



*Fairlington Villages*

# **2025 Annual Meeting: FY 2024 - 2026 BUDGET REVIEW**

**Prepared by: Harold L. Reem, Treasurer & Ward III Director**



# FY 2024 - 2026 Budget Review

- Budget Priorities and Principles
- FY 2024 Performance Review
- FY 2024 Audit
- FY 2025 Budget Summary
- FY 2025 Reserve Budget
- FY 2026 Budget - Challenges and Schedule



# 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 remaining 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 - \$158 per unit in FY24
  - Reviewing execution of Reserve capital and building maintenance projects
  - Reviewing execution of grounds-related projects



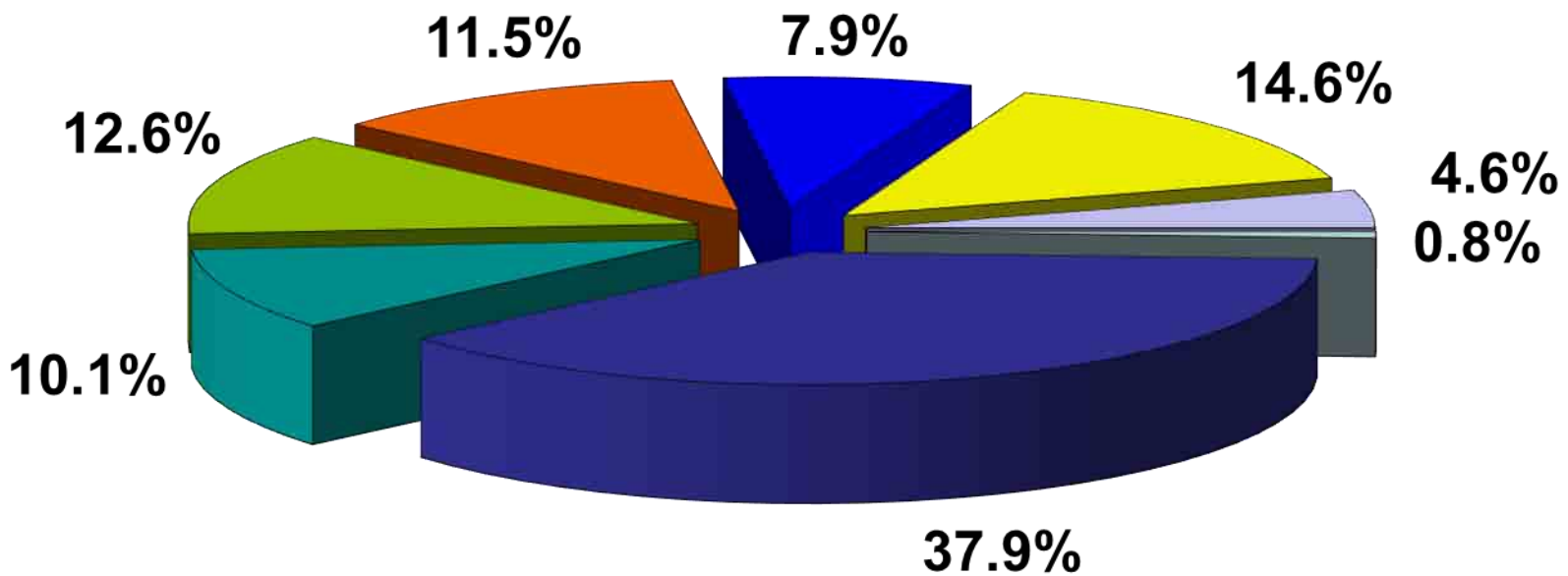
# FY2024 Actual Expenditures

Administrative	\$879,228
Payroll	\$1,097,764
Utilities	\$1,005,290
General Maintenance	\$689,646
Service Contracts	\$1,271,498
Professional Services	\$406,937
Taxes & Depreciation	\$69,797

<b>Operating Expenses</b>	<b>\$5,420,160</b>
<b>Reserve Contribution</b>	<b>+ \$3,312,343</b>
<b>Total Expenditures</b>	<b>\$8,732,503</b>



# FY2024 Audited Expenditures By Category Percentages



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



# FY2024 Performance Summary

Condo Fees	\$8,651,640
Interest Income	\$269,304
“Other” Income	\$110,239
Unrealized Gain (US Treasurys)	\$79,734
<b>Total Income</b>	<b>\$9,110,917</b>
<b>Total Expenditures</b>	<b>\$8,732,503</b>

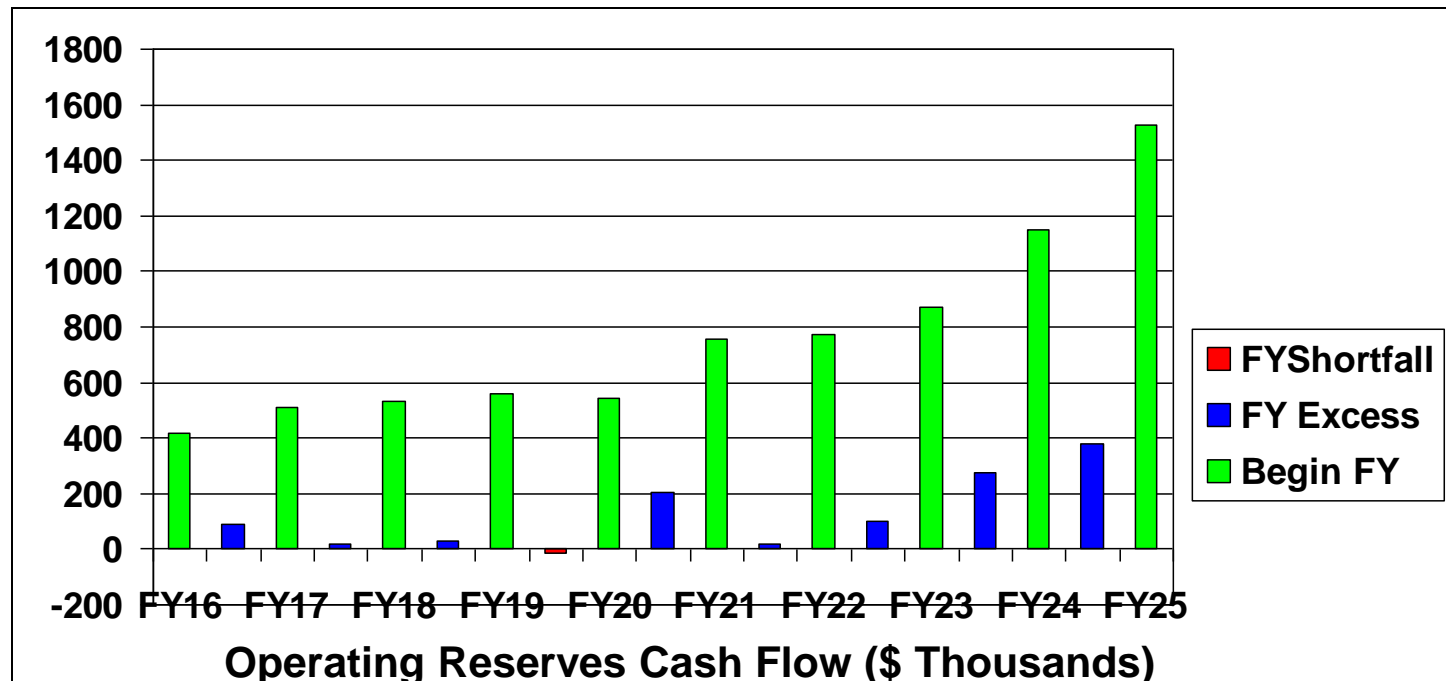
- In FY24 Association had audited excess operating revenue of **\$378,414** over expenses
- **\$378,414 amount** largely due to three factors:
  - Interest income \$104,304 greater than budgeted
  - Unrealized gain on US Treasurys \$72,734 greater than budgeted
  - Several categories of Operating Expenses, including Utilities, General Maintenance, and Payroll, lower than budgeted
- Excess added to Association’s Operating Reserves





# Operating Reserves

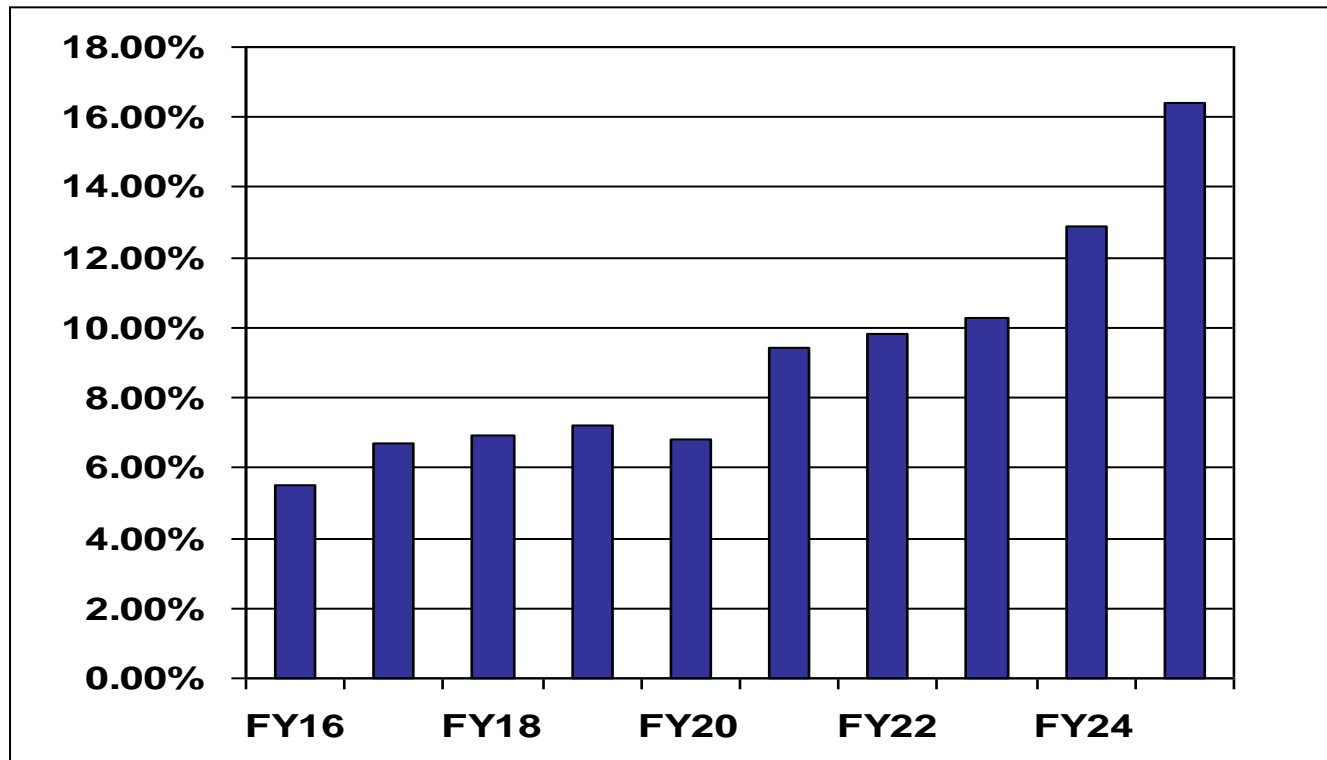
- Consist of cumulative total of previous fiscal years' excess revenue
- Used to pay for unbudgeted operating expenses (e.g., snow removal, storm cleanup, and Covid-related costs)
- Totaled \$1,526,691 at end of FY24/beginning of FY25, including \$378,414 in excess FY24 operating revenue
- Figure is 16.4% of total FY25 budget and meets auditors' standard of 15% to 20% of total annual budget





## Operating Reserves: Percentages of Annual Budgets (FY16 – FY25)

- Level of Operating Reserves has improved significantly in past 10 fiscal years
- At beginning of FY16 audited Operating Reserves totaled \$418,235 – 5.5% of FY16 budget of \$7,369,146
- Since that date Operating Reserves have gradually increased to current level of 16.4% of FY25 budget of \$9,327,764





# FY 2024 Annual Financial Audit

- Conducted by Johnson, Bremer & Ignacio, CPAs, P.C.
- FY 2024 operating revenue of \$378,414 in excess of expenses
- Conclusions:
  - Financial statements very good
  - Operating Reserves (\$1,526,691) are satisfactory
  - Funded Repair and Replacement Reserves
  - Low delinquencies (rate of less than 1%)

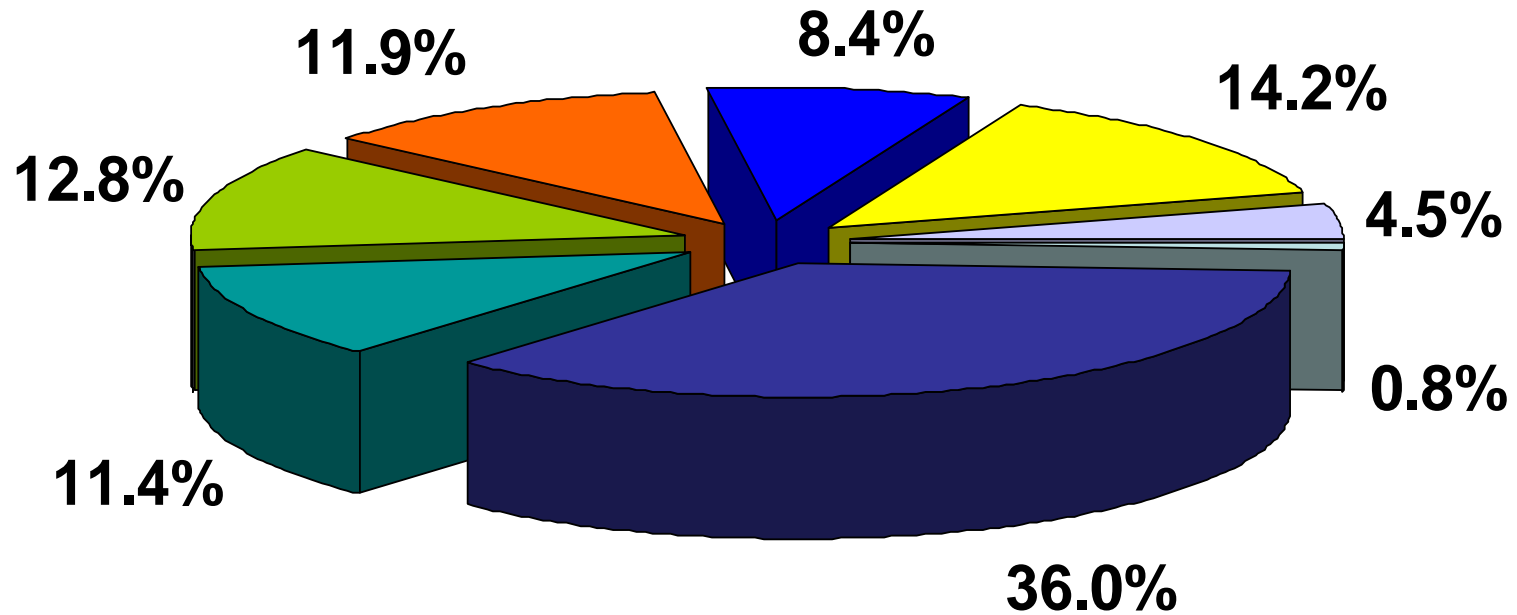


# FY25 Budget Summary

<b>Operating Expenses</b>	
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
<b>Operating Expenses</b>	<b>\$5,975,367</b>
<b>Reserve Contribution</b>	<b>+ \$3,352,397</b>
<b>Total Expenditures</b>	<b>\$9,327,764</b>



# FY2025 Budgeted Expenditures By Category Percentages





# FY2025 Budget Summary

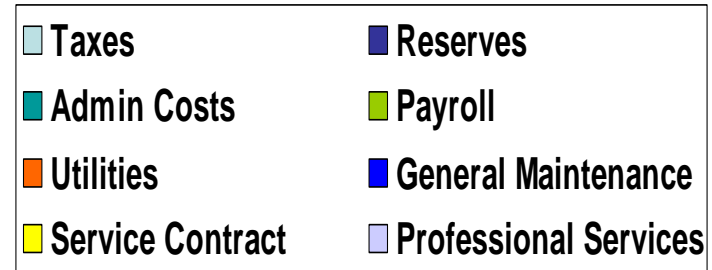
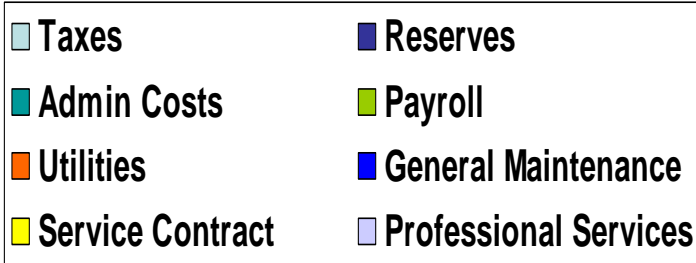
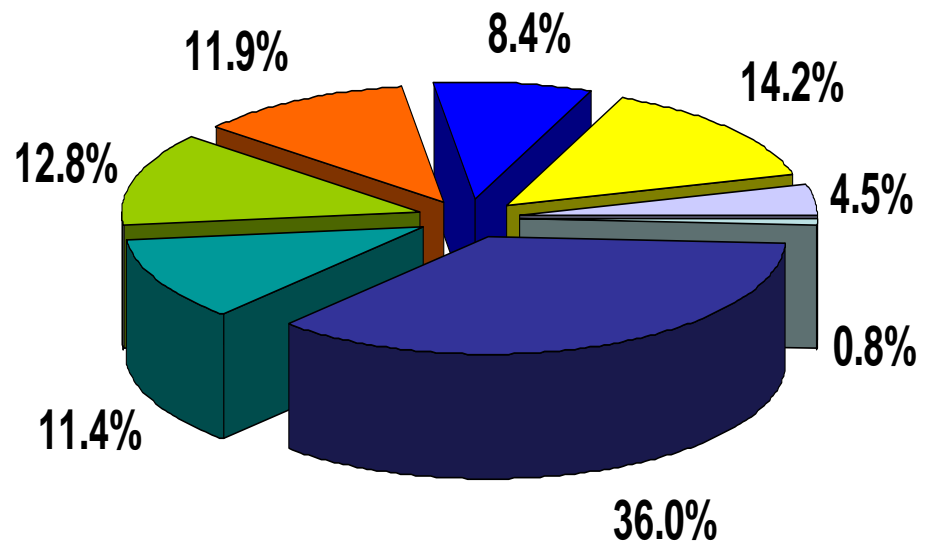
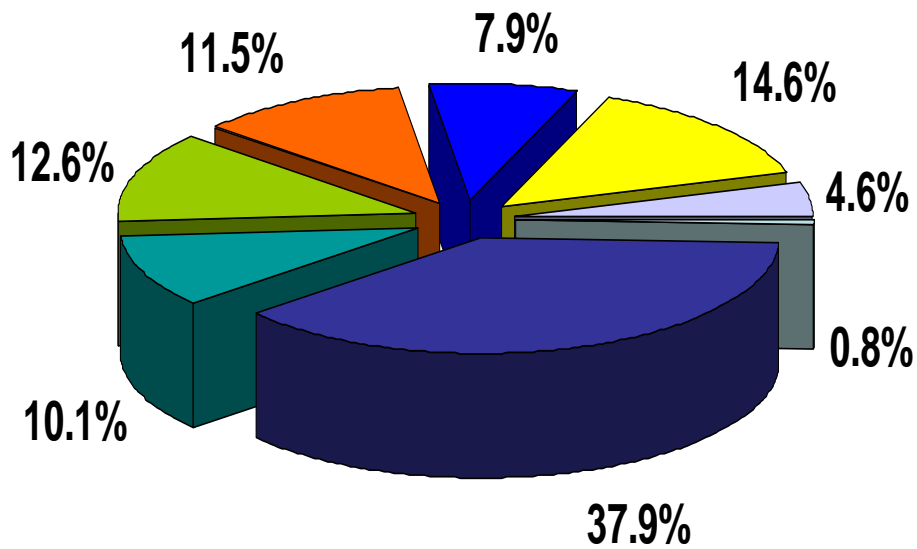
<b>Income Offset</b>	
<b>Total Expenditures</b>	<b>\$9,327,764</b>
<b>“Other Income”</b> • Interest (\$265,000) • Rentals, Resale Packets, etc. (\$115,887)	<b>-\$380,887</b>
<b>Condo Fees to Balance Budget</b>	<b>\$8,946,877</b>

- FY25 budget increases expenditures by 4.5%, including 5.5% increase in operating expenses, half of which was due to increased insurance costs
- After allowing for anticipated “Other Income”, the Association must raise \$8,946,877 in condo fees in FY25
- Raising this amount required a 3.39% condo fee increase since spending rise partially offset by FY25 increase in “Other Income”



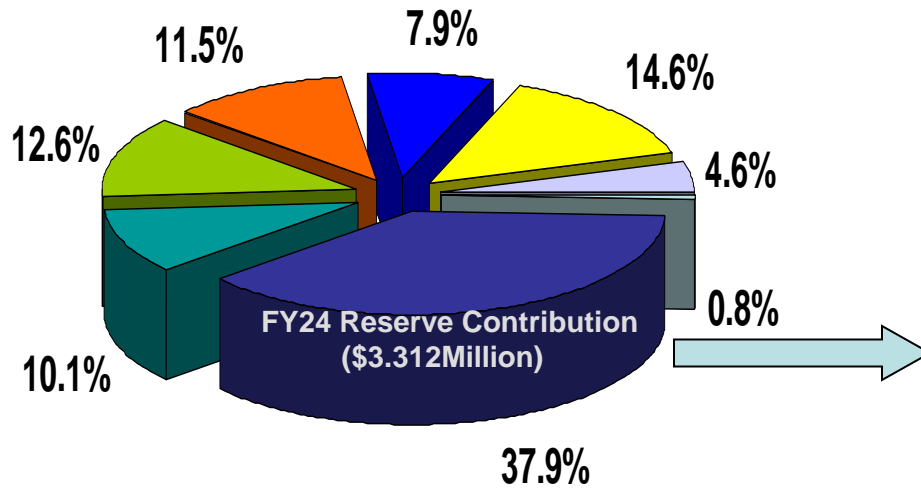
# Comparative Expenditures by Category Percentages

## FY24 Audited vs FY25 Budgeted



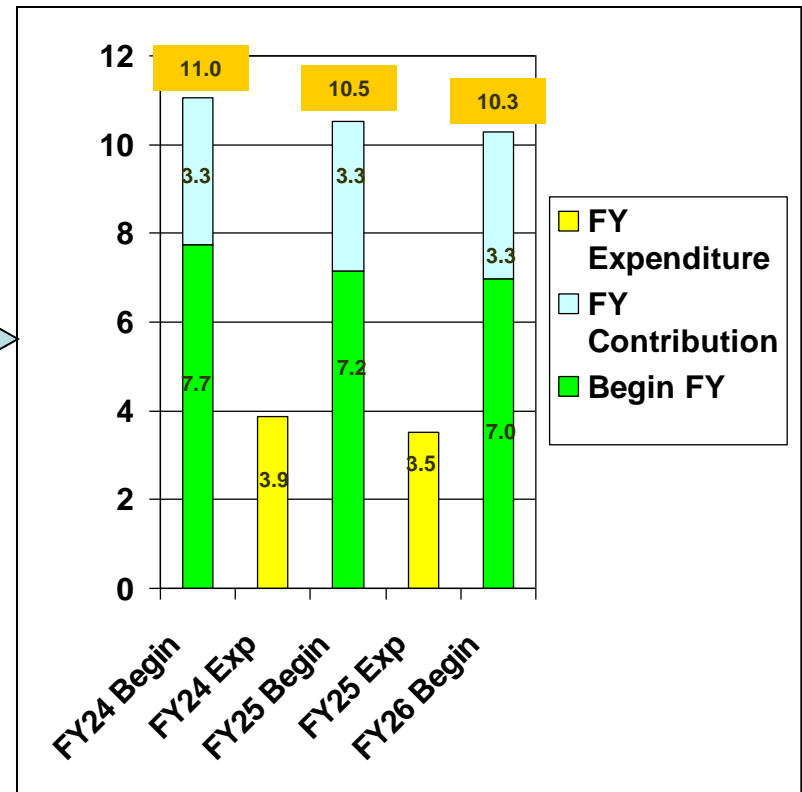


# Repair and Replacement Reserves



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

**FY24 Audited Expenditures**



**Repair and Replacement Reserves**

**Cash Flow (\$ Millions)**





## Reserve Cash Flow (FY24 – FY26)

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2024	\$7,726,316	\$3,312,343	\$3,874,998	\$7,163,661
<b>2025</b>	<b>\$7,163,661</b>	<b>\$3,352,397</b>	<b>\$3,515,515</b>	<b>\$7,000,543</b>
2026	\$7,000,543	\$3,305,801	\$4,566,627	\$5,739,717

- Most recent five-year Reserve Study Update completed and approved by Board in June 2024
- FY2025 beginning Reserve balance of \$7,163,661 is \$25,779 higher than Reserve Study's recommendation of \$7,137,862
- Post-pandemic accelerated spending will continue in future fiscal years



# FY25 Budgeted Reserve Expenditures

Program based on 2024 Reserve Study Recommendations

Parking Lot Renovations	\$100,200
Pool House 4 Renovation & 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 IV	\$250,000
Community Center, Retaining Walls. Etc.	\$276,203
<b>TOTAL - 2024 Reserve Study (2023 Prices)</b>	<b>\$3,380,303</b>
<b>TOTAL – 2025 (4.0%/Yr Inflation Adjustment)</b>	<b>\$3,515,515</b>



# Major FY25 Reserve Projects Parking Lot Pavement Renovation





# Major FY25 Reserve Projects

## Pool House 4 Renovation





# Major FY25 Reserve Projects

## Multi-Unit Condo Interior Upgrades – Ward IV





# Major FY25 Reserve Projects

## Slate Roof Replacement





# Major FY25 Reserve Projects

## Backyard Fence Replacement (Ward V)

(Photo: Ward I)





# Major FY25 Reserve Projects

## Masonry Repairs – Phase 11







# Major FY25 Reserve Projects Wood Trim Replacement – Ward IV





# Major FY25 Reserve Projects Community Center Renovation





# FY2026 Budget - Challenges

- Probable continued significant increase in master insurance policy property insurance costs
- Possible renewed inflationary pressures
- Uncertain impacts of federal personnel and spending cuts



# FY2026 Budget - Schedule

May 2025:

- Board members/committee chairs submit inputs to Treasurer.

June 2025:

- Treasurer and General Manager prepare draft budget.

July 2025:

- 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 2025:

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