



Fairlington Villages

2024 Annual Meeting: FY 2023 - 2025 BUDGET REVIEW

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FY 2023 - 2025 Budget Review

- Budget Priorities and Principles
- FY 2023 Performance Review
- FY 2023 Audit
- FY 2024 Budget Summary
- FY 2024 Reserve Budget
- FY 2025 Budget Cycle Highlights



Budget Priorities

- Program operating funding to maintain our current level of community services while continuing to address inflation
- Maintain full funding of our reserves in accordance with the recommendations of our five-year Reserve Study Updates
- Continue to accomplish critical reserve projects, particularly projects that were deferred or scaled back during the pandemic
- Consider respondents' financial goals identified in 2023 Future Financial Priorities Survey when framing and executing annual budgets



Budget Principles

- Zero-based budgeting
- Five-year historical and future-based analysis of operating expenses
- Full funding of Reserve account in accordance with five-year Reserve Study Updates
- 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 - \$113 per unit in FY23
 - Reviewing execution of Reserve capital and building maintenance projects
 - Reviewing execution of grounds-related projects -- for example replacement of the perimeter fence section fronting Abingdon School and The Arlington Condominium (Phase II of the perimeter fence replacement project)



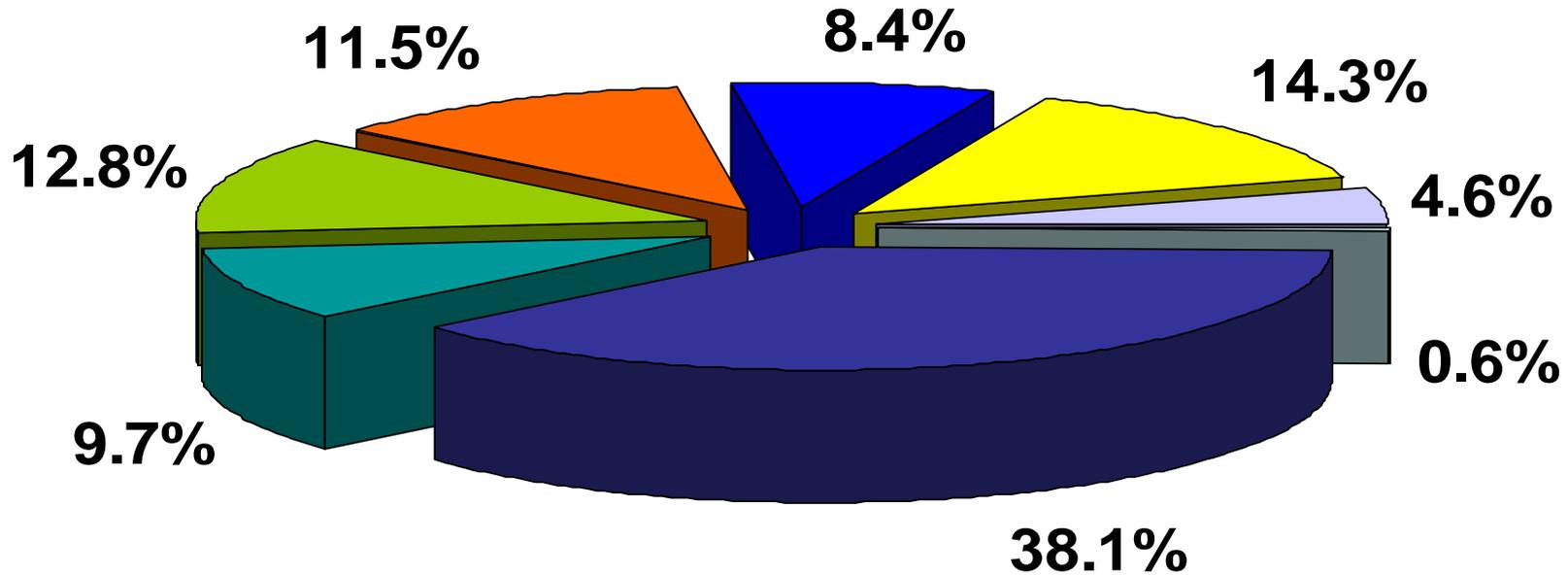
FY2023 Actual Expenditures

Administrative	\$808,817
Payroll	\$1,060,886
Utilities	\$958,550
General Maintenance	\$694,590
Service Contracts	\$1,185,027
Professional Services	\$386,696
Taxes & Depreciation	\$47,184

Operating Expenses	\$5,141,750
Reserve Contribution	+ \$3,171,865
Total Expenditures	\$8,313,615



FY2023 Audited Expenditures By Category Percentages



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



FY2023 Performance Summary

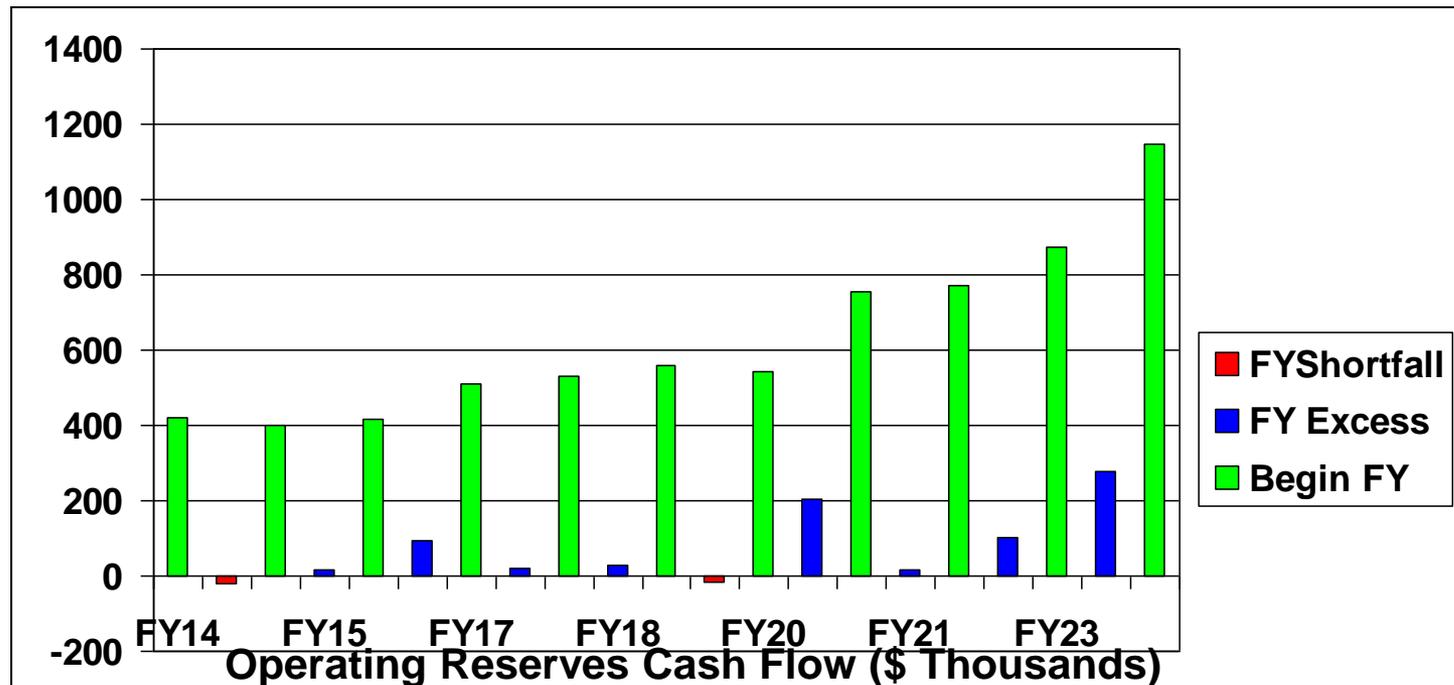
Condo Fees	\$8,277,636
Interest Income	\$192,936
“Other” Income	\$91,130
Unrealized Gain (US Treasurys)	\$28,170
Total Income	\$8,589,872
Total Expenditures	\$8,313,615

- In FY23 Association had audited excess operating revenue of **\$276,257** over expenses
- **\$276,257 amount** largely due to three factors:
 - Interest income \$120,436 greater than budgeted
 - No FY23 snow removal costs (\$48,220 budgeted)
 - Receipt of Arlington County refund (\$24,097) for sewer charges associated with water leak
- Excess added to Association’s Operating Reserves



Operating Reserves

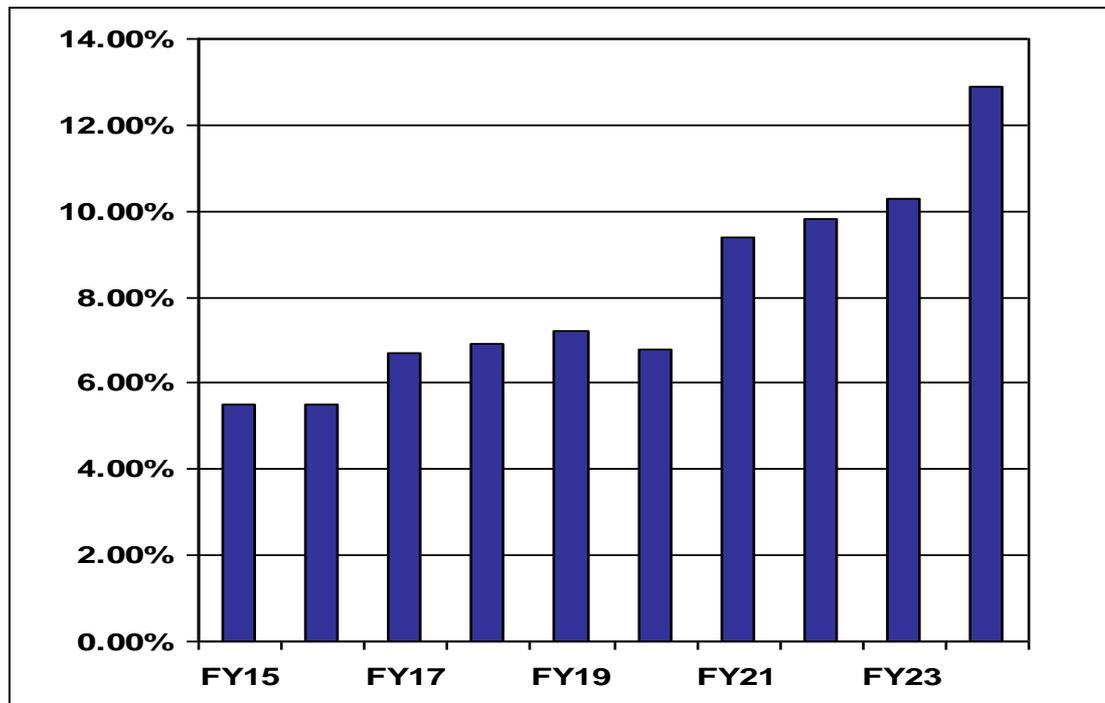
- Consist of cumulative total of previous fiscal years' excess revenue
- Used to pay for unbudgeted operating expenses (e.g., snow removal, storm cleanup, and Covid-related costs)
- Totaled \$1,148,277 at end of FY23/beginning of FY24, including \$276,257 in excess FY23 operating revenue
- Figure is 12.9% of total FY23 budget and meets auditors' standard of 10% to 20% of total annual budget





Operating Reserves: Percentages of Annual Budgets (FY15 – F24)

- Level of Operating Reserves has improved significantly in past 10 fiscal years
- At beginning of FY15 audited Operating Reserves totaled \$402,237 – 5.5% of FY15 budget of \$7,369,146
- Since that date Operating Reserves have gradually increased to current level of 12.9% of FY24 budget of \$8,927,768





FY 2023 Annual Financial Audit

- Conducted by Johnson, Bremer & Ignacio, CPAs, P.C.
- FY 2023 operating revenue of \$276,257 in excess of expenses
- Conclusions:
 - Financial statements very good
 - Operating Reserves (\$1,148,277) are satisfactory
 - Funded Repair and Replacement Reserves
 - Low delinquencies (1% rate)



FY24 Budget Summary

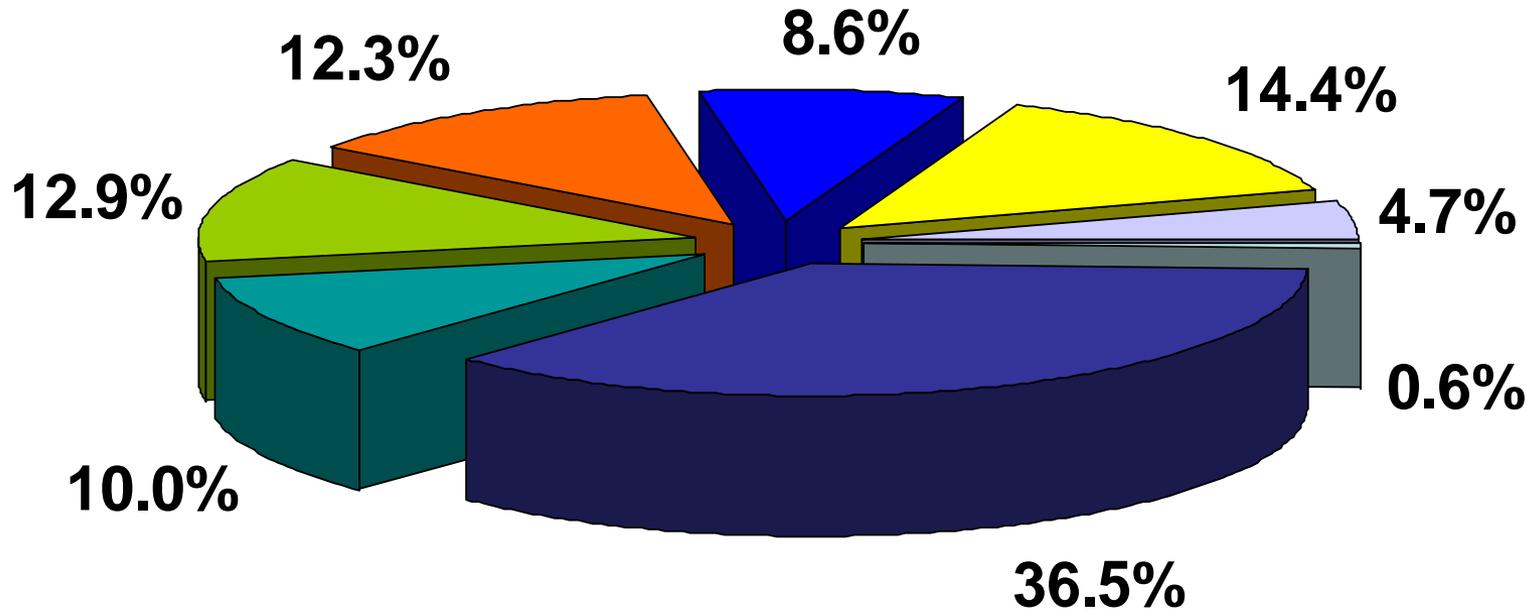
Operating Expenses

Administrative	\$893,253
Payroll	\$1,155,369
Utilities	\$1,099,924
General Maintenance	\$763,784
Service Contracts	\$1,289,555
Professional Services	\$406,405
Tax/Contingency	\$54,804

Operating Expenses	\$5,663,094
Reserve Contribution	+ \$3,264,674
Total Expenditures	\$8,927,768



FY2024 Budgeted Expenditures By Category Percentages





FY2024 Budget Summary

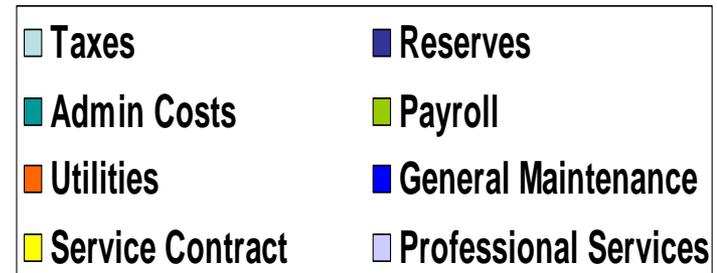
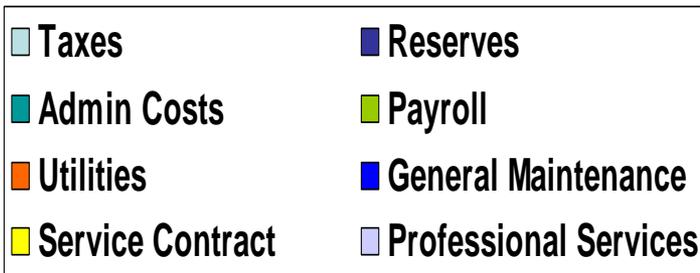
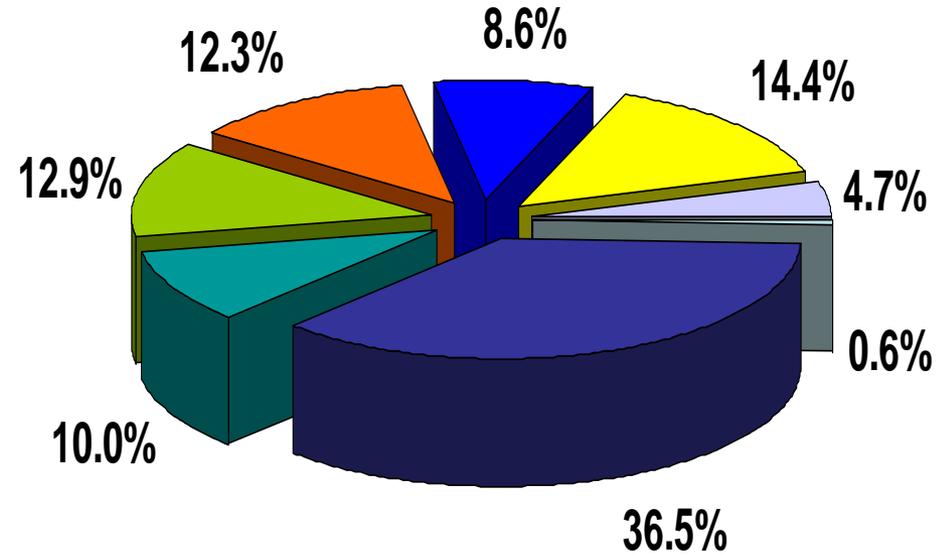
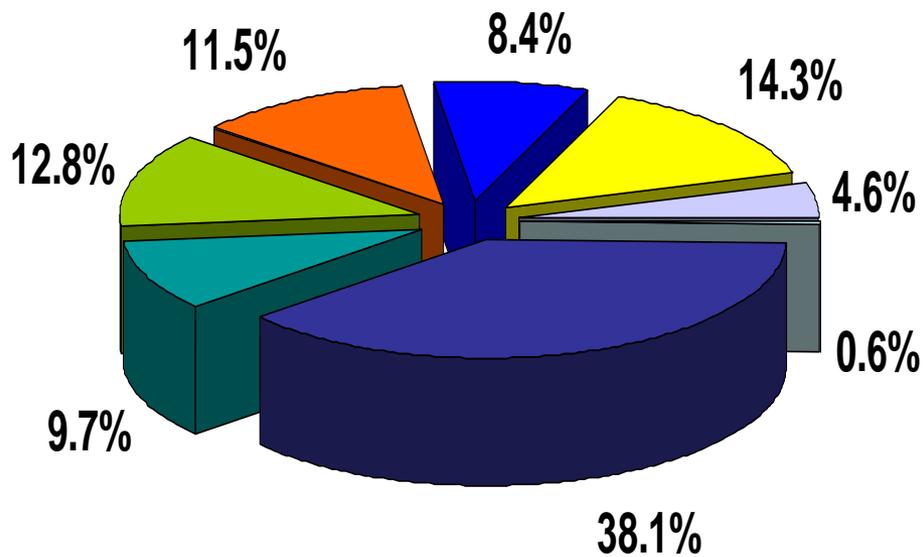
Income Offset	
Total Expenditures	\$8,927,768
“Other Income” • Interest (\$165,000) • Rentals, Resale Packets, etc. (\$109,018)	-\$274,018
Condo Fees to Balance Budget	\$8,653,750

- FY24 budget increases expenditures by 5.5%, including 7.3% increase in operating expenses
- After allowing for anticipated “Other Income”, the Association must raise \$8,653,750 in condo fees in FY24
- Raising this amount required a 4.53% condo fee increase since spending rise partially offset by FY24 increase in “Other Income”



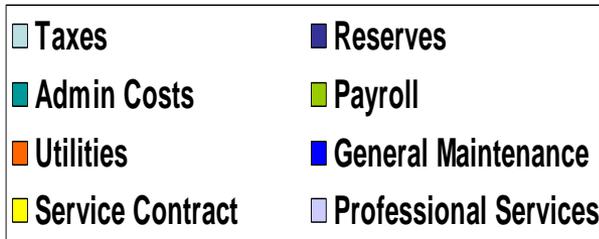
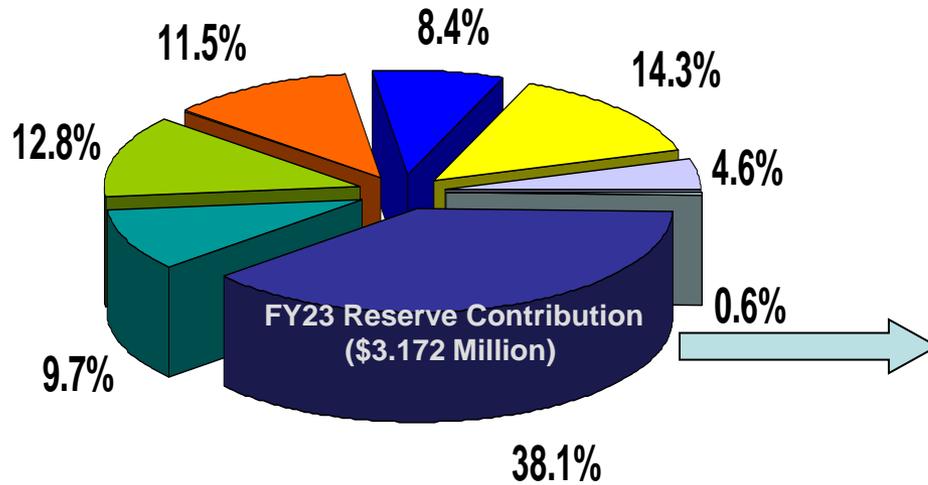
Comparative Expenditures by Category Percentages

FY23 Audited vs FY24 Budgeted

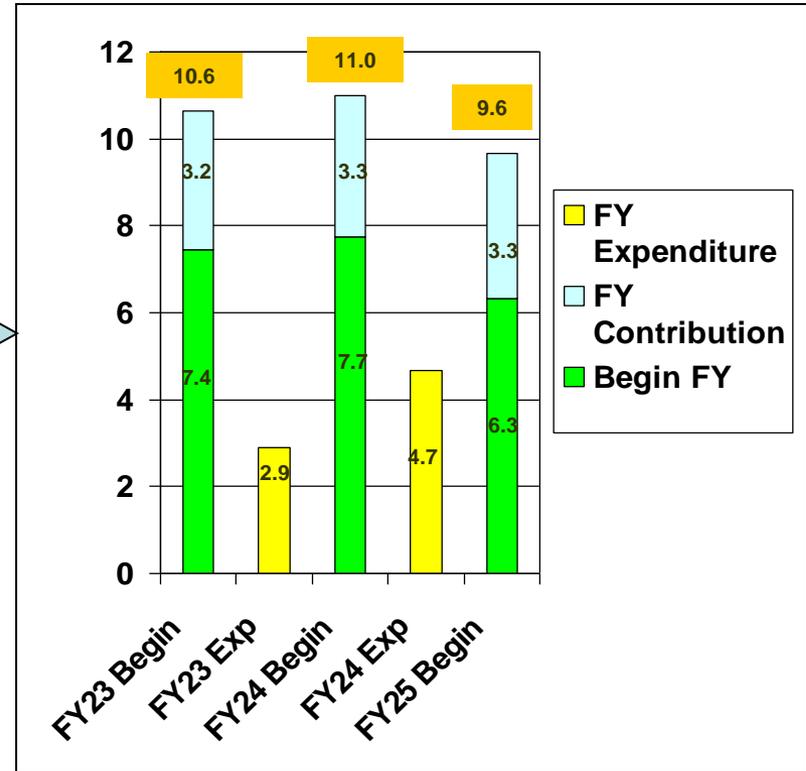




Repair and Replacement Reserves



FY23 Audited Expenditures



Repair and Replacement Reserves

Cash Flow (\$ Millions)



Reserve Cash Flow (FY23 – FY25)

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2023	\$7,462,071	\$3,171,865	\$2,907,620	\$7,726,316
2024	\$7,726,316	\$3,264,674	\$4,656,284	\$6,334,706
2025	\$6,334,706	\$3,338,396	\$4,360,546	\$5,312,556

- FY24 capital expenditures include reserve projects deferred or scaled back during pandemic.
- Accelerated spending programmed to continue in subsequent fiscal years.



FY24 Budgeted Reserve Expenditures

Program based on 2019 Reserve Study Recommendations

Parking Lot Renovations & Repairs	\$585,165
Pool House III Renovation & Pool Repairs	\$398,500
Multi-Unit Condominium Interior Upgrades	\$748,500
Backyard Fence Replacement	\$892,000
Masonry Repairs & Wood Trim Replacement	\$815,000
Slate Roof Replacement	\$400,000
Perimeter Fence, Retaining Walls & Misc.	\$681,500
TOTAL - 2019 Reserve Study (2023 Prices)	\$4,520,665
TOTAL – 2024 (3.0%/Yr Inflation Adjustment)	\$4,656,284



Major FY24 Reserve Projects Parking Lot Pavement Renovation





Major FY24 Reserve Projects

Pool House III Renovation

(Photo: Pool House V)





Major FY24 Reserve Projects

Multi-Unit Condo Interior Upgrades





Major FY24 Reserve Projects

Backyard Fence Replacement (Ward IV)

(Photo: Ward 1)





Major FY24 Reserve Projects

Masonry Repairs





Major FY23 Reserve Projects Wood Trim Replacement





Major FY24 Reserve Projects Slate Roof Replacement





Major FY24 Reserve Projects

Perimeter Fence Replacement - Phase 3

(Photo: Phase 2 Fence fronting The Arlington Condominium)





Major FY24 Reserve Projects

Retaining Wall Repairs





FY2025 Budget Cycle Highlights

May 2024:

- Board members/committee chairs submit inputs to Treasurer.

June 2024:

- Treasurer and General Manager prepare draft budget.

July 2024:

- 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 2024:

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