▶ **MARCH** - The Board will vote on the final budget at the March Board meeting
- ▶ **JUNE** - FY2025 begins and the final budget goes into effect—new assessments will become due with notices sent well in advance
- ▶ **ONGOING** - Initiating a new Reserve Study to be completed before 2024.



Discussion and Questions