



Fairlington Villages FY2022 Budget

Homeowners' Forum

July 28, 2021

7:00 – 9:00 p.m.





FY2022 Budget Forum Overview

- Forum Procedures
- Budget Process Timeline
- FY22 Budget Priorities
- Budget Components
 - Expense Accounts (Operating and Reserves)
 - Income Accounts
- Discussion



Forum Procedures

- Treasurer provides overview and answers questions on operating and reserves budget line items and income accounts with General Manager's assistance
- Board members listen but do not comment
- Homeowners may ask questions within scope of any budget line item
- No monopolization of discussion



Budget Process Timeline

- ✓ MAY: INPUT
from Committees & Board Members
- ✓ JUNE: DRAFT
Analysis of past and current income
and expenses, and upcoming needs
- ✓ JULY 7: BOARD APPROVES DRAFT
- ✓ JULY 28: HOMEOWNERS' FORUM



Budget Process Timeline

- **AUGUST 4: BOARD APPROVES**
final budget
- **LATE AUGUST: MAILING**
of final budget and new condo fee
coupons to homeowners
- **OCTOBER 1: NEW FEES**
for FY22 take effect



FY22 Budget Priorities

- Program operating funding to maintain our current level of community services
- Resume full funding of our reserves in accordance with the recommendations of our 2019 Reserve Study Update
- Continue to accomplish critical reserve projects, and execute projects that were deferred or scaled back during the pandemic at an accelerated pace



Budget Components

Expense Accounts

Operating Expenses

- Administrative
- Payroll
- Utilities
- General Maintenance
- Service Contracts
- Professional Services
- Taxes & Contingency

Reserves

- Reserve Contributions
- Reserve Interest
- Reserve Expenditures

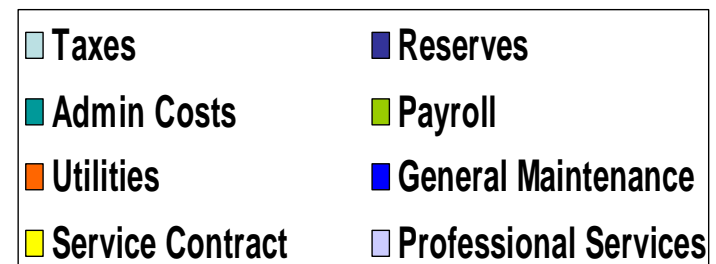
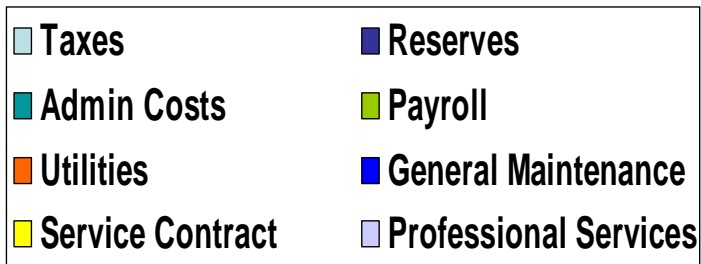
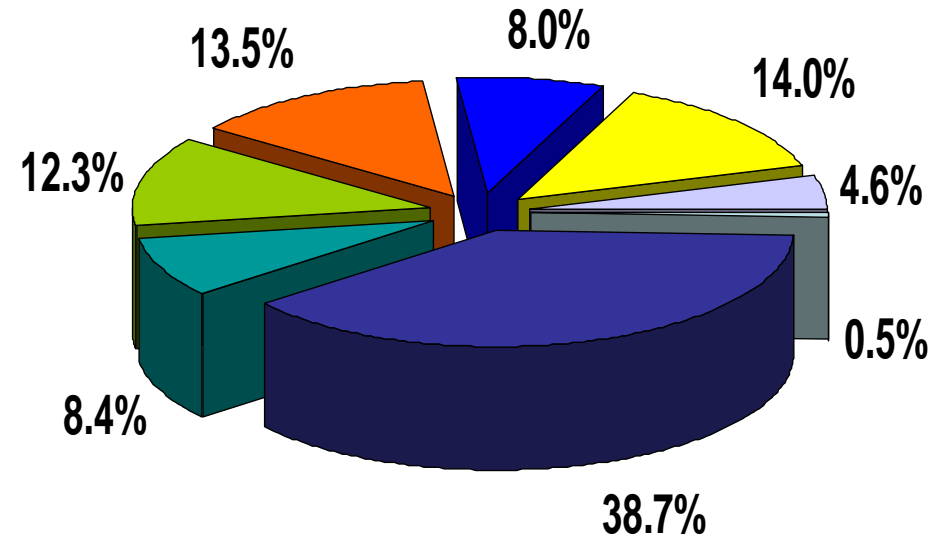
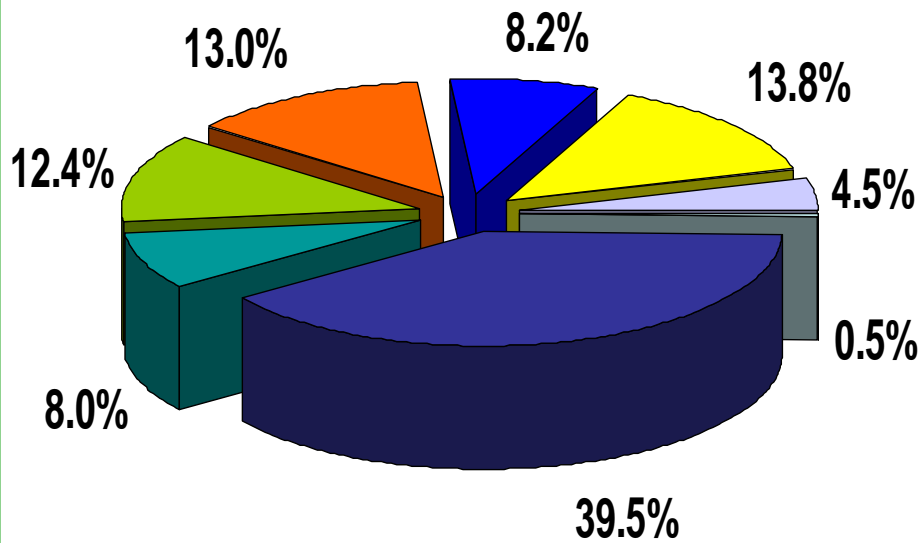
Income Accounts

- Assessments
- Other Income



Comparative Expenditures by Category Percentages

FY21 Projected vs FY22 Budgeted





Comparison Administrative Expenses

FY19 Audited	\$658,204
FY20 Audited	\$707,251
FY21 Budget	\$635,007
FY21 Projected	\$633,611
FY22 Budget	\$681,141

- FY22 cost of Master Insurance Policy increases by \$28,134 (6.7%) – significantly less than industry-wide average of about 10% due in large part to Association’s recent excellent claims history
- Small increases in other administrative expense lines, including non-insurance losses (\$5,000 increase)



Payroll Expenses

Gregory Roby
General Manager
(Legum & Norman
Employee)

Erin Moran
Office Mgr.
Hired: 8/8/08

Mark Johnson
Operations Mgr.
Hired: 9/15/08

Miguel Galvez
Facilities Mgr.
Hired: 7/5/04

Two Full-time
Administrative
Staff Employees

Eight Maintenance
Staff Employees



Comparison Payroll Expenses

FY19 Audited	\$918,246
FY20 Audited	\$958,579
FY21 Budget	\$975,924
FY21 Projected	\$983,216
FY22 Budget	\$1,002,238

- FY22 includes 2.7% employee pay raise
- Association covers health insurance benefits for all staff employees (0.0% FY22 increase), and contributes amount equal to 4% of wages to SEP plan for vested employees (3+ years service)
- Continued savings due to resizing of administrative staff ¹¹



Comparison Utilities Expenses

FY19 Audited	\$929,283
FY20 Audited	\$997,457
FY21 Budget	\$1,120,000
FY21 Projected	\$1,028,748
FY22 Budget	\$1,100,000

- Water/sewer costs about 90% of Association's utility expenses
- Water/sewer budget increased by 12.1% (\$110,000) in FY21 to cover greater pandemic water consumption
- Water use has decreased as pandemic recedes, allowing 2.0% (\$20,000) cut in budget while absorbing Arlington and Alexandria increases



Comparison of Expenses General Maintenance

FY19 Audited*	\$679,995
FY20 Audited**	\$537,394
FY21 Budget	\$635,780
FY21 Projected***	\$651,561
FY22 Budget	\$655,338

- * FY19 includes \$65,000 for delayed FY18 building painting
- ** FY20 includes no painting costs due to Covid delays
- ***FY21 Projected includes painting costs for two wards
- FY22 Budget includes small increases in most expense lines, including lighting supplies



Service Contracts

<u>Contract</u>	<u>Contractor</u>	<u>Expiration</u>
Pool Contract	Premier Aquatics	10-31-21
Uniform Rental	Cintas	Monthly
Janitorial	Corporate Cleaning	02-28-23
Patrol Service	Master Security	Monthly
Trash Removal	Capitol Services	03-31-24
Grounds Maint	Lancaster Landscapes	02-01-23



Comparison Service Contract Expenses

FY19 Audited	\$1,085,377
FY20 Audited*	\$1,001,767
FY21 Budget	\$1,113,579
FY21 Projected	\$1,090,343
FY22 Budget	\$1,139,360

- *FY20 reflects \$68,162 in savings due to decision to not open the pools and additional \$28,000 in savings in snow removal costs
- FY22 cost of janitorial contract will decrease by 6.0% (\$8,159) due to elimination of Covid-related deep cleaning requirements
- FY22 pool contract costs will increase by estimated 17.3% (\$23,935) due to₁₅ Virginia minimum wage increases



Comparison of Expenses Professional Services

FY19 Audited	\$371,410
FY20 Audited	\$339,266
FY21 Budget	\$363,364
FY21 Projected	\$356,569
FY22 Budget	\$370,946

<u>Service</u>	<u>Professional</u>	<u>Expiration</u>
Legal Services	Chadwick Washington	Monthly
Audit Services	Johnson, Bremer & Ignacio	12-31-21
Management	Legum & Norman	09-30-22



Comparison Taxes and Contingency

FY19 Audited	\$28,871
FY20 Audited	\$27,134
FY21 Budget	\$40,171
FY21 Projected	\$40,171
FY2022 Budget	\$42,740

- FY22 federal and state tax payments expected to rise slightly from FY21 levels due to increase in rental income
- No FY22 contribution to contingency because operating reserves remain at sufficient levels



Reserve Contributions and Projects

- Reserves fund major, long-term infrastructure replacement needs
- Independent reserve study conducted every 5 years – most recent Reserve Study Update completed in 2019
 - Approved at April 5, 2019 Board Meeting
 - *Reserve study recommended that reserve contributions continue to be increased by 1% per year to fund reserve account fully and execute recommended infrastructure projects*
- *FY21 Budget decreased reserve contribution by \$128,217 (-4.0%) to offset increases in operating expenses and keep fees at FY20 level during Covid-19 pandemic*

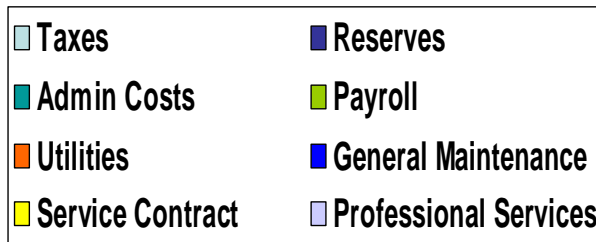
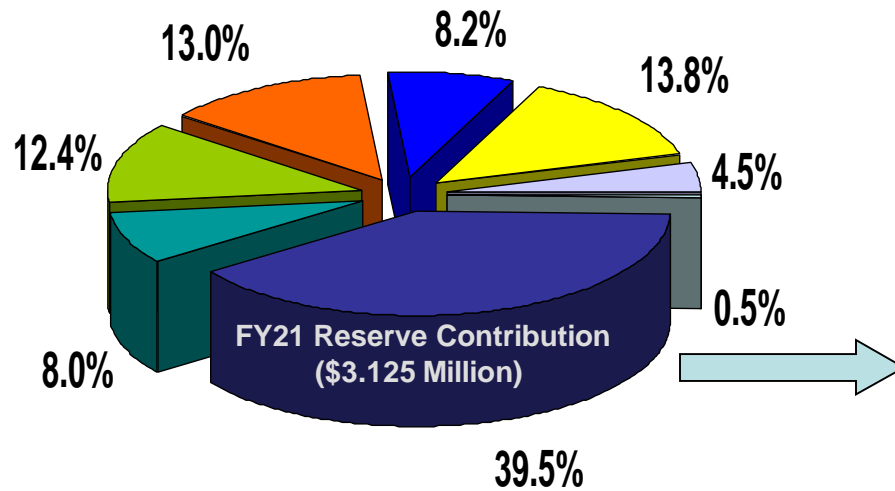


Reserve Contributions and Projects

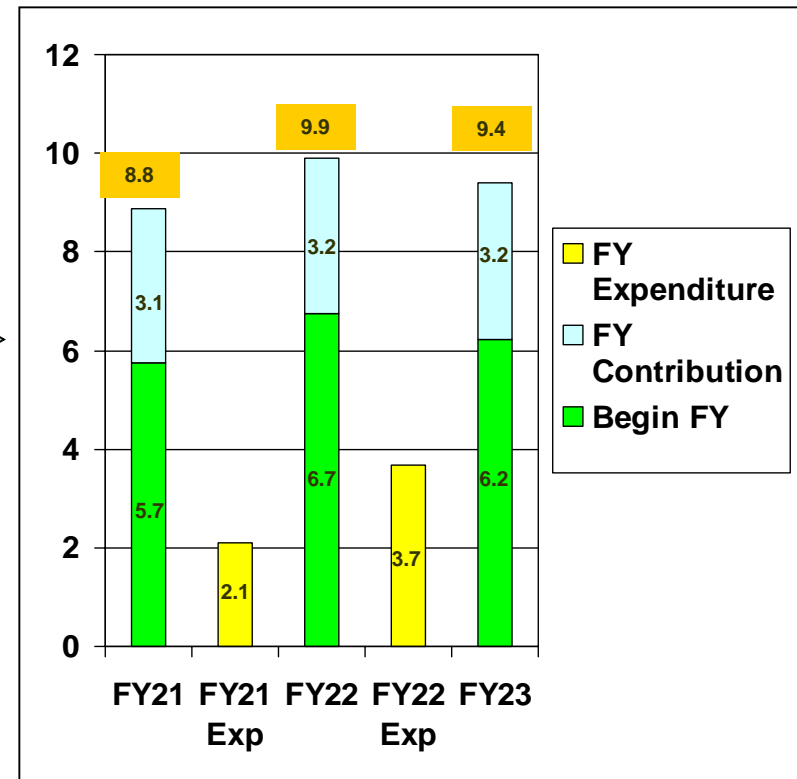
- *FY22 Budget resumes full funding of our reserves in accordance with the recommendations of our 2019 Reserve Study Update and increases condominium fee-funded reserve contributions by 1.0% (\$30,790)*
- FY22 Budget continues to fund critical reserve projects
- FY22 Budget executes reserve projects deferred or scaled back during the pandemic at an accelerated pace



Repair and Replacement Reserves



FY21 Projected Contribution



**Repair and Replacement Reserves
Cash Flow (\$ Millions)**



Reserve Cash Flow

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2021	\$5,735,722	\$3,125,642	\$2,104,271	\$6,757,093
2022	\$6,757,093	\$3,157,367	\$3,681,189	\$6,233,271
2023	\$6,233,271	\$3,180,529	\$4,194,870	\$5,218,930



FY21 Projected Reserve Expenditures

Parking Lot Renovations	\$206,527
Pool Repairs	\$75,950
Retaining Wall Repairs	\$78,650
Slate Roof Replacement	\$248,300
Backyard Fence Replacement	\$679,112
Masonry & Porch Repair Projects	\$481,650
Wood Trim Replacement	\$70,000
Shutters, Vehicles, CC Restroom & Misc.	\$264,082
TOTAL RESERVE EXPENSES (Current \$)	\$2,104,271



Parking Lot Renovations





Pool Repairs





Retaining Wall Repairs





Slate Roof Replacement





Backyard Fence Replacement





Comprehensive Masonry Repair Project





Comprehensive Masonry Repair Project





Comprehensive Masonry Repair Project





Wood Trim Replacement





Shutter Replacement – Ward 5





FY22 Budgeted Reserve Expenditures

Parking Lot Renovations	\$528,850
Pool House Renovation & Pool Cover	\$128,000
Slate Roof Replacement	\$400,000
Backyard Fence Replacement	\$800,000
Masonry Repairs & Wood Trim Replacement	\$520,000
Apartment Building Windows & Halls	\$650,000
Shutters, Tot Lot, Sewers & Misc.	\$391,500
TOTAL - 2019 RESERVE STUDY	\$3,418,350
TOTAL – 2021 (2.5%/Yr Inflation Adjustment)	\$3,681,189



FY22 Budget Summary

Operating Expenses	
Administrative	\$681,141
Payroll	\$1,002,238
Utilities	\$1,100,000
General Maintenance	\$655,338
Service Contracts	\$1,139,360
Professional Services	\$370,946
Tax/Contingency	\$42,740
Operating Expenses	\$4,991,763
Reserve Contribution	+ \$3,157,367
Total Expenditures	\$8,149,130



FY2021 Budget Summary

Income Offset	
Total Expenditures	\$8,149,130
“Other Income” • Interest (\$85,000) • Rentals, Resale Packets, etc. (\$100,788)	-\$185,788
Condo Fees to Balance Budget	\$7,963,342

- **Proposed FY22 budget increases expenditures by 1.7%**
- **After allowing for anticipated “Other Income”, the Association must raise \$7,963,342 in condo fees in FY22**
- **Raising this amount requires a 1.5% increase in condo fees, since rise in spending is partially offset by increase in “Other Income”**



DISCUSSION