

# BUDGETING 101

Presented by EJF's Director  
of Association Finance,  
**Andrew Spencer**



## **WHAT IS A BUDGET?**

A budget is an estimate of income and expenses for each year. Budgets are important, but not just because they are required by an association's bylaws, but due to the fact that budgets also represent the financial priorities for an association.



## **WHAT IS INCLUDED?**

- Not exclusively, but in many cases, the largest expenses in an associations budget include:
- Administrative expenses – legal, accounting, security services, management, etc.
- Services – landscaping, trash disposal, janitorial and elevators
- Utilities – power, water, and sewer
- General maintenance
- Insurance, and
- Reserve payments

Most of these expenses experience marginal annual increases, depending on the nature of the expense and the contracts used to procure services.



## UTILITIES

However, one cost area that has the most consistent cost increases is utilities. For example, DC Water approved an effective increase of 9.26% for water and sewer multifamily retail rates, starting this October, and an effective increase of 3.33% starting in October 2023, as well as varying increases in fixed charges.



Many PEPCO customers in DC will be seeing 10% increases in distribution charges starting in January 2023 and a 7.96% increase in generation electric rates in November this year, with another increase in June 2023, which could result in an annual increase of 15% to 20%, depending on usage patterns.



## **WASHINGTON GAS**

Washington Gas does not provide us with their exact increase amounts for the coming year like Pepco and DC Water. Based on industry trends, we have elected to plug in a 10% increase for gas for our Associations.


# INDUSTRY INCREASES

The utility increases as well as a pending increase to minimum wage in DC will also lead to potential increases in all services, from landscaping to trash disposal.

EJF has capped our management increase at 5% for 2023. DC's CPI is projected at 7.5%, nationally it's 9.1% so we feel that this is a fair compromise respecting EJF's needs and the needs of our clients.


# EJF'S 2022 BUDGET PROCESS

## Important Dates

- September 15 – First drafts to managers
  - October 1 – First draft provided to Boards for review
  - November 15 – Approved budgets sent to EJF for entry and fee updates for 2023
  - December 1 – EJF to mail budgets and fee updates to all owners
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# EJF'S 2022 BUDGET PROCESS

- Right now, EJF's accounting team is in the process of developing budgets for each association.
    - These first drafts will be based on simple projections of year-end numbers using a basic projection formula.
  - Managers are also reaching out to contractors to request updated budget figures for 2023.
  - Managers will be given budgets by September 15 for review and inclusion of new contract figures. These will be sent to Boards by October 1.
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**Budget Overview  
FISCAL YEAR 2022**

	<i>Audited</i> Actual 2019	<i>Audited</i> Actual 2020	<i>UnAudited</i> Actual 08.31.2021	<i>UnAudited</i> PROJECTED 12.31.2021	Approved Budget 2021 <i>B</i>	Proposed Budget 2022 <i>A</i>	Change from Prior Year (A - B)	NOTES ON BUDGET ADJUSTMENT	
<b>OPERATING INCOME</b>									
<b>Income - Assessment</b>									
4000	Assessment	102,735	105,817	71,230	106,845	102,735	<b>117,250</b>	<b>14,515</b>	113,008.90
4001	Mortgage Assessments	31,272	31,272	20,848	31,272	31,250	<b>31,250</b>	-	
	<b>Total Income - Assessment</b>	<b>134,007</b>	<b>137,089</b>	<b>92,078</b>	<b>138,117</b>	<b>133,985</b>	<b>148,500</b>	<b>14,515</b>	
<b>Income Fees</b>									
4100	Interest Income	248	-	102	153	200	<b>100</b>	(100)	
4110	Late Fee Income	60	(10)	80	120	-	-	-	
4120	NSF Fees	-	450	-	-	-	-	-	
4300	Non-Occupancy Assessments	200	1,200	1,500	2,250	1,000	<b>500</b>	(500)	
	<b>Total - Income Fees</b>	<b>508</b>	<b>1,640</b>	<b>1,682</b>	<b>2,523</b>	<b>1,200</b>	<b>600</b>	(600)	
<b>Other Income</b>									
4500	Misc Income	-	472	2,597	3,896	-	-	-	
4510	Moving Fee Income	300	-	450	675	375	<b>600</b>	225	
4520	Storage Income	874	874	582	874	875	<b>875</b>	-	
4555	Laundry Income	840	638	1,393	2,089	1,000	<b>1,750</b>	750	
	<b>Total - Other Income</b>	<b>2,014</b>	<b>1,984</b>	<b>5,022</b>	<b>7,533</b>	<b>2,250</b>	<b>3,225</b>	975	
	<b>TOTAL INCOME</b>	<b>136,529</b>	<b>140,713</b>	<b>98,782</b>	<b>148,173</b>	<b>137,435</b>	<b>152,325</b>	<b>15,490</b>	
<b>OPERATING EXPENSES</b>									
<b>Admin Expenses</b>									
5005	Accounting Fees	3,850	2,045	-	-	2,050	<b>2,050</b>	-	
5006	Bad Debt Expense	40	-	-	-	-	-	-	
5010	Bank Charges	-	225	20	30	-	-	-	
5030	Management Fees	9,925	10,223	6,976	10,464	10,220	<b>10,731</b>	511	5% Increase
5038	License & Bond	2,332	(678)	678	1,016	1,050	<b>1,050</b>	-	894
5060	Postage & Mailings	181	37	92	137	-	<b>180</b>	180	
5075	Printing & Copying	-	4	14	20	-	-	-	
5095	Misc Admin Expense	356	861	295	443	400	<b>400</b>	-	
5096	Legal Fees	-	-	-	-	500	<b>500</b>	-	
5185	Collection Fee	-	40	20	30	-	-	-	
5198	Interest Expense	-	8,331	5,225	7,838	-	<b>7,619</b>	7,619	Figure from amortization schedule from NCB.
6230	Phone	570	1,301	630	945	1,365	<b>1,200</b>	(165)	Average cost is \$100/month.
	<b>Total - Admin Expenses</b>	<b>17,254</b>	<b>22,388</b>	<b>13,949</b>	<b>20,923</b>	<b>15,585</b>	<b>23,730</b>	<b>8,145</b>	
<b>Repairs and Maintenance Expense</b>									
5200	General Repairs & Maintenance	4,684	5,420	617	926	3,000	<b>3,000</b>	-	
5220	Electrical R&M	259	-	-	-	240	<b>260</b>	20	
5222	Elevator R&M	3,419	597	1,285	1,928	4,000	<b>5,000</b>	1,000	Accounts for the reshackling of the cab as well as safety inspections.
5230	Plumbing R&M	3,088	8,121	325	488	2,500	<b>3,000</b>	500	We have slightly increased this line item for 2022.
									Given all the work on the front door, we hope

<b>Repairs and Maintenance Expense</b>									
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5220	Electrical R&M	259	-	-	-	240	<b>260</b>	<b>20</b>	
5222	Elevator R&M	3,419	597	1,285	1,928	4,000	<b>5,000</b>	<b>1,000</b>	Accounts for the reshackling of the cab as well as safety inspections.
5230	Plumbing R&M	3,088	8,121	325	488	2,500	<b>3,000</b>	<b>500</b>	We have slightly increased this line item for 2022.
5250	Locks & Keys	5,808	2,154	1,315	1,973	250	<b>1,000</b>	<b>750</b>	Given all the work on the front door, we hope that we are at the point where no further effort will be needed for locks and doors for a few years. We have accounted for some expenses given the attention the Coop has had from thieves of late.
5260	Fire Control Systems R&M	-	250	-	-	250	<b>250</b>	-	
5270	Miscellaneous Expense	1,600	84	432	648	500	<b>500</b>	-	
5745	Painting	-	5,010	-	-	-	-	-	
	<b>Total - Repairs and Maintenance</b>	<b>18,857</b>	<b>21,636</b>	<b>3,974</b>	<b>5,962</b>	<b>10,740</b>	<b>13,010</b>	<b>2,270</b>	
<b>Contracts</b>									
5905	Fire Control Systems Contract	573	272	-	-	725	<b>750</b>	<b>25</b>	
5910	Janitorial Contract	5,615	4,800	3,200	4,800	4,800	<b>6,000</b>	<b>1,200</b>	Includes an increase to \$500/month.
5920	Landscaping Contract	205	265	795	1,193	1,400	<b>1,600</b>	<b>200</b>	Discretionary for the Board. Please let us know anticipated expenses.
5925	Pest Control Contract	1,359	1,320	913	1,370	1,570	<b>1,008</b>	<b>(562)</b>	Current pest control is \$80.02/month for regular service, plus \$673 for mosquito service. 2022 budget accounts for a 5% increase to regular service but removes mosquito treatment
5935	HVAC Contract	-	206	-	-	-	-	-	
5940	Elevator Contract	3,511	4,795	2,435	3,652	3,700	<b>3,747</b>	<b>47</b>	The last two years increases have been 3%. We have included a 3% increase for 2022.
6101	Trash	3,496	3,398	1,209	1,814	3,540	<b>3,810</b>	<b>270</b>	Current cost is \$302.16/month. Between the rise in fuel costs and labor, plus the sale of TenleyTown Trash to Republic Services, we have accounted for a 5% increase for 2022.
6185	Boiler Inspection	2,678	2,266	1,648	2,472	2,600	<b>2,550</b>	<b>(50)</b>	Advanced Building Services, Inc - Monthly HVAC service contract \$206 monthly w/ 2% increase
	<b>Total - Contracts</b>	<b>17,438</b>	<b>17,321</b>	<b>10,200</b>	<b>15,301</b>	<b>18,335</b>	<b>19,465</b>	<b>1,130</b>	
<b>Utilities</b>									
6220	Electric	1,350	953	959	1,249	1,170	<b>1,286</b>	<b>116</b>	3% increase over the 2021 projected year end figure which is calculated with the actual amounts spent through 8/31 plus a 3% increase over what was spent in Sept-Dec 2020.
6235	Gas	10,618	6,386	7,890	9,023	9,860	<b>9,926</b>	<b>66</b>	10% increase over the 2021 projected year end figure which is calculated with the actual amounts spent through 8/31 plus a 10% increase over what was spent in Sept-Dec 2020.
6260	Water & Sewer	7,168	9,086	5,611	8,929	7,385	<b>9,600</b>	<b>2,215</b>	5% increase over the 2021 projected year end figure which is calculated with the actual amounts spent through 8/31 plus a 5% increase over what was spent in Sept-Dec 2020.
	<b>Total - Utilities</b>	<b>19,136</b>	<b>16,425</b>	<b>14,460</b>	<b>19,201</b>	<b>18,415</b>	<b>20,812</b>	<b>2,397</b>	
<b>Insurance and Taxes</b>									
8000	Insurance	8,014	4,867	4,958	7,437	6,720	<b>6,989</b>	<b>269</b>	4% Increase


# EJF'S 2022 BUDGET PROCESS

EJF would like Boards to review and return budgets to us by November 15 to allow enough time for year-end processing.

- Use your reserve study to guide you in budget development
  - Consult with your insurance company and possibly your lawyer
  - Consider meeting(s) with your owners to discuss the budget plan
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# EJF'S 2022 BUDGET PROCESS

Delays in return of an approved budget can result in delays in your notification process

- Boards should check their governing documents and consult with their manager about any unique circumstances for the approval of their budgets
  - We are dependent on our third-party contractors for mailings, and they frequently have delays because the majority of Associations have 12/31 fiscal year-ends.
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# EJF'S 2022 BUDGET PROCESS

EJF will make proposals to the Board based on the current budget, our knowledge of the industry and changes for the coming year.

EJF does not make the decisions on these items. The Board ultimately makes the decision on budget line items.

The Board needs to make sure their manager is aware of the desires for any changes to services for the coming year.

# EJF'S 2022 BUDGET PROCESS

If you find that you do not have a draft budget by the second week of October, reach out to your manager's Pod Leader. If you do not know your manager's Pod Leader, you can ask your manager or request that information from [clientservices@ejfrealestate.com](mailto:clientservices@ejfrealestate.com).

This is a collaborative process and we rely on participation of the Board to see this through to the successful implementation of new fees if necessary for 2023.

