

2017 to 2018 Clara Barton Condo Fee and Reserves Analysis

(4 pages incl. cover)

Condo Fee Analysis (2017 to 2018)

- 2018 budget set at \$2,016,058 – a 4.87% increase from 2017
- 2018 condo fees were increased by 4% by the Board of Directors (BoD)
- The 2018 budgetary gap could have been filled from the following surplus areas above and beyond regularly budgeted sources:
 - 1) 2017 profit - \$52,321
 - 2) 2018 over budgeting of reserve contributions - \$38,220
 - 3) Ongoing retained earnings in excess of 20% of budget operating cash - \$404,703
- The reserve fund is overfunded by ~24 to 25% compared to levels required by the most recently available reserve study
 - Reserves are overfunded both generally and on an ongoing basis
- *Budget stress test scenarios show that the 2018 condo fees could have been left level or even reduced without jeopardizing the HOA's financial standing*
 - A range between a no increase and a 10% reduction was possible for 2018

Reserves Analysis (end of year 2017)

- The 2015 Clara Barton reserve study is the most recent study made available to owners by Management and the BoD. It runs for 30 years from 2015 to 2045 listing all planned capital expenditures and replacements.
 - This study stipulates the annual contribution the HOA must set aside for long term capital expenditures and replacements
- The reserve study is conservatively configured as it assumes that the funds set aside will not have any return (0% growth) and planned expenses will experience average inflation (3%)
- For 2017 and 2018 the Clara Barton funded the 2015 reserves study as follows:

	2017	2018
Reserve Study Projected Contribution	\$159,135	\$163,909
Clara Barton HOA Contribution	\$180,876 (actual)	\$202,129 (budgeted)
Excess Contribution	\$21,741 (actual)	\$38,220 (budgeted)

- Per 2018 Fannie Mae criteria, the HOA can maintain Fannie Mae financing eligibility without putting 10% of its annual budget into the reserve fund as long as the HOA... a) readily makes available an acceptable reserve study to lenders, b) provides financial protection for the project equivalent to Fannie Mae's standard reserve requirements, c) has funded reserves meeting or exceeding the recommendations included in the reserve study, and d) maintains the study to meet Fannie Mae's criteria for replacement reserve studies
- *At the end of 2017, the Clara Barton reserve fund held \$2,227,969. The Reserve Study projected that the fund needed \$1,797,772 to pay for all planned items.*
 - *This is a funded level of 123.9% as it is overfunded by \$430,197*

References & Source Data

- All information used as a basis for this presentation is available to all unit owners from Clara Barton Management per DC Condo Act law or from public sources on the Internet:
 - 2015 Clara Barton Reserve Study
 - 2016, 2017, and 2018 Clara Barton Approved Budgets
 - December 2017 (end of year) and May 2018 Clara Barton financial statements
 - Fannie Mae Full Review condo financing home page
 - <https://www.fanniemae.com/content/guide/selling/b4/2.2/02.html>
 - 2014 DC Condo Act (summary available on Whiteford, Taylor, Preston condo law firm website)
 - <https://www.wtplaw.com/documents/2014/05/dc-updates-new-condo-act-provisions>