



Fairlington Villages FY2023 Budget

Homeowners' Forum

July 26, 2022

7:00 – 9:00 p.m.





FY2023 Budget Forum Overview

- Forum Procedures
- Budget Process Timeline
- FY23 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 6: BOARD APPROVES DRAFT**
- ✓ **JULY 26: HOMEOWNERS' FORUM**



Budget Process Timeline

- **AUGUST 3: BOARD APPROVES**
final budget
- **LATE AUGUST: MAILING**
of final budget and new condo fee
coupons to homeowners
- **OCTOBER 1: NEW FEES**
for FY23 take effect



FY23 Budget Priorities

- Program operating funding to maintain our current level of community services while addressing highest United States inflation rate in 40 years
- Maintain 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



Budget Components

Expense Accounts

Operating Expenses

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

Reserves

- Reserve Contributions
- Reserve Interest
- Reserve Expenditures

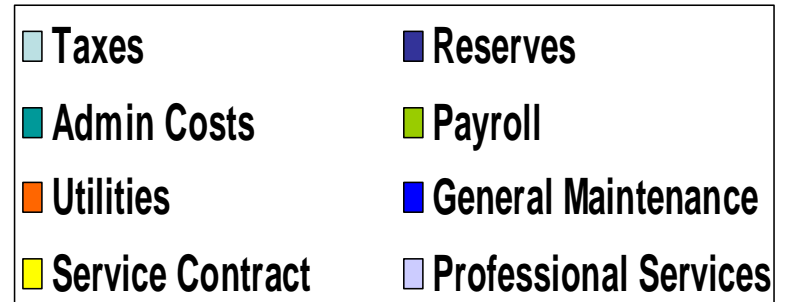
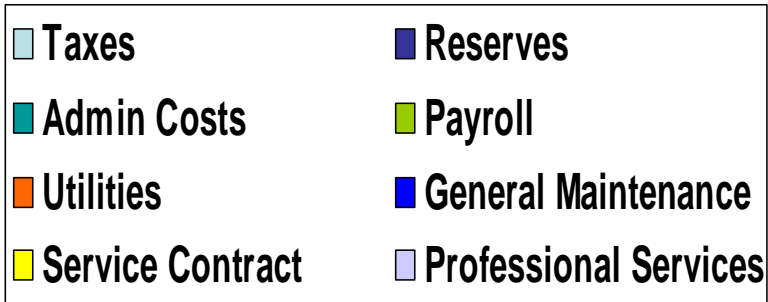
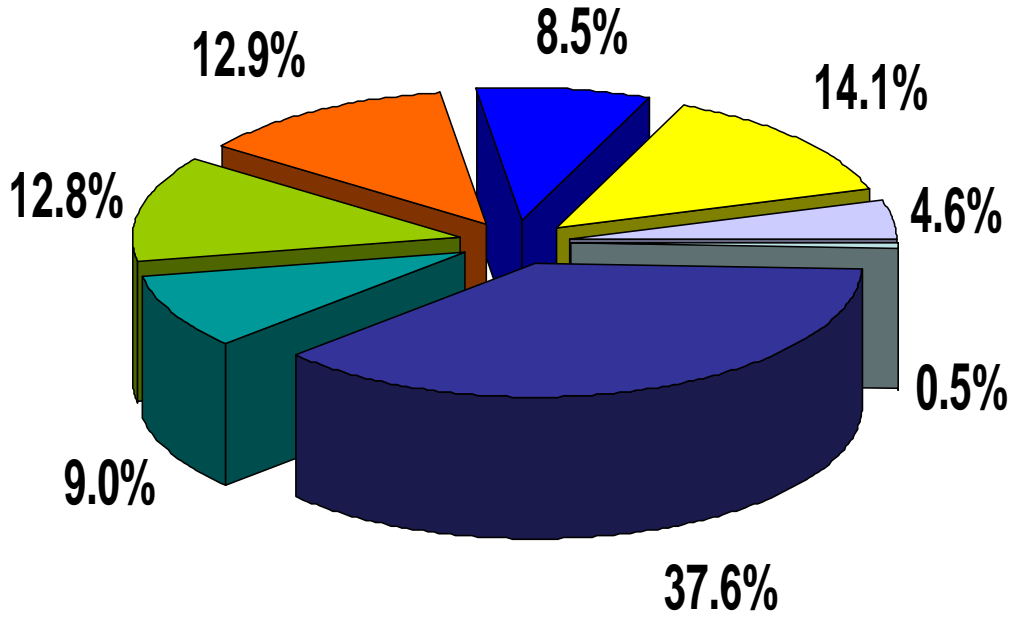
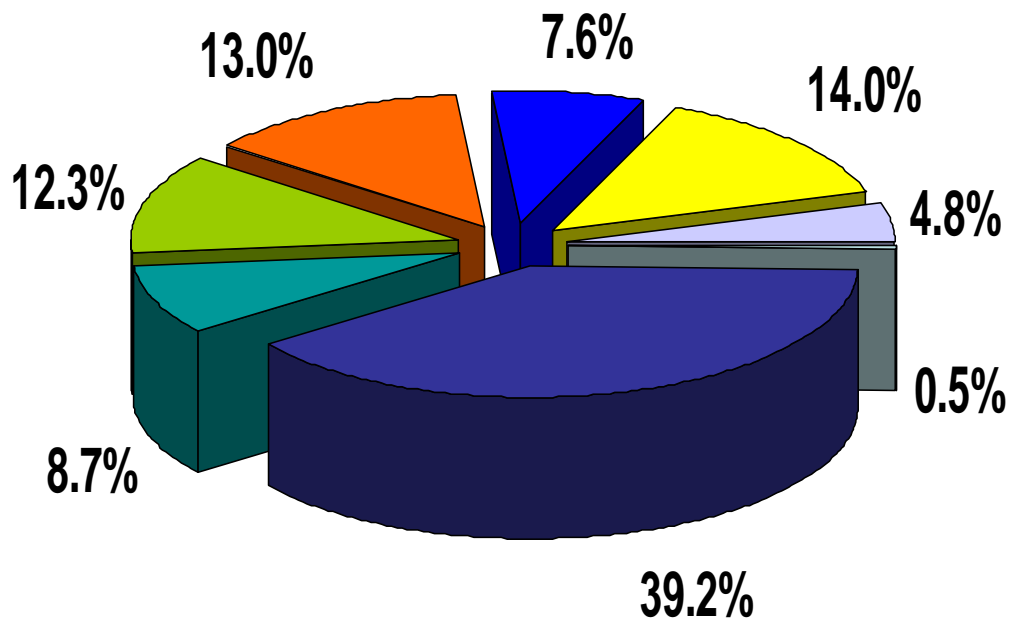
Income Accounts

- Assessments
- Other Income



Comparative Expenditures by Category Percentages

FY22 Projected vs FY23 Budgeted





Comparison of Expenses Administrative

FY20 Audited	\$707,251
FY21 Audited	\$668,217
FY22 Budget	\$681,141
FY22 Projected	\$697,814
FY23 Budget	\$764,624

- FY23 cost of Master Insurance Policy increases by \$35,783 (8.0%) – significantly less than industry-wide average of about 10% or more due in large part to Association’s recent excellent claims history
- Some increases in other administrative expense lines, including miscellaneous expenses (\$10,000 for website upgrade) and non-insurance losses (\$8,000)



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 Administrative
Staff Employees

One Grounds
Staff Employee

Seven Maintenance
Staff Employees



Comparison of Expenses Payroll

FY20 Audited	\$956,579
FY21 Audited	\$1,008,587
FY22 Budget	\$1,002,238
FY22 Projected	\$993,053
FY23 Budget	\$1,081,764

- FY23 includes 4.1% employee COLA
- Association covers health insurance benefits for all staff employees (large FY23 increase projected), 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 of Expenses Utilities

FY20 Audited	\$997,457
FY21 Audited	\$1,033,749
FY22 Budget	\$1,100,000
FY22 Projected	\$1,046,800
FY23 Budget	\$1,095,376

- Water/sewer costs about 90% of Association's utility expenses
- Water/sewer budget decreased by 1.1% (\$11,474) as pandemic recedes and estimated \$25,000 savings from correction of Alexandria sewer billing offsets Arlington and Alexandria rate increases
- Electricity costs increased by 7% (\$5,950) to reflect initial year of Dominion Energy's projected three-year 20% rate increase due to rising fuel costs



Comparison of Expenses General Maintenance

FY20 Audited*	\$537,394
FY21 Audited**	\$696,839
FY22 Budget	\$655,338
FY22 Projected	\$615,703
FY23 Budget	\$715,881

- * FY20 includes no painting costs due to Covid delays
- ** FY21 includes painting costs for two wards
- FY23 Budget includes funding (\$9,700) for a survey of the property's mature trees and a 27.3% (\$15,000) rise in plumbing repair costs due to anticipated major expansion of Association's responsibilities



Service Contracts

<u>Contract</u>	<u>Contractor</u>	<u>Expiration</u>
Pool Contract	High Sierra	12-31-24
Uniform Rental	Cintas	Monthly
Janitorial	Corporate Cleaning	03-08-23
Patrol Service	Master Security	09-30-22
Trash Removal	Capitol Services	03-31-24
Grounds Maint	Lancaster Landscapes	02-28-23



Comparison of Expenses Service Contracts

FY20 Audited*	\$1,001,767
FY21 Audited	\$1,112,507
FY22 Budget	\$1,139,360
FY22 Projected	\$1,127,661
FY23 Budget	\$1,193,578

- *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 Projected reflects savings due to elimination of Covid-related deep cleaning and lower-than-anticipated cost (-\$5,075) of new pool contract
- Projected costs of all contracts increase in FY23, including Trash (3.5%), Grounds (3.5%), Janitorial (4.0%), Pools (7.6%), and Patrol Service (13.6%)¹⁵



Comparison of Expenses Professional Services

FY20 Audited	\$339,266
FY21 Audited	\$354,011
FY22 Budget	\$370,946
FY22 Projected	\$387,744
FY23 Budget	\$386,446

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



Comparison of Expenses Taxes and Contingency

FY20 Audited	\$27,134
FY21 Audited	\$21,918
FY22 Budget	\$42,740
FY22 Projected	\$37,298
FY2023 Budget	\$41,910

- FY23 federal and state tax payments expected to remain at approximate FY22 rate because increase in rental income offset by decrease in interest income.
- No FY23 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 condominium fee-funded reserve contributions continue to be increased by 1% per year to fund reserve account fully and execute recommended infrastructure projects*
- *FY22 Budget increased reserve contribution by \$30,790(1.0%) following FY21 decrease of \$128,217 (-4.0%) that offset rise in operating expenses and kept fees at FY20 level during Covid-19 pandemic*

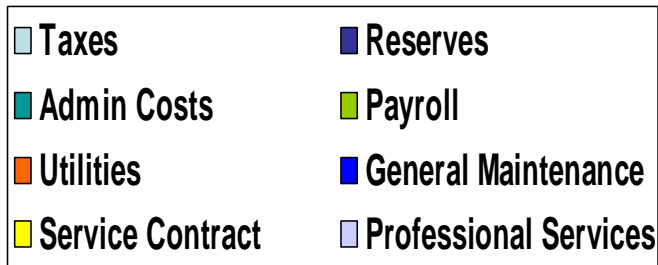
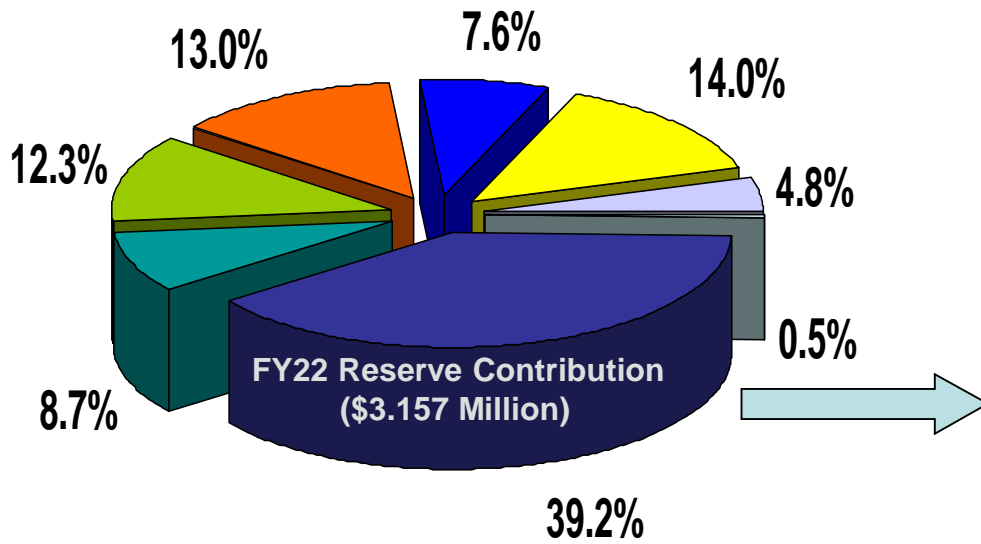


Reserve Contributions and Projects

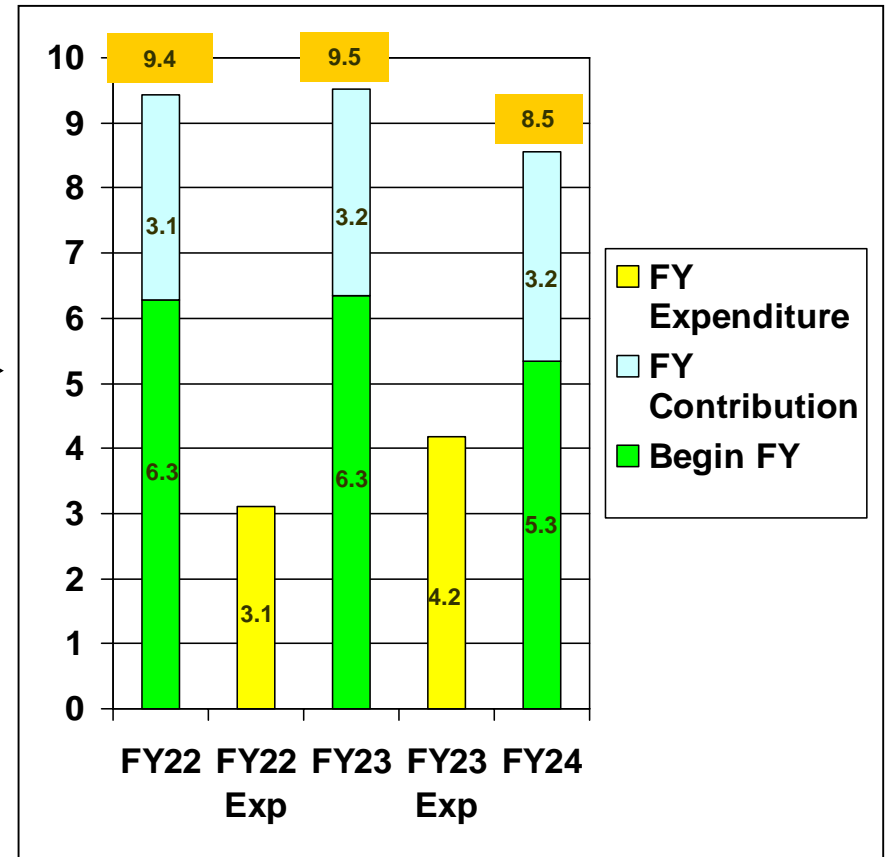
- *FY23 Budget continues full funding of our reserves in accordance with the recommendations of our 2019 Reserve Study Update and increases condominium fee-funded reserve contributions by 1.0% (\$31,098)*
- FY23 spending continues to accelerate after FY20 and FY21 pandemic-driven decreases that only focused on completion of critical reserve projects required to maintain integrity of major capital assets.



Repair and Replacement Reserves



FY22 Projected Contribution



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



Reserve Cash Flow

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2022	\$6,291,840	\$3,157,364	\$3,102,789	\$6,346,417
2023	\$6,346,417	\$3,181,465	\$4,171,855	\$5,356,026
2024	\$5,356,026	\$3,212,873	\$4,527,571	\$4,041,329



FY22 Programmed Reserve Expenditures

Parking Lot Renovations	\$528,850
Pool House 5 Renovation & Pool Equipment	\$189,000
Retaining Wall Repairs	\$45,000
Slate Roof Replacement	\$351,260
Backyard Fence Replacement	\$876,000
Masonry Repair Project	\$408,900
Wood Trim Replacement	\$306,078
Perimeter Fence, Shutters, Apt Windows & Misc.	\$397,701
TOTAL RESERVE EXPENSES (Current \$)	\$3,102,789



Parking Lot Renovations





Pool House 5 Renovation





Retaining Wall Repairs





Slate Roof Replacement





Backyard Fence Replacement





Masonry Repair Project





Masonry Repair Project





Masonry Repair Project





Wood Trim Replacement





Shutter Replacement – Ward 6





FY23 Budgeted Reserve Expenditures

Parking Lot Renovations & Repairs	\$568,845
Pool House 1 Renovation & Pool Repairs	\$360,000
Slate Roof Replacement	\$400,000
Backyard Fence Replacement	\$876,000
Masonry Repairs & Wood Trim Replacement	\$620,000
Multi-Unit Condominium Interior Upgrades	\$736,500
Perimeter Fence, Retaining Walls & Misc.	\$489,000
TOTAL - 2019 Reserve Study (Present Worth)	\$4,050,345
TOTAL – 2021 (3.0%/Yr Inflation Adjustment)	\$4,171,855



FY23 Budget Summary

Operating Expenses	
Administrative	\$764,624
Payroll	\$1,081,784
Utilities	\$1,095,376
General Maintenance	\$715,881
Service Contracts	\$1,193,578
Professional Services	\$386,446
Tax/Contingency	\$41,910

Operating Expenses	\$5,279,599
Reserve Contribution	+ \$3,181,465
Total Expenditures	\$8,461,064



FY2023 Budget Summary

Income Offset	
Total Expenditures	\$8,461,064
“Other Income” • Interest (\$72,500) • Rentals, Resale Packets, etc. (\$109,489)	-\$181,989
Condo Fees to Balance Budget	\$8,279,075

- **Proposed FY23 budget increases expenditures by 3.8%**
- **After allowing for anticipated “Other Income”, the Association must raise \$8,279,075 in condo fees in FY23**
- **Raising this amount requires a 3.96% increase in condo fees, since rise in spending is partially offset by FY23 decrease in “Other Income”**



DISCUSSION