



Fairlington Villages FY2025 Budget

Homeowners' Forum

July 24, 2024

7:00 – 9:00 p.m.





FY2025 Budget Forum Overview

- Forum Procedures
- Budget Process Timeline
- FY25 Budget Priorities and Principles
- 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 1: BOARD APPROVES
draft
- ✓ JULY 24: HOMEOWNERS' FORUM



Budget Process Timeline

- AUGUST 7: BOARD APPROVES
final budget
- LATE AUGUST: MAILING
of final budget and new condo fee
coupons to homeowners
- OCTOBER 1: NEW FEES
for FY25 take effect



FY25 Budget Priorities

- Program operating funding to maintain our current level of community services while continuing to address inflationary pressures, particularly rapidly rising property insurance costs.
- Maintain full funding of our reserves in accordance with the recommendations of our recent 2024 Reserve Study Update
- Continue reserve spending at an accelerated rate following pandemic-driven decreases.



Budget Principles

- Zero-based budgeting
- Five-year historical and future-based analysis of operating expenses
- Full funding of Reserve account in accordance with 2024 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 Components

Expense Accounts

Operating Expenses

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

Reserves

- Reserve Contributions
- Reserve Interest
- Reserve Expenditures

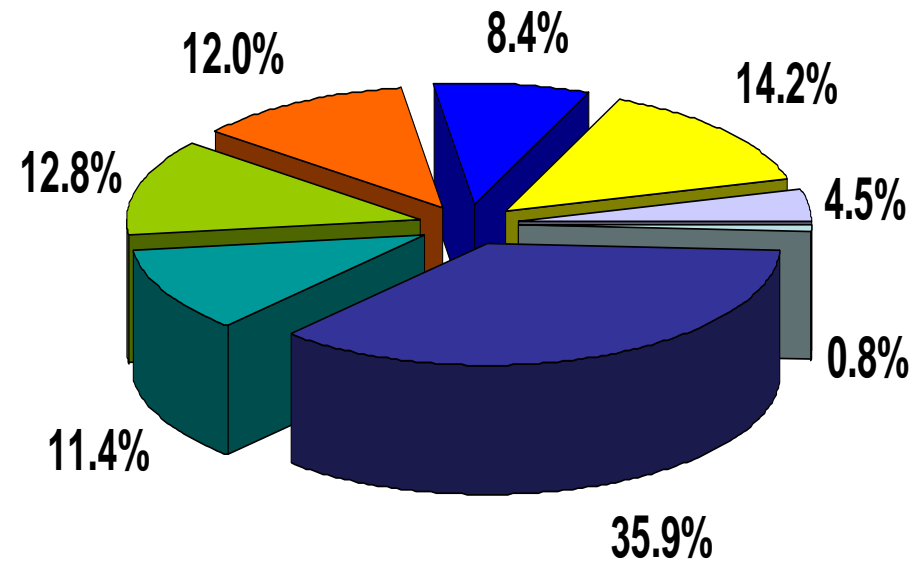
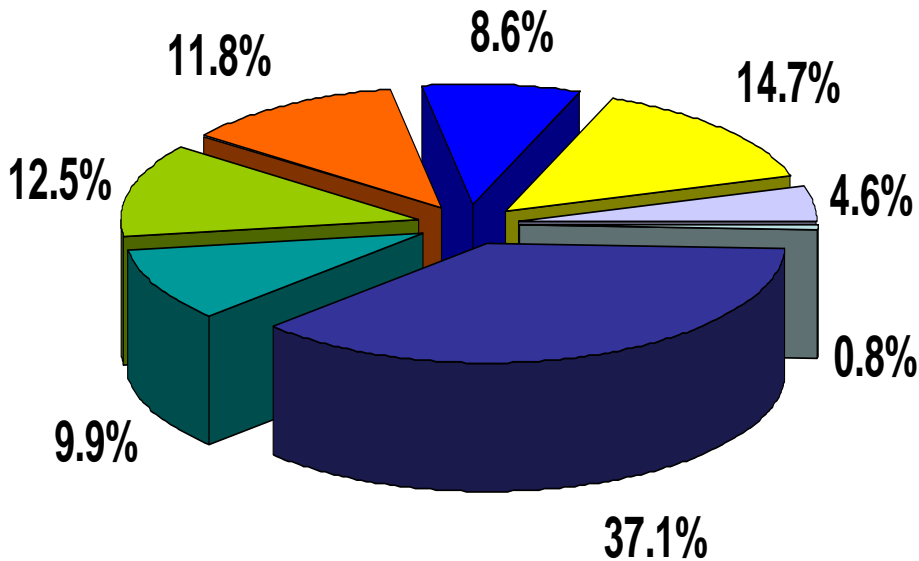
Income Accounts

- Assessments
- Other Income



Comparative Expenditures by Category Percentages

FY24 Projected vs FY25 Budgeted



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

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



Comparison of Expenses Administrative

FY22 Audited	\$708,399
FY23 Audited	\$808,817
FY24 Budget	\$893,253
FY24 Projected	\$874,252
FY25 Budget	\$1,064,498

- FY25 cost of Master Insurance Policy for buildings increases by \$133,379 (26.1%) - tracks trend of significant industry-wide increases due to rising losses and escalating replacement and reinsurance costs, and provides additional coverage for Association's buildings
- Two-year (FY24 and FY25) increase in cost of Master Insurance Policy totals \$242,144 (60.1%)



Payroll Expenses

Gregory Roby
General Manager
(Legum & Norman
Employee)

Oscar Giron
Administrative Mgr.
Hired: 6/5/23

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

FY22 Audited	\$996,433
FY23 Audited	\$1,060,886
FY24 Budget	\$1,155,369
FY24 Projected	\$1,103,832
FY25 Budget	\$1,194,275

- FY25 includes 3.0% employee COLA
- Association covers health insurance benefits for all staff employees (2.6% FY25 increase projected), and contributes amount equal to 4% of wages to SEP plan for vested employees (3+ years service)



Comparison of Expenses

Utilities

FY22 Audited	\$1,011,556
FY23 Audited	\$958,550
FY24 Budget	\$1,099,924
FY24 Projected	\$1,037,564
FY25 Budget	\$1,111,123

- Water/sewer costs about 90% of Association's utility expenses
- Water/sewer budget increased by 1.1% (\$11,199) – FY25 increases in Arlington (5.4%) and Alexandria (5.1%) rates offset by decreased use as residents spend less time at home after Covid-19 pandemic
- No increases in electricity or telephone spending



Comparison of Expenses

General Maintenance

FY22 Audited	\$564,274
FY23 Audited	\$694,590
FY24 Budget	\$763,784
FY24 Projected	\$759,754
FY25 Budget	\$786,484

- Large annual fluctuations in spending eliminated as painting costs return to standard one ward per year schedule following Covid-19 disruptions.
- FY 25 includes additional funding for tree maintenance and organic turf fertilization programs
- Cost of FY25 lighting supplies reduced by \$2,000 (-14.0%) due to savings from conversion of Association's 820 pole-mounted carriage lights to use of LED bulbs



Service Contracts

<u>Contract</u>	<u>Contractor</u>	<u>Expiration*</u>
Pool Contract	High Sierra	12-31-25
Janitorial	Corporate Cleaning	03-08-26
Patrol Service	Master Security	09-30-25
Trash Removal	Capitol Services	03-31-27
Grounds Maint	Lancaster Landscapes	02-28-27
Uniform Rental	Cintas	Monthly
Exterminator	Luke's Pest Control	Monthly

*Note: Expiration dates based on renewal of one-year options



Comparison of Expenses Service Contracts

FY22 Audited	\$1,145,498
FY23 Audited	\$1,185,027
FY24 Budget	\$1,289,555
FY24 Projected	\$1,288,992
FY25 Budget	\$1,324,383

- FY25 reflects increases in costs of most major service contracts
- Trash removal contract increases by \$30,960 (8.4%) due to 1% rise in base costs and significant increases in Arlington County “dump fees”
- Pool contract decreases by \$6,300 (-3.1%)



Comparison of Expenses Professional Services

FY22 Audited	\$387,585
FY23 Audited	\$386,696
FY24 Budget	\$406,405
FY24 Projected	\$408,653
FY25 Budget	\$418,487

<u>Service</u>	<u>Professional</u>	<u>Expiration</u>
Legal Services	Chadwick Washington	Monthly
Audit Services	Johnson, Bremer & Ignacio	12-31-24
Management	Legum & Norman	09-30-25



Comparison of Expenses Taxes and Contingency

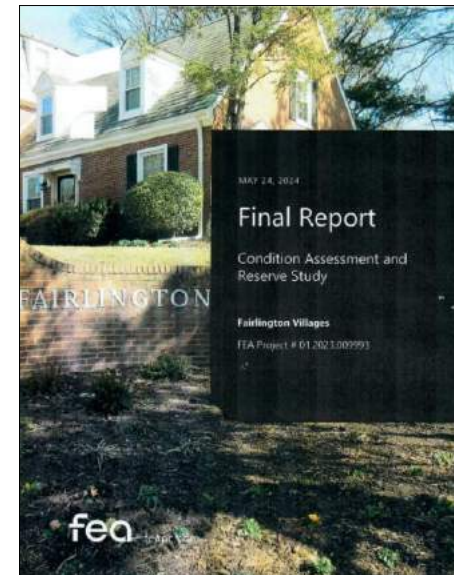
FY22 Audited	\$31,277
FY23 Audited	\$47,184
FY24 Budget	\$54,804
FY24 Projected	\$68,836
FY25 Budget	\$76,117

- Federal and state tax payments increasing due to significant rise in interest income resulting from higher interest rates on Association investments
- No FY25 contribution to contingency because operating reserves are at sufficient levels



Reserve Contributions and Projects

- Reserves fund major, long-term infrastructure replacement needs
- Independent reserve study conducted every five years – most recent Reserve Study Update completed in May 2024
 - Approved at June 5, 2024 Board meeting
 - Study recommends that condominium fee-funded reserve contributions continue to be increased by 1% per year to fund reserve account fully and execute recommended infrastructure projects

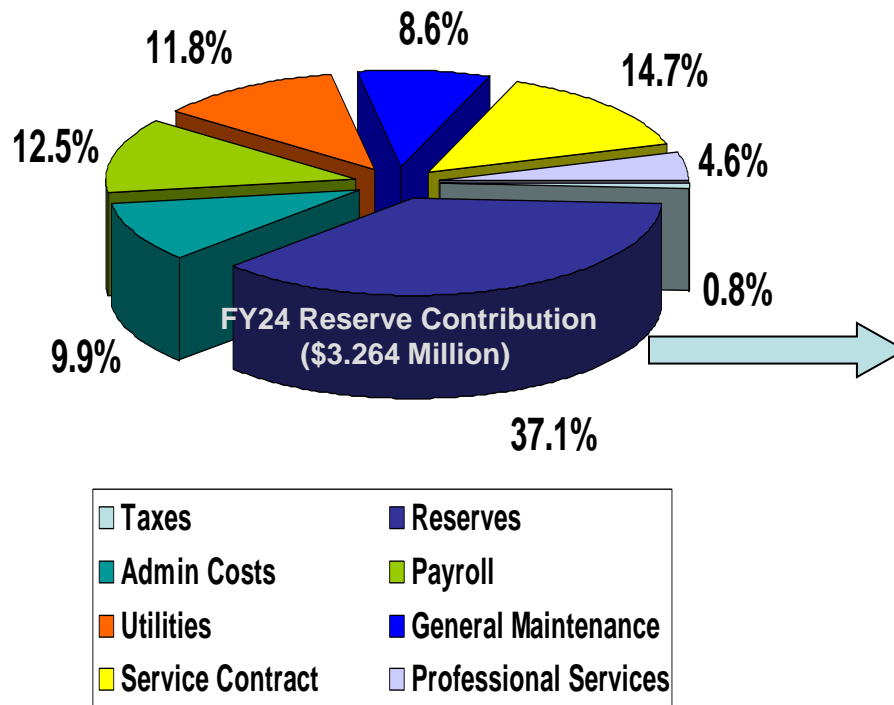




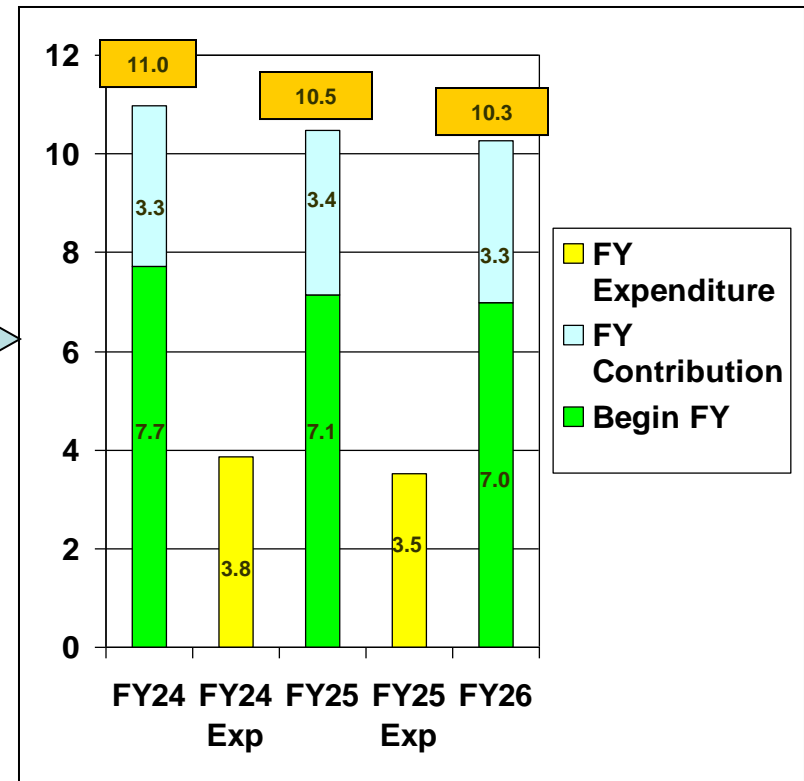
Reserve Contributions and Projects

- FY22, FY23, and FY24 budgets respectively increased reserve contributions by \$30,790, \$31,098, and \$31,409 (1.0% per year) following FY21 decrease of \$128,217 (-4.0%) that offset rise in operating expenses and kept fees at FY20 level during Covid-19 pandemic
- FY25 Budget continues full funding of our reserves in accordance with the recommendations of our 2024 Reserve Study Update and increases condominium fee-funded reserve contributions by 1.0% (\$31,723)
- FY25 spending continues at an accelerated rate following pandemic-driven decreases that only focused on completion of critical reserve projects required to maintain integrity of major capital assets
- New five-year Reserve Study Update will be completed in FY29

Repair and Replacement Reserves



FY24 Projected Contribution



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



Reserve Cash Flow

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2024	\$7,726,316	\$3,264,673	\$3,848,850	\$7,142,138
2025	\$7,142,138	\$3,352,395	\$3,515,515	\$6,979,018
2026	\$6,979,018	\$3,297,968	\$4,566,627	\$5,710,360



FY24 Programmed Reserve Expenditures

Parking Lot Renovations	\$528,850
Pool House 3 Renovation & Pool Repairs	\$363,000
Multi-Unit Condo Interior Renovations – Ward I	\$740,000
Slate Roof Replacement	\$400,000
Backyard Fence Replacement - Ward IV	\$892,000
Masonry Repair Project - Phase 10	\$450,000
Wood Trim Replacement – Ward IV	\$250,000
Retaining Walls, Tennis Courts, Vehicles, etc.	\$225,000
TOTAL RESERVE EXPENSES (Current \$)	\$3,848,850



Parking Lot Renovations





Pool House 3 Renovation





Multi-Unit Condo Interior Renovations – Ward I





Slate Roof Replacement





Backyard Fence Replacement – Ward IV



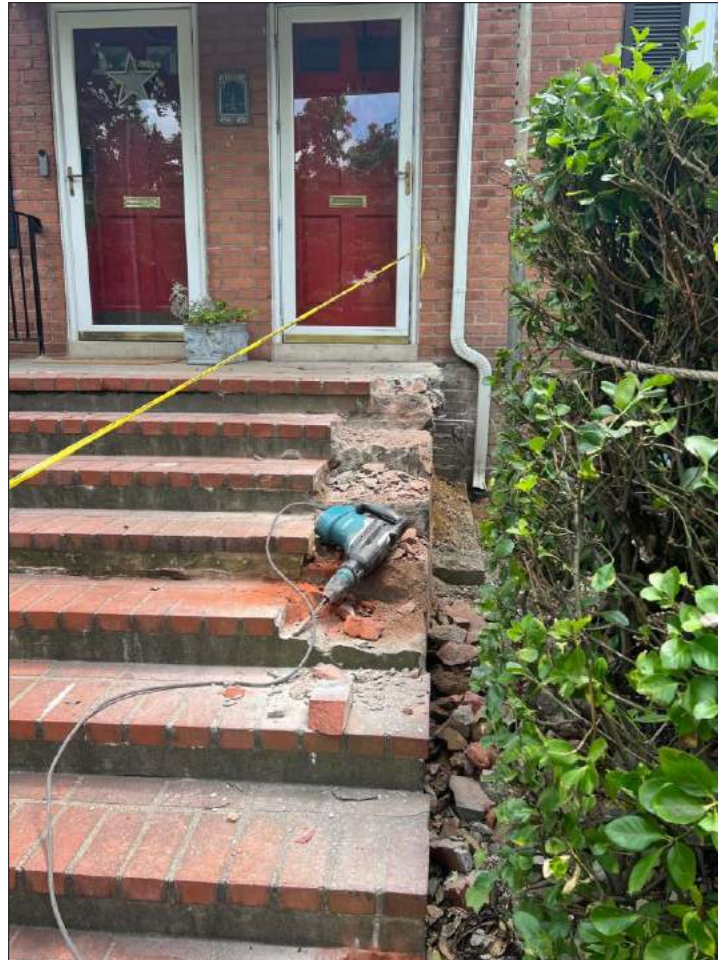


Masonry Repair Project – Phase 10





Masonry Repair Project – Phase 10



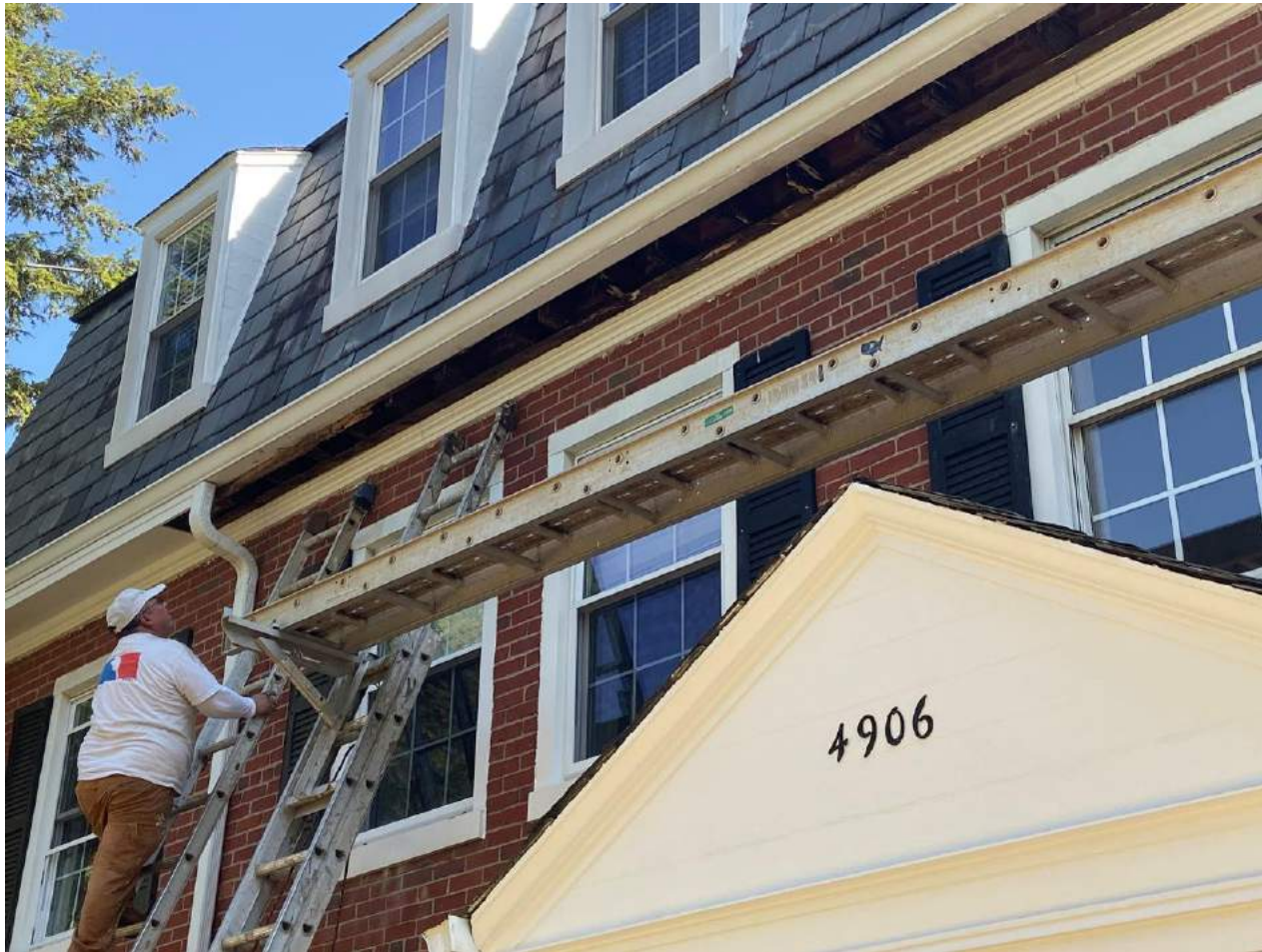


Masonry Repair Project – Phase 10





Wood Trim Replacement - Ward IV





Retaining Wall Repairs





FY25 Budgeted Reserve Expenditures

Parking Lot Renovations	\$100,200
Pool House 2 Renovations & Pool Repairs	\$362,900
Multi-Unit Condo Interior Renovations – Ward IV	\$629,000
Slate Roof Replacement	\$420,000
Backyard Fence Replacement – Ward V	\$892,000
Masonry Repair Project – Phase 11	\$450,000
Wood Trim Replacement – Ward VI	\$250,000
Community Center, Retaining Walls, etc.	\$276,203
TOTAL - 2024 Reserve Study (2024 Prices)	\$3,380,303
TOTAL – 2025 (4.0%/Yr Inflation Adjustment)	\$3,515,515



FY25 Budget Summary

Operating Expenses	
Administrative	\$1,064,498
Payroll	\$1,194,275
Utilities	\$1,111,123
General Maintenance	\$786,484
Service Contracts	\$1,324,383
Professional Services	\$418,487
Tax/Contingency	\$76,117
Operating Expenses	\$5,975,367
Reserve Contribution	+ \$3,352,397
Total Expenditures	\$9,327,764



FY2025 Budget Summary

Income Offset	
Total Expenditures	\$9,327,764
“Other Income” • Interest (\$265,000) • Rentals, Resale Packets, etc. (\$115,887)	-\$380,887
Condo Fees to Balance Budget	\$8,946,877

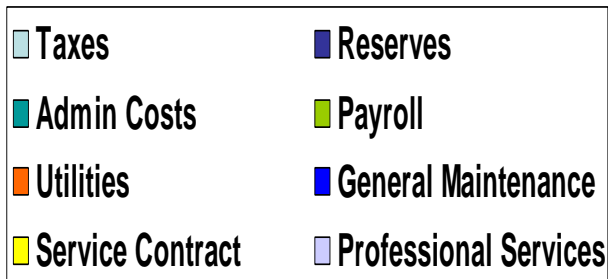
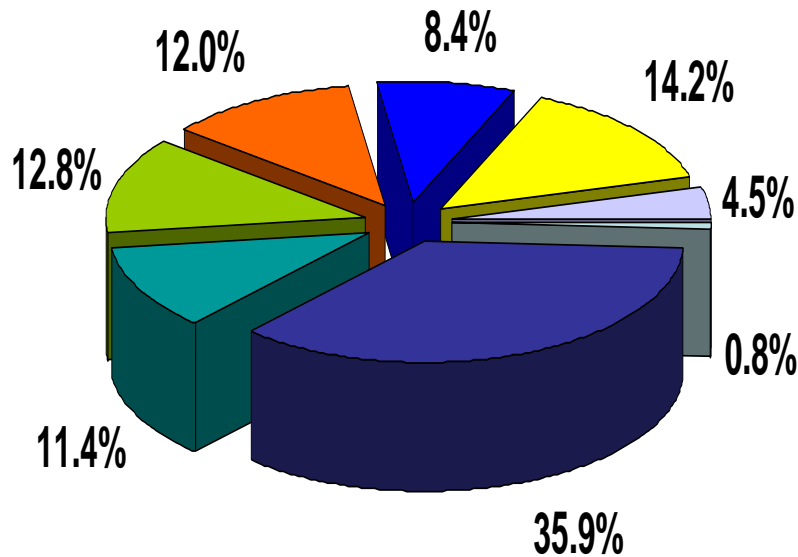
- Proposed FY25 budget increases expenditures by 4.5%, including 5.5% increase in operating expenses
- After allowing for anticipated “Other Income”, the Association must raise \$8,946,877 in condo fees in FY25
- Raising this amount requires a 3.39% condo fee increase, since spending rise is partially offset by FY25 increase in “Other Income”



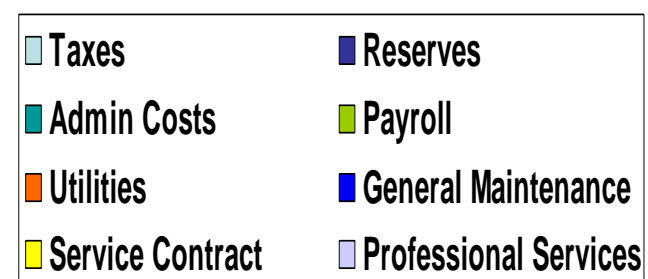
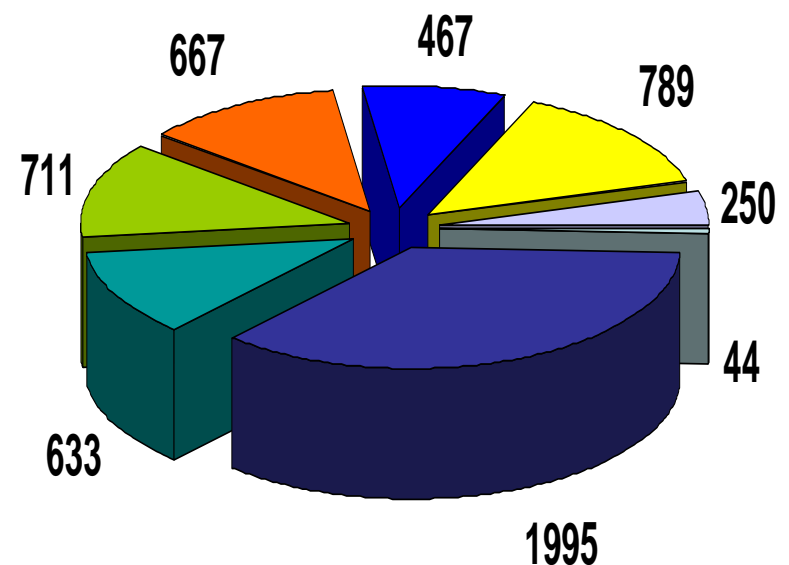
The FY25 Budget and Your Condo Fee

- Fees assessed based on unit's share of Association equity
- 27 unit types with FY25 fees ranging from \$3,324 to \$7,992
- Most common unit type is Clarendon II -- \$5,556 FY25 fee

FY25 Condo Fee (%)



FY25 Clarendon II Fee (\$)





DISCUSSION