# Fairlington Villages FY2027 Budget

## Homeowners' Forum

July 22, 2026

7:00 – 9:00 p.m.

# FY2027 Budget Forum Overview

- Forum Procedures
- Budget Process Timeline
- FY27 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, which is mailed to homeowners
- ✓ JULY 22: HOMEOWNERS' FORUM

# Budget Process Timeline

- AUGUST 5: BOARD APPROVES
  final budget
- LATE AUGUST: MAILING
  of final budget if different from draft
- OCTOBER 1: NEW FEES
  for FY27 take effect

# FY27 Budget Priorities

- Program operating funding to maintain our current level of community services while addressing persistent inflationary pressures, particularly continually 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
- Examination of all budget line items for potential operating savings
- 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

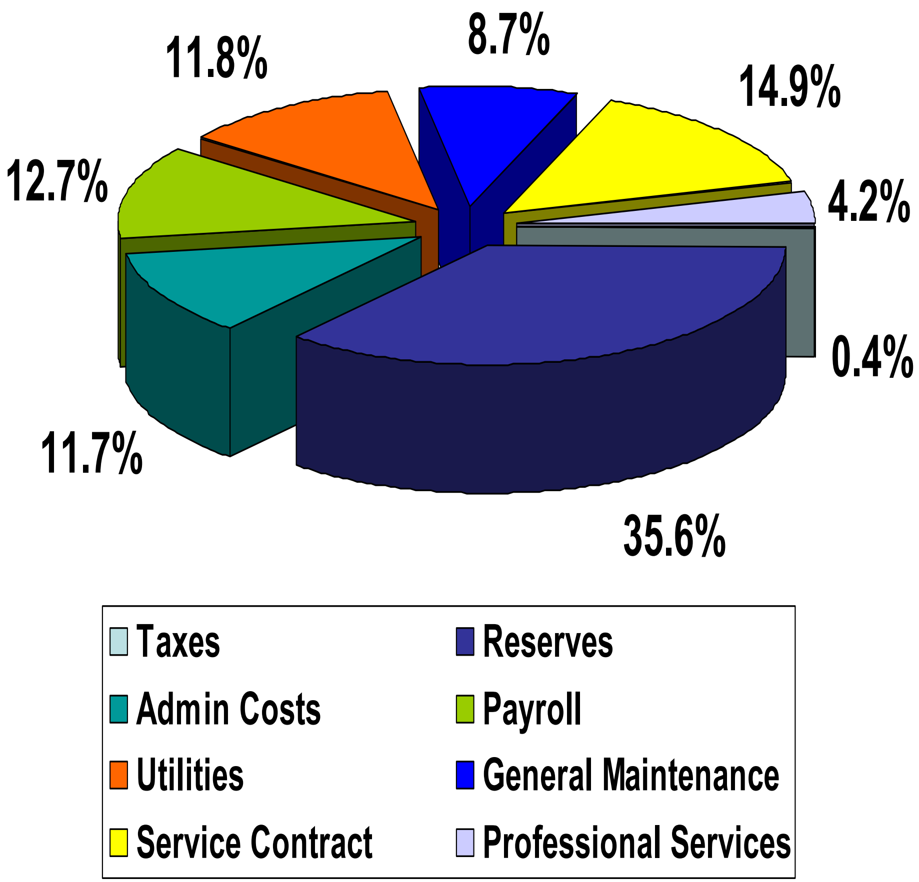
**Reserves**

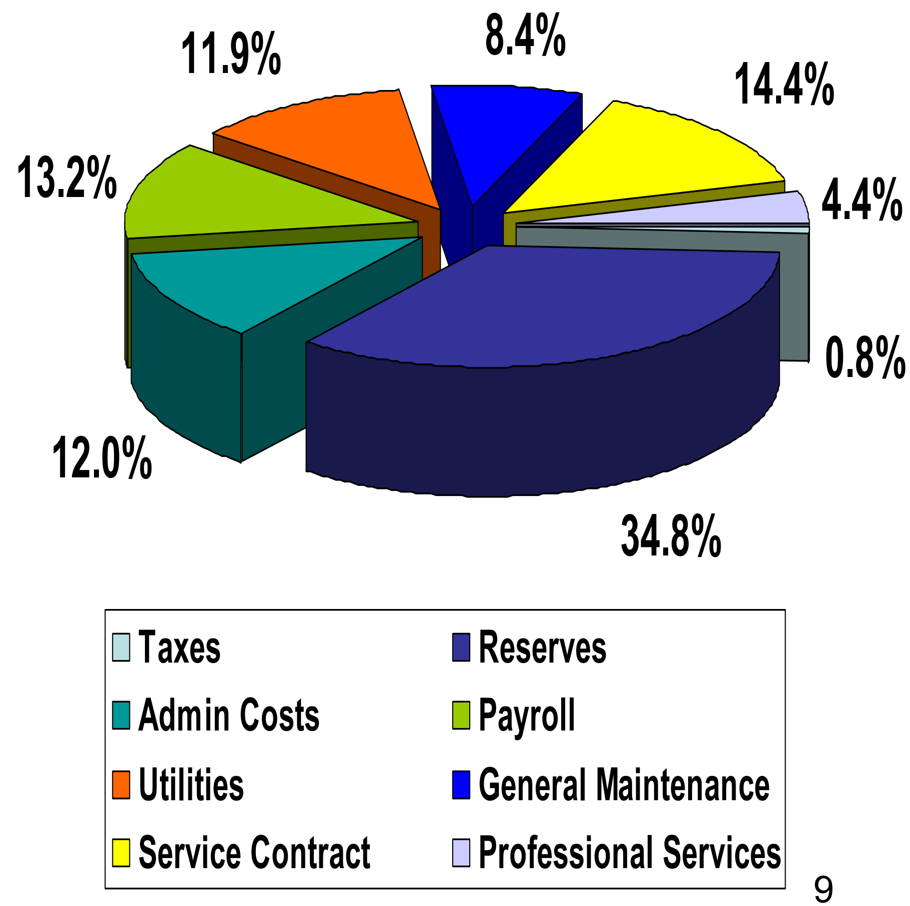
- Reserve Contributions
- Reserve Interest
- Reserve Expenditures

## Income Accounts

- Assessments
- Other Income

# Comparative Expenditures by Category Percentages
# FY26 Projected vs FY27 Budgeted



# Comparison of Expenses
# Administrative

| | |
|---|---|
| FY24 Audited | $878,173 |
| FY25 Audited | $1,110,196 |
| FY26 Budget | $1,161,120 |
| FY26 Projected | $1,121,386 |
| **FY27 Budget** | **$1,180,539** |

- After increasing by 77.1% during three-year period from FY24 – FY27, cost of Master Insurance Policy for buildings rises by 1.6% ($11,204) as a result of our insurance broker's successful effort to market our policy.
- Savings realized by adoption of TownSquare electronic voting system ($7,000) and elimination of second budget mailing ($3,500)

# Payroll Expenses

- Gregory Roby<br>General Manager<br>**(Legum & Norman Employee)**
  - Oscar Giron<br>Administrative Mgr.<br>Hired: 6/5/23
    - Two Administrative Staff Employees
  - Mark Johnson<br>Operations Mgr.<br>Hired: 9/15/08
    - One Grounds Staff Employee
  - Miguel Galvez<br>Facilities Mgr.<br>Hired: 7/5/04
    - Seven Maintenance Staff Employees

# Comparison of Expenses
# Payroll

| | |
|---|---|
| FY24 Audited | $1,097,764 |
| FY25 Audited | $1,245,236 |
| FY26 Budget | $1,238,753 |
| FY26 Projected | $1,214,418 |
| **FY27 Budget** | **$1,290,446** |

- FY27 includes 3.5% employee COLA
- Association covers health insurance benefits for all staff employees (13.7% FY27 increase projected), and contributes amount equal to 4% of wages to SEP plan for vested employees (3+ years service)

# Comparison of Expenses
# Utilities

| | |
|---|---|
| FY24 Audited | $1,005,290 |
| FY25 Audited | $1,086,591 |
| FY26 Budget | $1,126,398 |
| FY26 Projected | $1,127,696 |
| **FY27 Budget** | **$1,168,926** |

- Water/sewer costs about 90% of Association's utility expenses
- Water/sewer budget increased by 3.4% ($34,741) in FY27 due to increases in Arlington (1.4%) and Alexandria (5.7%) fees
- Annual water/sewer rate increases have offset decreased use as residents spend less time at home after Covid-19 pandemic
- Electricity up by 7.5% ($6,787) due to rate increases and use trends

# Comparison of Expenses
# General Maintenance

| | |
|---|---|
| FY24 Audited | $689,646 |
| FY25 Audited | $723,040 |
| FY26 Budget | $794,036 |
| FY26 Projected | $833,980 |
| **FY27 Budget** | **$823,552** |

- FY27 includes additional funding for grounds improvements, tree maintenance, exterior painting, roofing repairs, and vehicle repairs
- Spending increases partially offset by reduction in spending for pool repairs and supplies ($30,000) and building repairs ($5,000)

# Service Contracts

| Contract | Contractor | Expiration* |
|---|---|---|
| Pool Contract | High Sierra | 12-31-28 |
| Janitorial | Corporate Cleaning | 01-31-29 |
| Patrol Service | Master Security | 09-30-26 |
| Trash Removal | Capitol Services | 03-31-30 |
| 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

| | |
|---|---|
| FY24 Audited | $1,271,498 |
| FY25 Audited | $1,338,124 |
| FY26 Budget | $1,365,270 |
| FY26 Projected | $1,427,561 |
| **FY27 Budget** | **$1,412,082** |

- FY27 reflects increases in costs of all major service contracts
- Projected contract cost increases include trash (3.6%), grounds maintenance (2.6%), janitorial (4.7%), pool operations (3.8%), and patrol service (4.0%)
- Basic FY27 pool contract cost unchanged due to shorter season, but expense rises due to additional lifeguard services ($8,000)

# Comparison of Expenses
# Professional Services

| | |
|---|---|
| FY24 Audited | $406,937 |
| FY25 Audited | $383,279 |
| FY26 Budget | $427,073 |
| FY26 Projected | $403,227 |
| **FY27 Budget** | **$431,494** |

| Service | Professional | Expiration |
|---|---|---|
| Legal Services | Chadwick Washington | Monthly |
| Audit Services | Johnson, Bremer & Ignacio | 12-31-26 |
| Management | Legum & Norman | 09-30-28 |

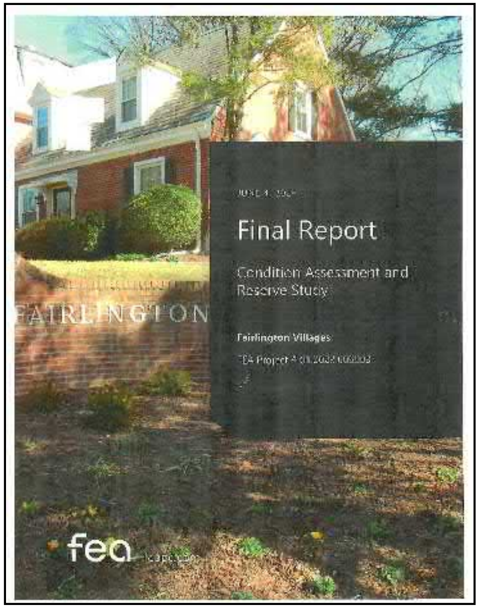
# Comparison of Expenses Taxes and Contingency

| | |
|---|---|
| FY24 Audited | $69,797 |
| FY25 Audited | $67,761 |
| FY26 Budget | $85,028 |
| FY26 Projected | $37,804 |
| **FY27 Budget** | **$78,107** |

- Federal and state tax payments projected to decrease due to declining interest rates and small decrease in funds available for investment as accumulated reserve funds drawn down
- No FY27 contribution to contingency because operating reserves are at sufficient levels

# Reserve Contributions and Projects

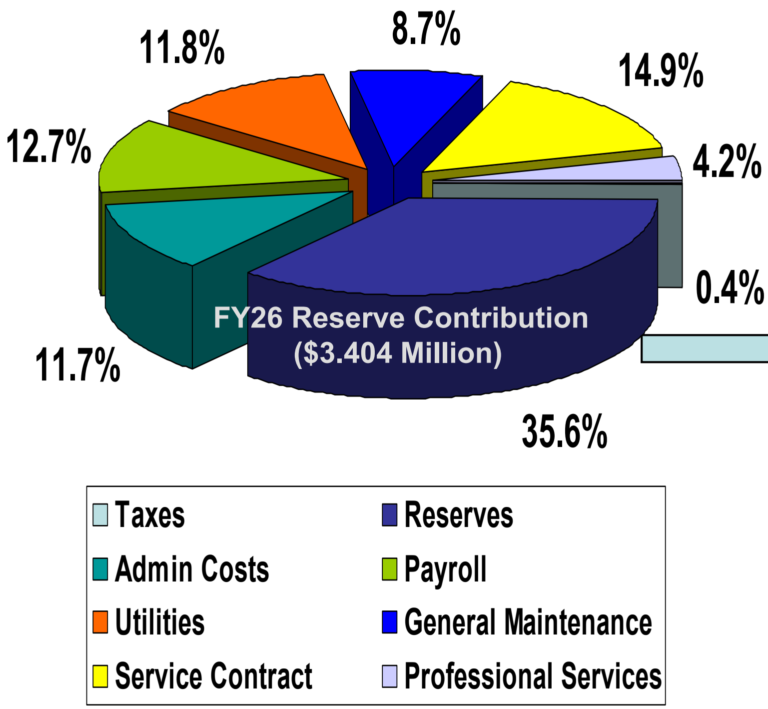
- Reserves fund major, long-term infrastructure replacement needs
- Independent reserve study conducted every five years – most recent Reserve Study Update completed in May 2024
  - Approved at June 5, 2024 Board meeting
  - Study recommends that condominium fee-funded reserve contributions <u>*continue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

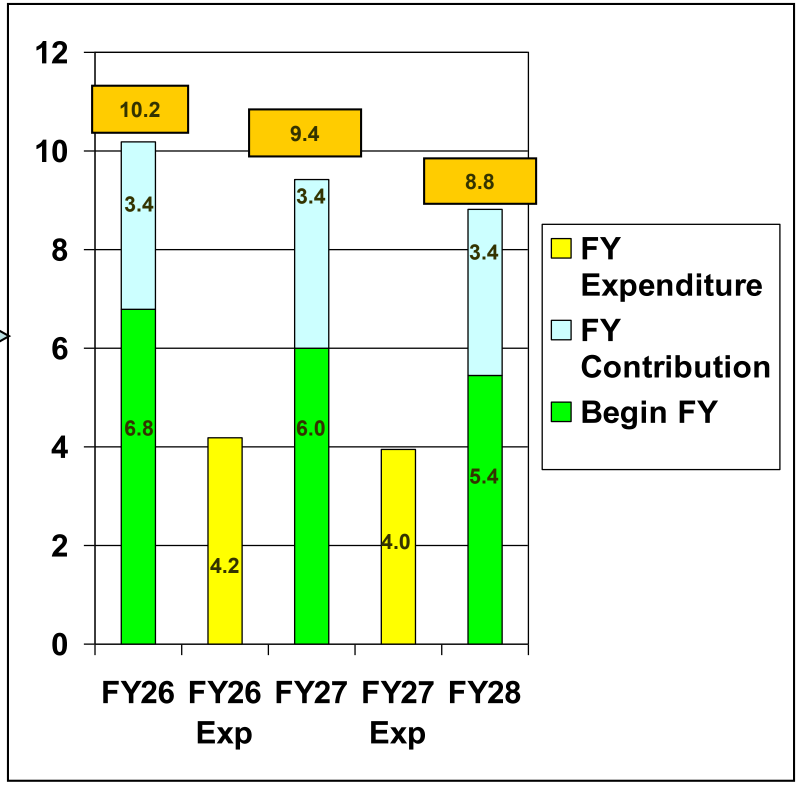


# Reserve Contributions and Projects

- FY22, FY23, FY24, FY25, and FY26 budgets respectively increased reserve contributions by $30,790, $31,098, $31,409, $31,723, and $32,040 (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
- FY27 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% ($32,360)
- FY27 decrease (-$23,800) in reserve interest contribution
- FY27 spending continues at an accelerated rate following pandemic-driven decreases
- New five-year Reserve Study Update will be completed in FY29

# Repair and Replacement Reserves




**FY26 Projected Contribution**

**Repair and Replacement Reserves**

**Cash Flow ($ Millions)**

# Reserve Cash Flow

| Fiscal Year | Beginning Reserve Balance | Yearly Contribution | Capital Expenditures | Ending Reserve Balance |
|---|---|---|---|---|
| 2026 | $6,778,674 | $3,404,037 | $4,178,860 | $6,003,851 |
| **2027** | **$6,003,851** | **$3,412,597** | **$3,960,405** | **$5,456,043** |
| 2028 | $5,456,043 | $3,350,220 | $4,173,704 | $4,632,558 |

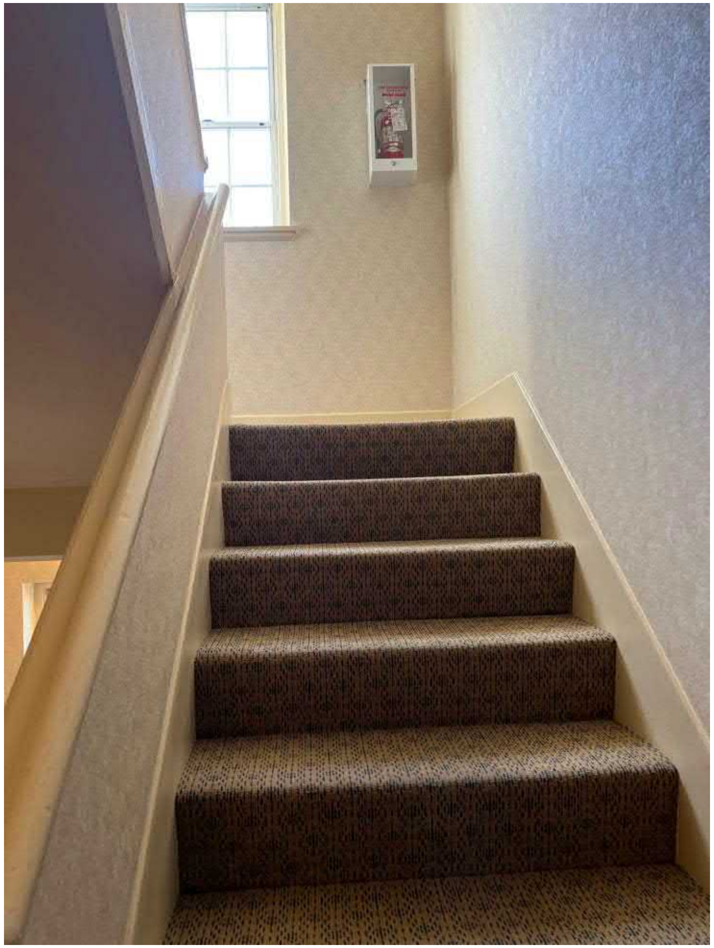
# FY26 Programmed Reserve Expenditures

| | |
|---|---|
| Parking Lot & Pavement Renovations | $213,260 |
| Pool House 2 Renovations & Pool Equipment | $262,600 |
| Multi-Unit Condo Interior Renovations – Ward II | $1,293,985 |
| Slate Roof Replacement | $444,690 |
| Backyard Fence Replacement – Ward VI | $813,050 |
| Masonry Repair Project – Phase 12 | $431,500 |
| Wood Trim Replacement – Ward III | $229,878 |
| Vehicle Replacement, Retaining Walls & Misc. | $174,828 |
| **TOTAL - 2024 Reserve Study (2024 Prices)** | **$3,863,591** |
| **TOTAL – 2026 (4.0%/Yr Inflation Adjustment)** | **$4,178,860** |

# Parking Lot Renovations

# Pool House 2 Renovation

# Multi-Unit Condo Interior Renovations – Ward II



# Slate Roof Replacement


# Backyard Fence Replacement – Ward VI

# Masonry Repair Project – Phase 12

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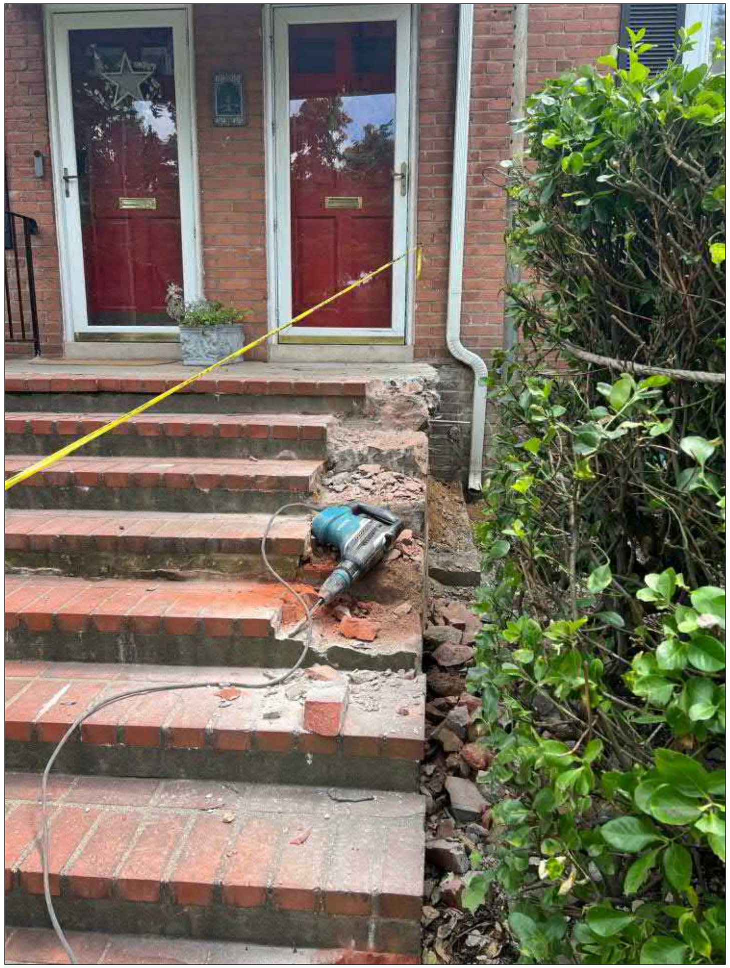


# Masonry Repair Project – Phase 12

# Wood Trim Replacement - Ward III

# Retaining Wall Replacement

# FY27 Budgeted Reserve Expenditures

| | |
|---|---|
| Parking Lot & Pavement Renovations | $190,200 |
| Pool House 6 Renovation & Pool Fixtures | $397,900 |
| Gutter Guards Installation & Louver Replacement | $220,000 |
| Slate Roof Replacement | $440,000 |
| Multi-Unit Condo Interior Renovations – Ward V | $1,332,000 |
| Masonry Repair Project – Phase 13 | $450,000 |
| Wood Trim Replacement – Ward II | $250,000 |
| Vehicle Replacement, Retaining Walls & Misc. | $240,686 |
| **TOTAL - 2024 Reserve Study (2024 Prices)** | **$3,520,786** |
| **TOTAL – 2026 (4.0%/Yr Inflation Adjustment)** | **$3,960,405** |

# FY27 Budget Summary

| Operating Expenses | |
|---|---|
| Administrative | $1,180,539 |
| Payroll | $1,290,446 |
| Utilities | $1,168,926 |
| General Maintenance | $823,552 |
| Service Contracts | $1,412,082 |
| Professional Services | $431,494 |
| Tax/Contingency | $78,107 |

| | |
|---|---|
| **Operating Expenses** | **$6,385,146** |
| **Reserve Contribution** | **+ $3,412,597** |
| **Total Expenditures** | **$9,797,743** |

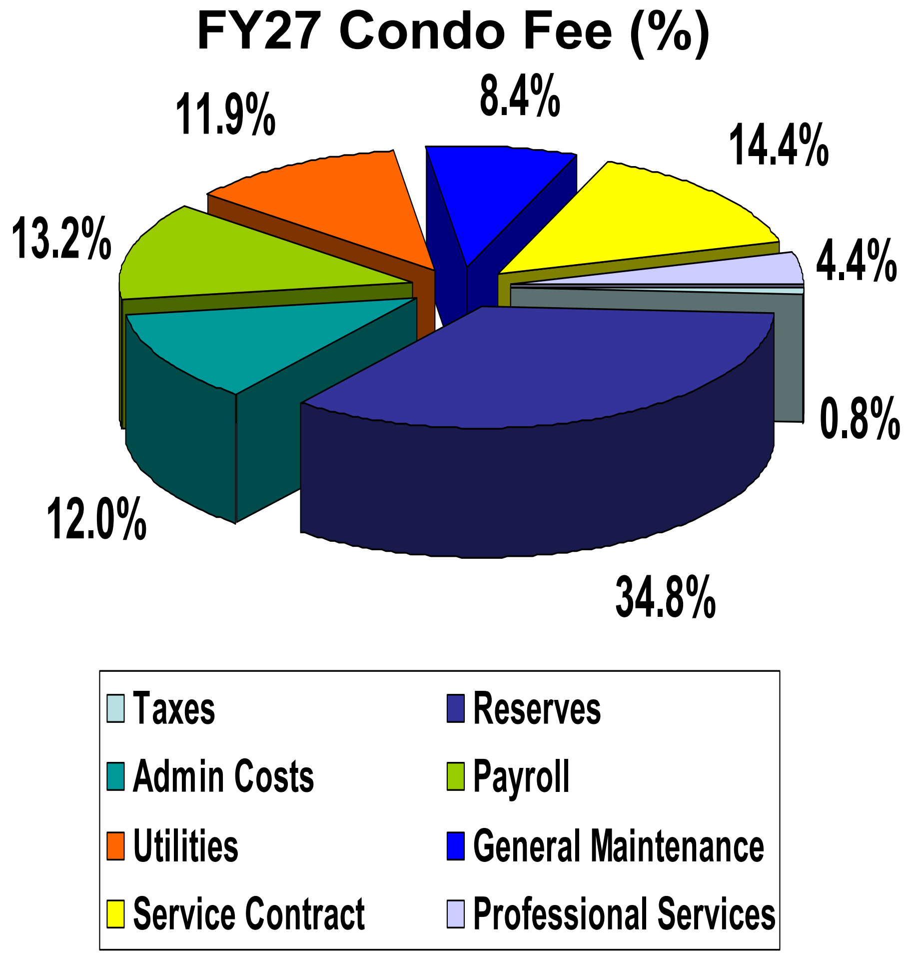
# FY27 Budget Summary

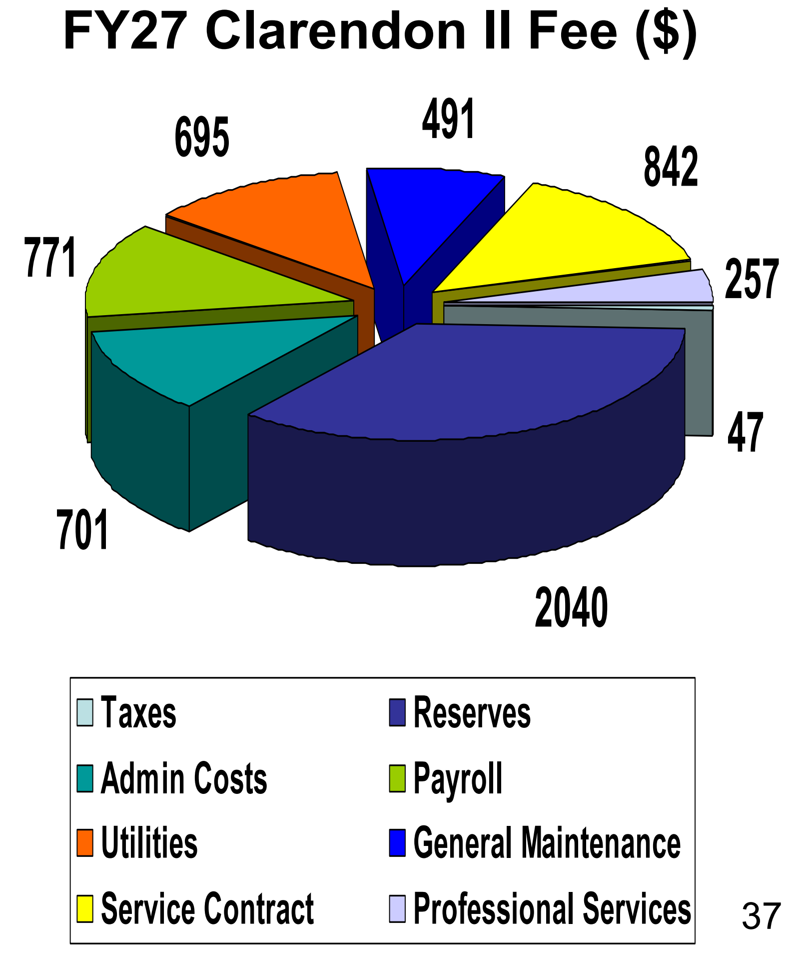
| Income Offset | |
|---|---|
| **Total Expenditures** | **$9,797,743** |
| "Other Income"<br>• Interest ($257,500)<br>• Rentals, Resale Packets, etc. ($125,158) | -$382,658 |
| **Condo Fees to Balance Budget** | **$9,415,084** |

- **Proposed FY27 budget increases expenditures by 2.0%, including 3.0% increase in operating expenses**
- **After allowing for anticipated "Other Income", the Association must raise $9,415,084 in condo fees in FY27**
- **Raising this amount requires a 2.50% condo fee increase, since "Other Income" is $34,609 lower in FY27 than in FY26**

# The FY27 Budget and Your Condo Fee

- Fees assessed based on unit's share of Association equity
- 27 unit types with FY27 fees ranging from $3,504 to $8,412
- Most common unit type is Clarendon II -- $5,844 FY27 fee



# DISCUSSION