



Fairlington Villages

2023 Annual Meeting: FY 2022 - 2024 BUDGET REVIEW

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FY 2022 - 2024 Budget Review

- Budget Priorities and Principles
- FY 2022 Performance Review
- FY 2022 Audit
- FY 2023 Budget Summary
- FY 2023 Reserve Budget
- 2023 Future Financial Priorities Survey
- FY 2024 Budget Cycle Highlights



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 Principles

- Zero-based budgeting
- Five-year historical and future-based analysis of operating expenses
- Full funding of Reserve account in accordance with 2019 Reserve Study Update
- Inflation-based Reserve analysis
- In accordance with condominium industry best practices, program small annual fee increases to fund operations and reserves, and avoid special assessments



Budget Execution

- Board members are fiduciaries and President and Treasurer monitor budget execution in concert with the General Manager
- Budget execution monitoring includes, for example:
 - Reviewing all invoices for accuracy and detection of potential problems, including ensuring that excessive water use due to water main leaks or meter malfunctions is identified and remedied
 - Ensuring Reserves are invested in CDs and Treasuries to protect capital and earn interest to reduce condo fees - \$61 per unit in FY22
 - Reviewing execution of Reserve capital and building maintenance projects
 - Reviewing execution of grounds-related projects -- for example replacement of the perimeter fence section fronting King Street (Phase I of the perimeter fence replacement project)

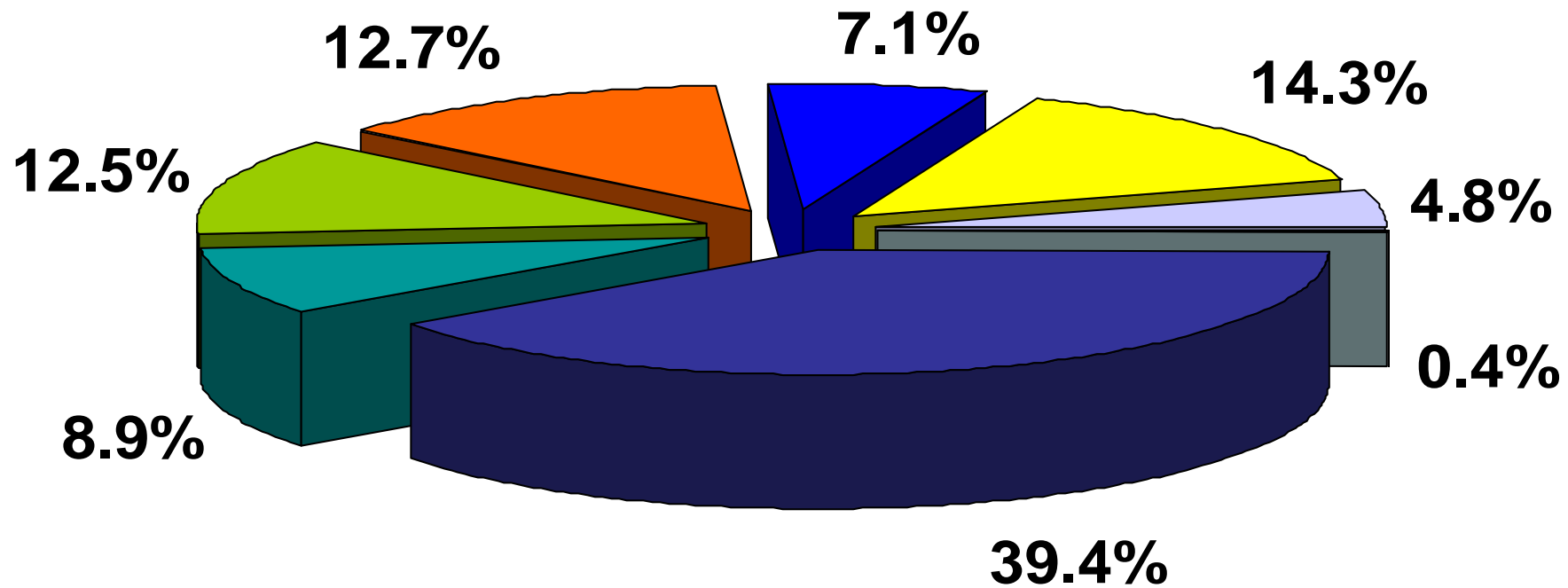


FY2022 Actual Expenditures

Administrative	\$708,399
Payroll	\$996,433
Utilities	\$1,011,556
General Maintenance	\$564,274
Service Contracts	\$1,145,498
Professional Services	\$387,585
Taxes & Depreciation	\$31,277
Operating Expenses	\$4,845,022
Reserve Contribution	+ \$3,147,155
Total Expenditures	\$7,992,177



FY2022 Actual Expenditures By Category Percentages



Taxes	Reserves
Admin Costs	Payroll
Utilities	General Maintenance
Service Contract	Professional Services



FY2022 Performance Summary

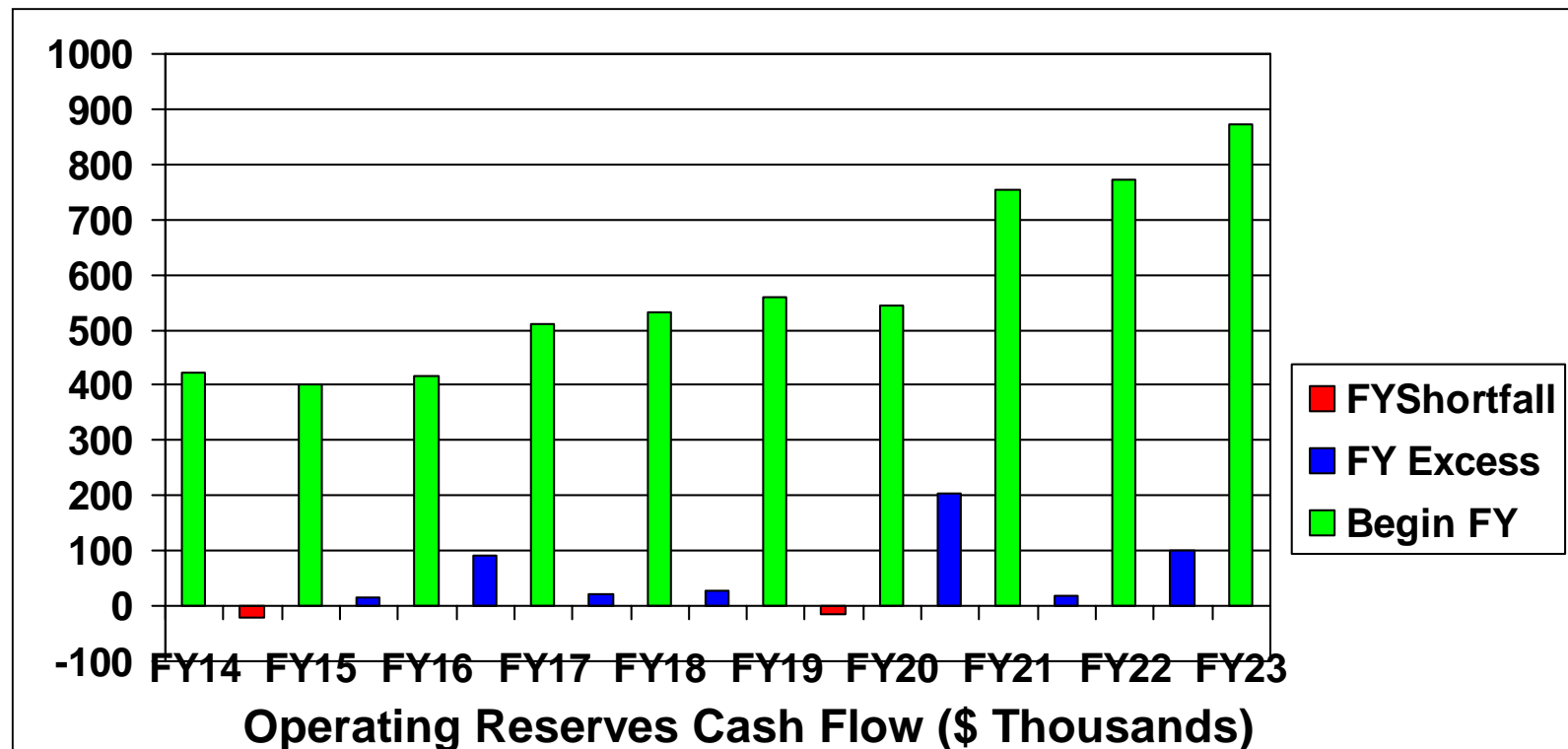
Condo Fees	\$7,965,336
Interest Income	\$104,269
“Other” Income	\$114,061
Unrealized Loss (US Treasurys)	(\$121,783)
Total Income	\$8,061,883
Total Expenditures	\$7,992,177

- In FY22 Association had audited operating revenue of **\$69,706** over expenses – excess added to Association’s Operating Reserves
- \$69,706 amount included \$15,451 of \$46,401 received from Alexandria Renew when Treasurer’s analysis revealed that Association was paying for two non-Fairlington Villages water accounts -- remaining \$30,950 credited to prior fiscal years’ Operating Reserves



Operating Reserves

- Consist of cumulative total of previous fiscal years' excess revenue
- Used to pay for unbudgeted operating expenses (e.g., snow removal, storm cleanup, and Covid-related costs)
- Totaled \$872,020 at end of FY22/beginning of FY23, including \$69,706 in excess FY22 operating revenue and \$30,950 Alexandria utility refund attributable to prior fiscal years
- Figure is 10.3% of total FY23 budget and meets auditors' standard of 10% to 20% of total annual budget





FY 2022 Annual Financial Audit

- Conducted by Johnson, Bremer & Ignacio, CPAs, P.C.
- FY 2022 operating revenue of \$69,706 in excess of expenses
- Conclusions:
 - Financial statements very good
 - Operating Reserves (\$872,020) are satisfactory
 - Funded Repair and Replacement Reserves
 - Low delinquencies (1% rate)



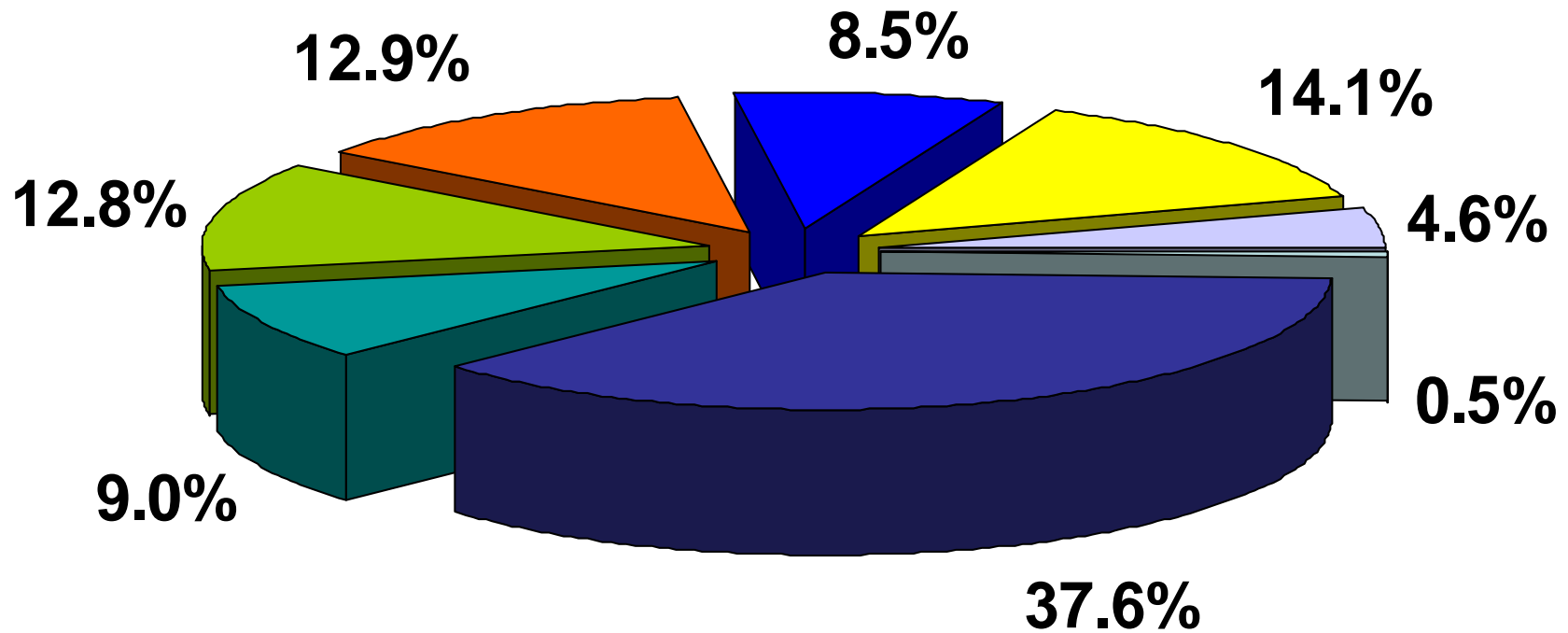
FY23 Budget Summary

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 Budgeted Expenditures By Category Percentages



Taxes	Reserves
Admin Costs	Payroll
Utilities	General Maintenance
Service Contract	Professional Services



FY2023 Budget Summary

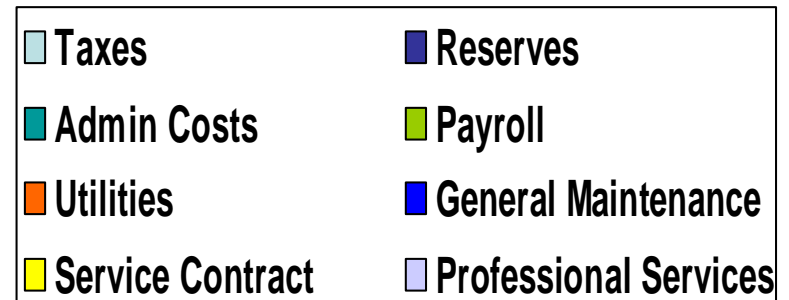
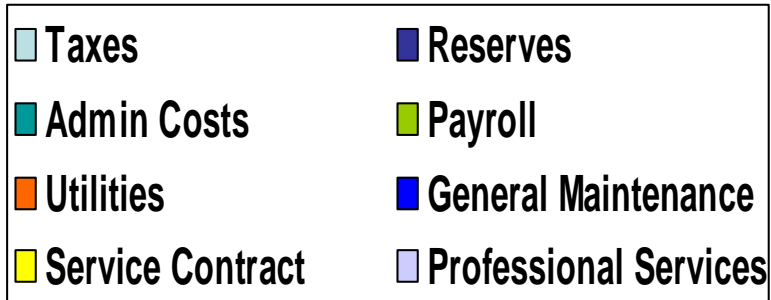
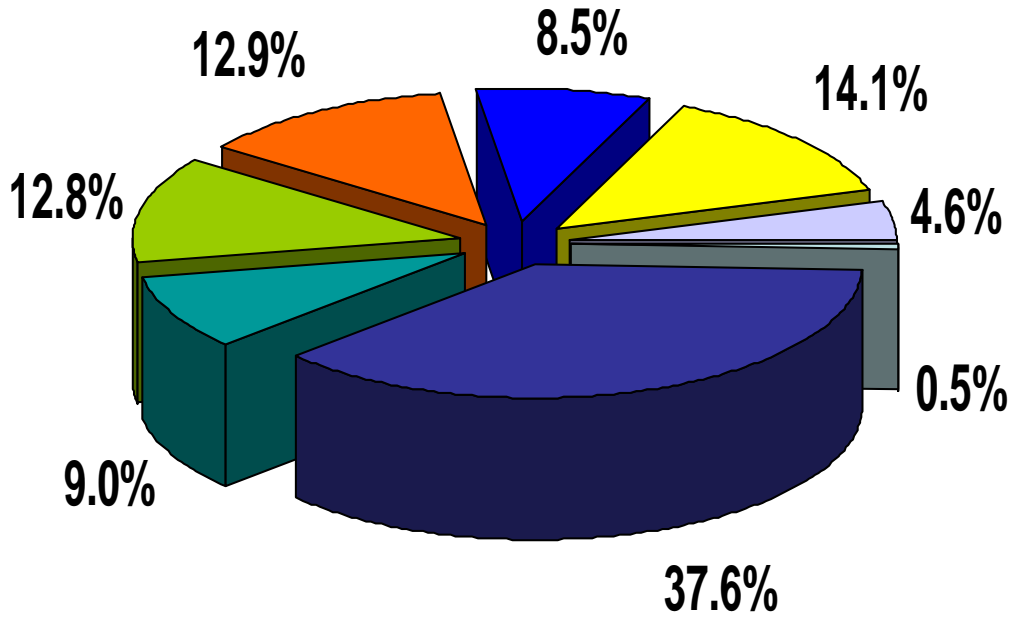
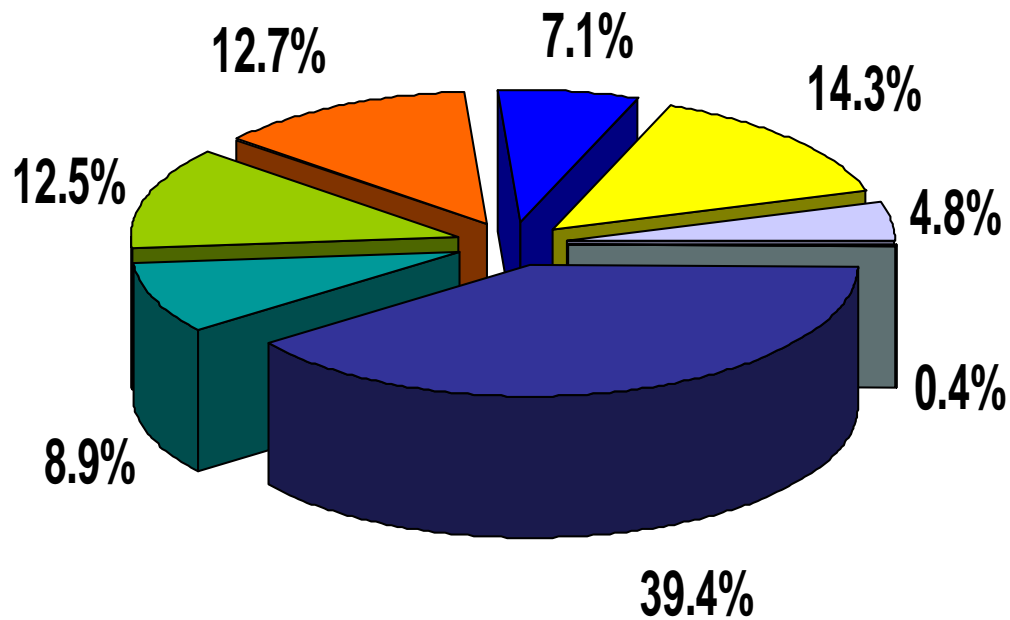
Income Offset	
Total Expenditures	\$8,461,064
“Other Income” <ul style="list-style-type: none">• Interest (\$72,500)• Rentals, Resale Packets, etc. (\$109,489)	-\$181,989
Condo Fees to Balance Budget	\$8,279,075

- FY23 budget increases expenditures by 3.8% and funds current level of community services and full Reserve funding
- After allowing for anticipated “Other Income”, the Association must raise \$8,279,075 in condo fees in FY23
- Raising this amount required a 3.96% fee increase



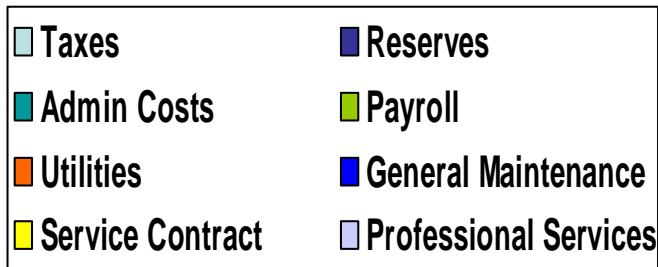
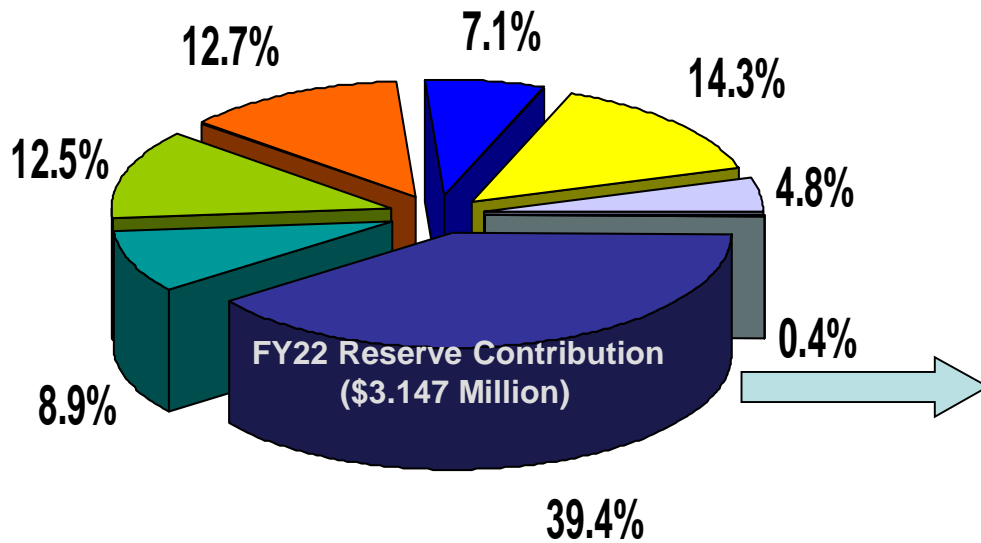
Comparative Expenditures by Category Percentages

FY22 Audited vs FY23 Budgeted

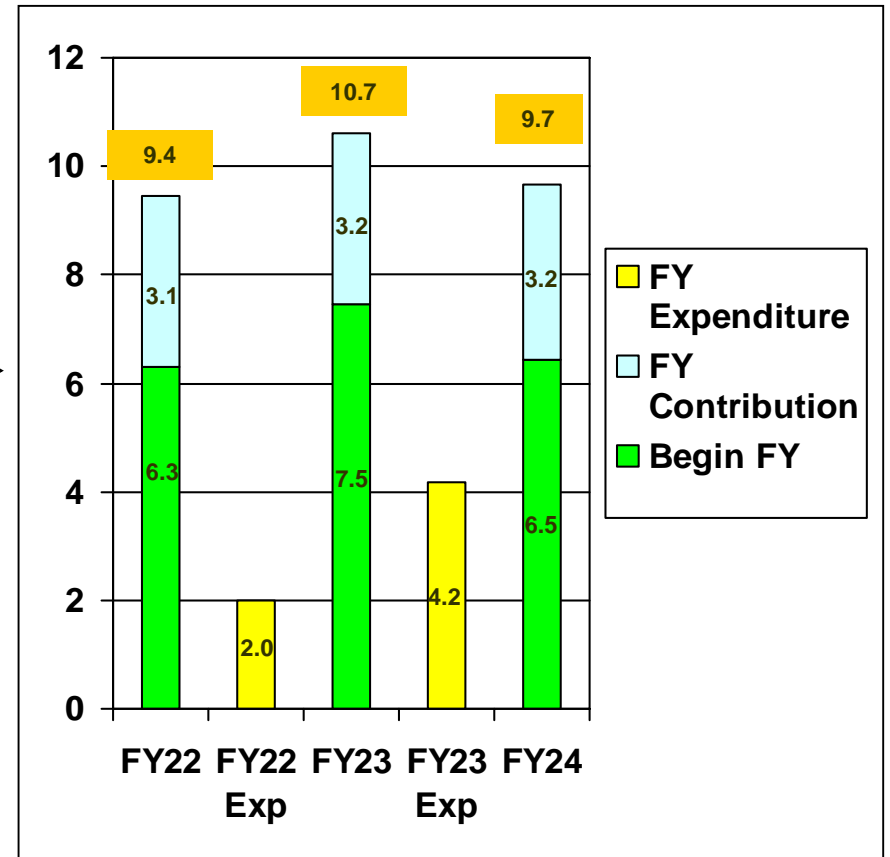




Repair and Replacement Reserves



FY22 Audited Expenditures



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



Reserve Cash Flow (FY22 – FY24)

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2022	\$6,291,840	\$3,147,155	\$1,976,924	\$7,462,071
2023	\$7,462,071	\$3,181,465	\$4,171,855	\$6,471,681
2024	\$6,471,681	\$3,211,939	\$4,527,571	\$5,156,049

- FY23 capital expenditures include reserve projects deferred or scaled back during pandemic.
- Accelerated spending programmed to continue in subsequent fiscal years.



FY23 Budgeted Reserve Expenditures

Program based on 2019 Reserve Study Recommendations

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 – 2023 (3.0%/Yr Inflation Adjustment)	\$4,171,855



Major FY23 Reserve Projects

Parking Lot Pavement Renovation





Major FY23 Reserve Projects

Pool House 1 Renovation

(Photo: Pool House 5)





Major FY23 Reserve Projects Slate Roof Replacement





Major FY23 Reserve Projects

Backyard Fence Replacement (Ward III)





Major FY23 Reserve Projects Masonry Repair Project (Phase 9)





Major FY23 Reserve Projects

Wood Trim Replacement





Major FY23 Reserve Projects

Perimeter Fence Replacement - Phase 2

(Photo: Phase 1 King Street Fence)





Major FY23 Reserve Projects

Multi-Unit Condo Interior Upgrades





Major FY23 Reserve Projects

Retaining Wall Repairs





2023 Future Financial Priorities Survey

- Association conducts periodic resident surveys on various topics (e.g., pools, amenities, and Strategic Plan)
- Survey of community financial priorities conducted in early 2019 during preparation of Fairlington Villages Strategic Plan
- 2023 Future Association Financial Priorities Survey conducted to obtain residents' current thoughts on various financial topics
- Results of 2023 Survey have reaffirmed financial priorities identified 2019 survey and will be considered during FY24 and subsequent years budget cycles



2019 and 2023 Financial Surveys: A Comparison

- 2019 Survey: Substantive comments on financial priorities received from 142 survey respondents (approximately 8.3% of Fairlington Villages' 1703 units)
- 2023 Survey: Comments provided by 124 survey respondents (approximately 7.3% of Fairlington Villages' 1703 units)



2019 and 2023 Financial Surveys: Top Five Priorities Remain Unchanged

Priority 1:

- 2019: Continue current building infrastructure maintenance priorities (51 responses)
- 2023: Maintain strong financial reserves (51% of respondents)

Priority 2:

- 2019: Keep property and grounds attractive, including maintaining the tree canopy, improving the turf, and controlling drainage and erosion (39 responses)
- 2023: Building maintenance (44% of respondents)

Priority 3:

- 2019: Maintain strong operating and replacement reserves (35 responses)
- 2023: Maintenance and improvement of property's grounds, including the tree canopy, planting more native plants, and reducing chemical fertilizer use (43% of respondents)



2019 and 2023 Financial Surveys: Top Five Priorities Remain Unchanged

Priority 4:

- 2019: Keep condo fees reasonable and cut costs
(16 responses)
- 2023: Have low condo fees and/or limit fee increases (23% of respondents)

Priority 5:

- 2019: Maintain amenities, including pools and tennis courts
(11 responses)
- 2023: Maintenance of amenities, including pools, tennis courts, and other amenities (18% of respondents)



FY2024 Budget Cycle Highlights

May 2023:

- Board members/committee chairs submit inputs to Treasurer.

June 2023:

- Treasurer and General Manager prepare draft budget.

July 2023:

- Draft budget presented to board after board/committee review.
- Draft budget as approved/amended by board mailed to homeowners.
- Homeowners' Budget Forum held to review and discuss budget.
- Final draft budget sent to board members.

August 2023:

- Final budget approved at board meeting.
- Final budget and payment coupons mailed to homeowners.