



Fairlington Villages FY2026 Budget

Homeowners' Forum

July 23, 2025

7:00 – 9:00 p.m.





FY2026 Budget Forum Overview

- Forum Procedures
- Budget Process Timeline
- FY26 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 2: BOARD APPROVES
draft
- ✓ JULY 23: HOMEOWNERS' FORUM



Budget Process Timeline

- AUGUST 6: BOARD APPROVES
final budget
- LATE AUGUST: MAILING
of final budget and new condo fee
coupons to homeowners
- OCTOBER 1: NEW FEES
for FY26 take effect



FY26 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

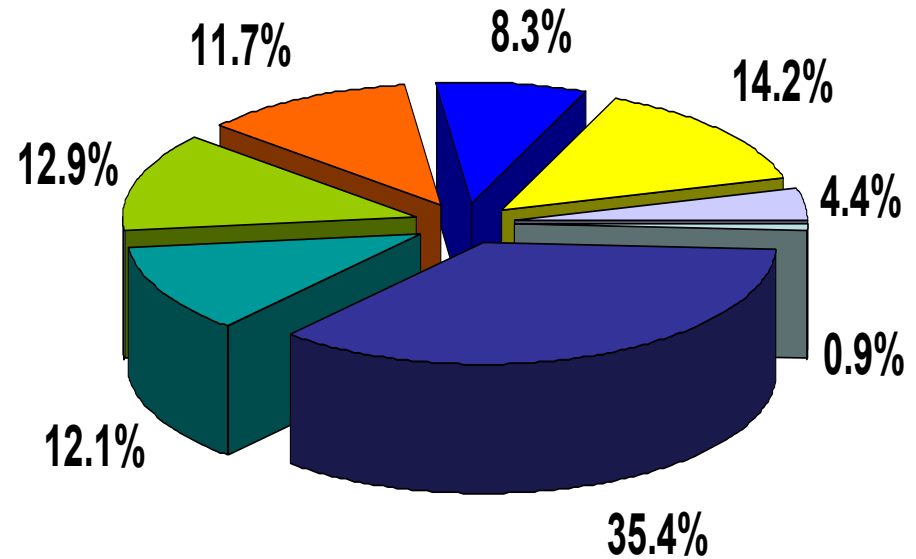
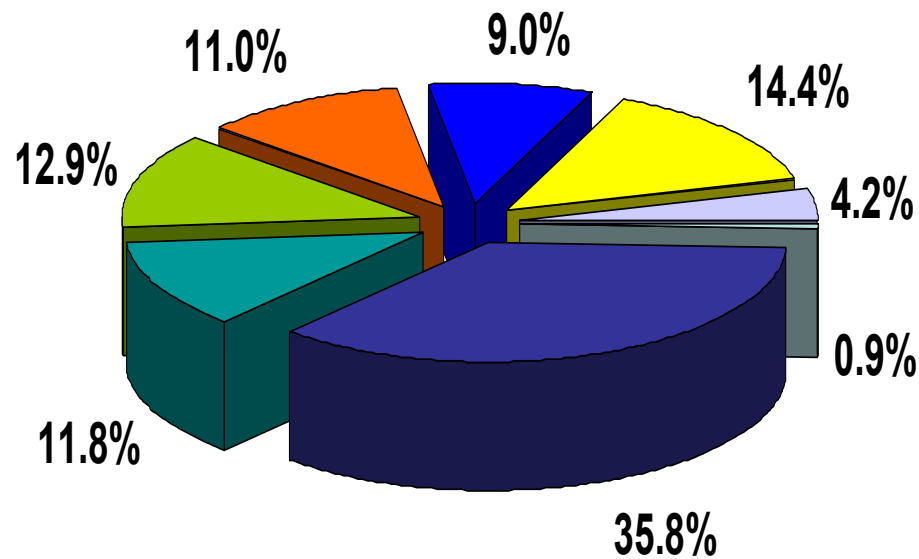
Income Accounts

- Assessments
- Other Income



Comparative Expenditures by Category Percentages

FY25 Projected vs FY26 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

FY23 Audited	\$808,817
FY24 Audited	\$878,813
FY25 Budget	\$1,064,498
FY25 Projected	\$1,104,457
FY26 Budget	\$1,161,120

- FY26 cost of Master Insurance Policy for buildings rises by \$68,480 (10.6%) – continues to track significant industry-wide increases due to rising losses and escalating replacement and reinsurance costs, and provides additional coverage for Association's buildings
- Three-year (FY24 - FY26) increase in cost of Master Insurance Policy totals \$310,624 (77.1%)



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

FY23 Audited	\$1,060,886
FY24 Audited	\$1,097,764
FY25 Budget	\$1,194,275
FY25 Projected	\$1,209,880
FY26 Budget	\$1,239,753

- FY26 includes 3.0% employee COLA
- Association covers health insurance benefits for all staff employees (6.1% FY26 increase projected), and contributes amount equal to 4% of wages to SEP plan for vested employees (3+ years service)



Comparison of Expenses Utilities

FY23 Audited	\$958,550
FY24 Audited	\$1,005,290
FY25 Budget	\$1,111,123
FY25 Projected	\$1,026,011
FY26 Budget	\$1,126,398

- Water/sewer costs about 90% of Association's utility expenses
- Water/sewer budget increased by 2.0% (\$20,275) in FY26 due to increases in Arlington (4.4%) and Alexandria (5.2%) fees
- Annual water/sewer rate increases have offset 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

FY23 Audited	\$694,590
FY24 Audited	\$689,646
FY25 Budget	\$786,484
FY25 Projected	\$838,005
FY26 Budget	\$794,036

- Large annual fluctuations in spending eliminated as painting costs return to standard one ward per year schedule following Covid-19 disruptions.
- FY26 includes additional funding for organic turf fertilization program and pool, plumbing, and vehicle repairs
- Cost of FY26 lighting supplies reduced by \$2,240 (-18.3%) due to continued 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	12-31-28
Janitorial	Corporate Cleaning	01-31-26
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

FY23 Audited	\$1,185,027
FY24 Audited	\$1,271,498
FY25 Budget	\$1,324,383
FY25 Projected	\$1,346,787
FY26 Budget	\$1,365,270

- FY26 reflects increases in costs of all major service contracts
- Projected contract cost increases include trash removal (2.6%), grounds maintenance (1.7%), janitorial service (5.8%), pool operations (4.5%), and patrol service (4.9%)



Comparison of Expenses Professional Services

FY23 Audited	\$386,696
FY24 Audited	\$406,937
FY25 Budget	\$418,487
FY25 Projected	\$395,159
FY26 Budget	\$427,073

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



Comparison of Expenses Taxes and Contingency

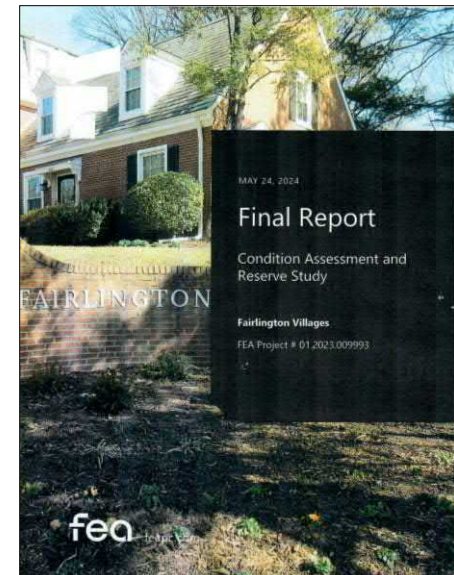
FY23 Audited	\$47,184
FY24 Audited	\$66,325
FY25 Budget	\$76,117
FY25 Projected	\$85,581
FY26 Budget	\$85,028

- Federal and state tax payments increasing due to significant rise in interest income resulting from higher interest rates on Association investments
- No FY26 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



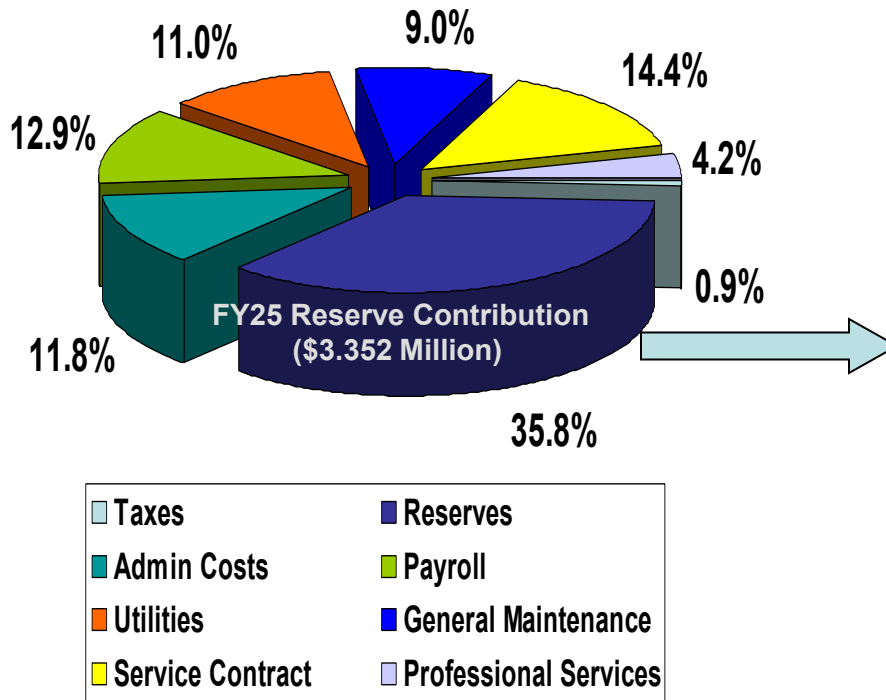


Reserve Contributions and Projects

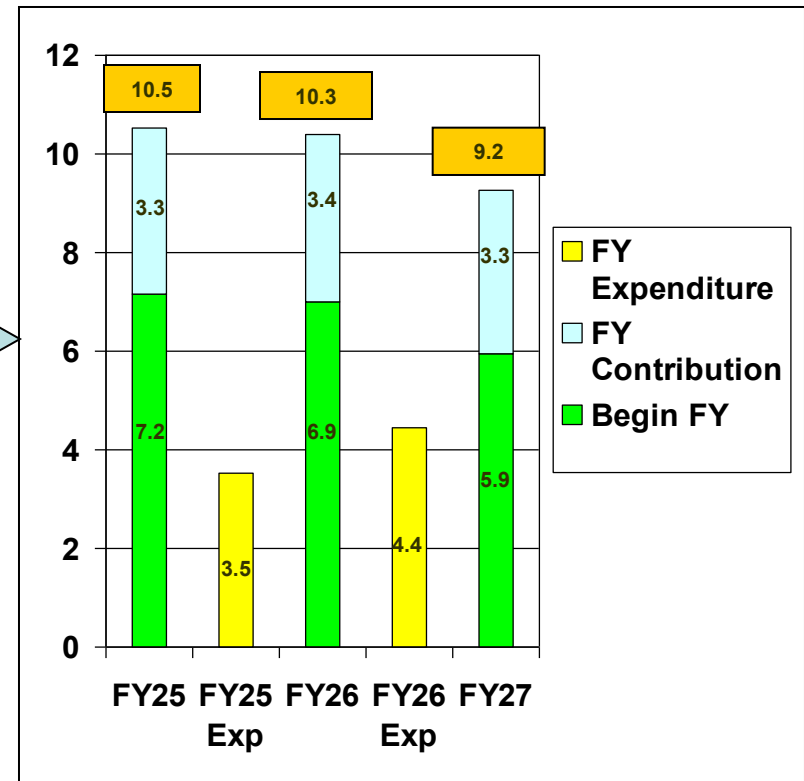
- FY22, FY23, FY24, and FY25 budgets respectively increased reserve contributions by \$30,790, \$31,098, \$31,409, and \$31,723 (1.0% per year) following FY21 decrease of \$128,217 (-4.0%) that offset rise in operating expenses and kept fees at FY20 level during Covid-19 pandemic
- FY26 Budget continues 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% (\$32,040)
- FY26 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



FY25 Projected Contribution



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



Reserve Cash Flow

Fiscal Year	Beginning Reserve Balance	Yearly Contribution	Capital Expenditures	Ending Reserve Balance
2025	\$7,163,661	\$3,352,395	\$3,529,767	\$6,986,288
2026	\$6,986,288	\$3,404,037	\$4,449,598	\$5,940,725
2027	\$5,940,725	\$3,325,394	\$3,785,827	\$5,480,292



FY25 Programmed Reserve Expenditures

Parking Lot Renovations	\$305,000
Pool House 4 Renovation & Pool Repairs	\$252,000
Multi-Unit Condo Interior Renovations – Ward IV	\$556,451
Slate Roof Replacement	\$422,600
Backyard Fence Replacement - Ward V	\$819,950
Masonry Repair Project - Phase 11	\$397,705
Wood Trim Replacement – Ward IV	\$338,612
Community Center, Retaining Walls & Misc.	\$437,449
TOTAL RESERVE EXPENSES (Current \$)	\$3,529,767



Parking Lot Renovations



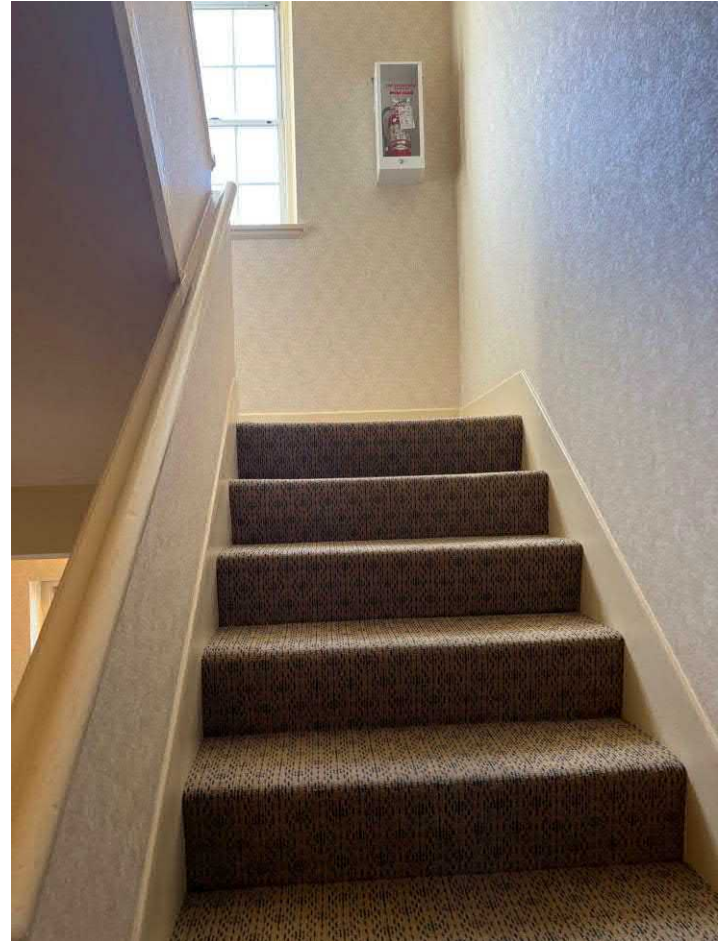


Pool House 4 Renovation





Multi-Unit Condo Interior Renovations – Ward IV





Slate Roof Replacement





Backyard Fence Replacement – Ward V





Masonry Repair Project – Phase 11





Masonry Repair Project – Phase 11





Masonry Repair Project – Phase 11





Wood Trim Replacement - Ward IV





Community Center Renovation





FY26 Budgeted Reserve Expenditures

Parking Lot & Pavement Renovations	\$305,000
Pool House 2 Renovations & Pool Equipment	\$251,200
Multi-Unit Condo Interior Renovations – Ward II	\$1,332,000
Slate Roof Replacement	\$420,000
Backyard Fence Replacement – Ward VI	\$892,000
Masonry Repair Project – Phase 12	\$450,000
Wood Trim Replacement – Ward III	\$250,000
Vehicle Replacement, Retaining Walls & Misc.	\$213,703
TOTAL - 2024 Reserve Study (2024 Prices)	\$4,113,903
TOTAL – 2026 (4.0%/Yr Inflation Adjustment)	\$4,449,597



FY26 Budget Summary

Operating Expenses	
Administrative	\$1,161,120
Payroll	\$1,239,753
Utilities	\$1,126,398
General Maintenance	\$794,036
Service Contracts	\$1,365,270
Professional Services	\$427,073
Tax/Contingency	\$85,028
Operating Expenses	\$6,198,678
Reserve Contribution	+ \$3,404,037
Total Expenditures	\$9,602,715



FY2026 Budget Summary

Income Offset	
Total Expenditures	\$9,602,715
“Other Income” • Interest (\$300,000) • Rentals, Resale Packets, etc. (\$117,267)	-\$417,267
Condo Fees to Balance Budget	\$9,185,448

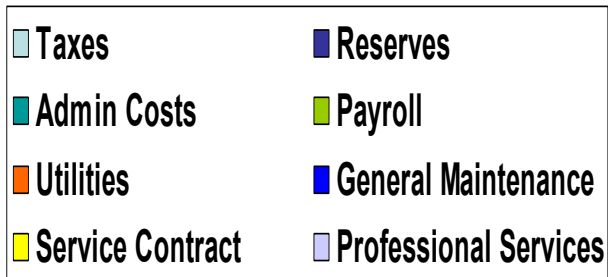
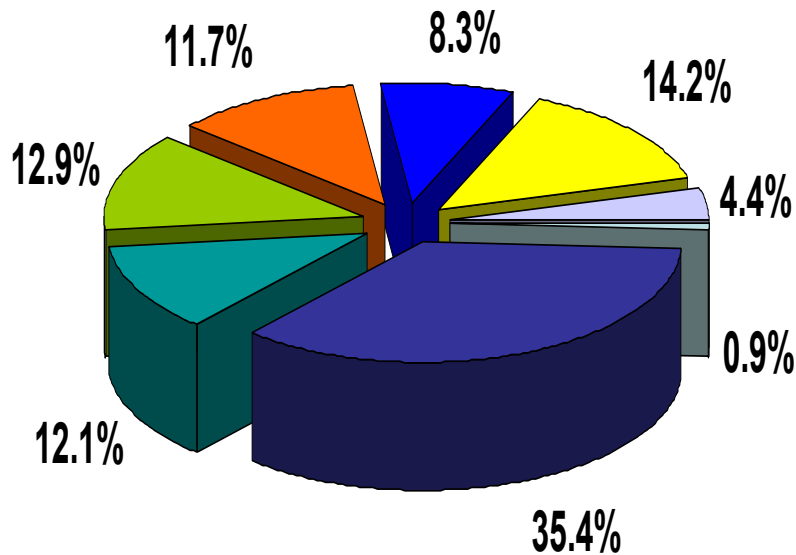
- Proposed FY26 budget increases expenditures by 2.9%, including 3.7% increase in operating expenses
- After allowing for anticipated “Other Income”, the Association must raise \$9,185,448 in condo fees in FY26
- Raising this amount requires a 2.67% condo fee increase, since spending rise is partially offset by FY26 increase in “Other Income”³⁶



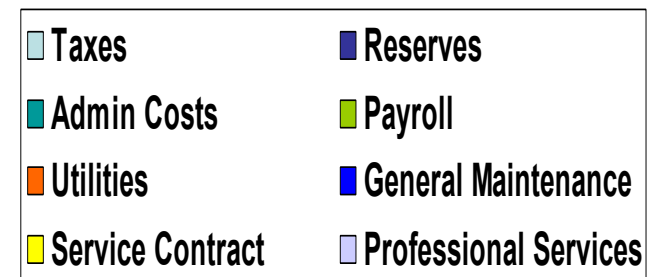
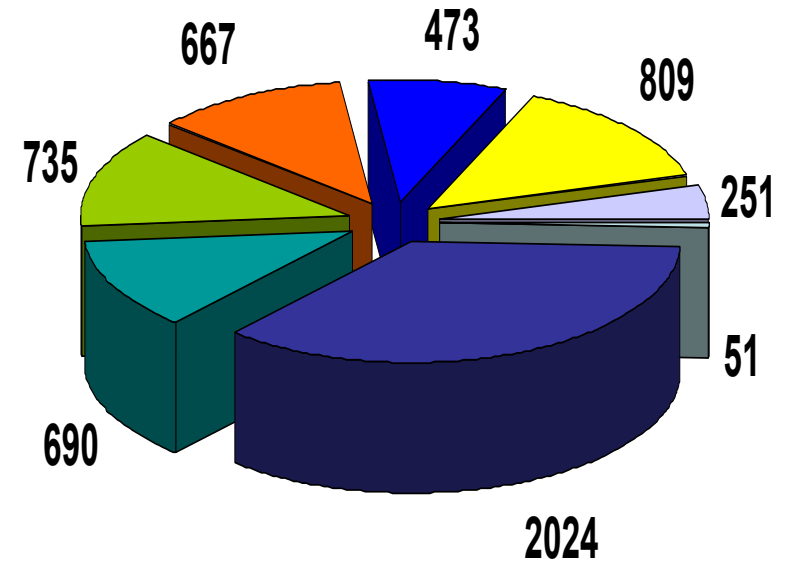
The FY26 Budget and Your Condo Fee

- Fees assessed based on unit's share of Association equity
- 27 unit types with FY26 fees ranging from \$3,408 to \$8,208
- Most common unit type is Clarendon II -- \$5,700 FY26 fee

FY26 Condo Fee (%)



FY26 Clarendon II Fee (\$)





DISCUSSION