

Fairlington Arbor Draft Budget Presentation

Fiscal Year 2010

Nov 2009 – Oct 2010

Your Neighbors on the Finance Committee

James Moser – Treasurer

Les Bergen, Bill Jenkins,

Deborah Santiago

Presentation Outline

- Process
- Major Factors
- Operating Budget
- Reserve Budget
- Assessments and Income
- Questions

Process

- Operating Fund / Replacement Fund (Reserve Account)
 - The operating fund provides for the maintenance, operation, and normal repair of the common and limited common elements
 - The replacement fund provides for the major repair and replacement of the common and limited common elements
 - Per condo docs, we must maintain 25% of the current annual assessments in this account
- A Five Year Plan
 - Provides greater confidence in long term stability of replacement fund
- Comprehensive Reserve Study
 - Provides backing for Five Year Plan

Major Factors

- Past, Present, and Future
 - Expenses have risen on average 3.2% per year over the past 10 years
 - Careful management of the community has kept expenses in check
 - Water!
 - Arlington County water rates started rising dramatically in 2005, but appear to be moderating
 - Water now represents over 25% of our operating expenses
 - Conservation is working!

Major Factors

- Sewer Laterals (replacement fund item)
 - We have modified our contract to renew our sewer lines which commits us to \$100,000/yr until work completed – likely 2014
 - Contract negotiations successful in maintaining existing fee structure
 - Very important project - our sewer lines are fragile
 - They are made of terracotta and were installed in 1943
- Pool structural integrity (replacement fund item)
 - Project complete
 - More structural defects than expected, and additional upgrades to pump house infrastructure added
 - Project budgeted at \$90,000 and completed for \$119,549
 - Started in FY08, and completed in FY09 – cost split between two years
- Investment Returns (replacement fund item)
 - Interest rates on bonds, money markets and CD's have come down
 - We have drawn down our reserves as our roof replacement, fence, and sewer lining work has continued
 - Less money on which to earn interest

Major Factors

- Roofs (replacement fund item)
 - The Arbor has 58 buildings all built in 1943
 - They were built with a mixture of 50, 75, and 100 year rated slate roofs
 - We started a planned replacement of 50 year rated roofs in 1997
 - 22 done, 8 to go
 - 1 scheduled for FY 2010 – but may be started early
 - Replaced with 75 year rated slate
 - 17 roofs are rated for 75 years and reach design life in 2018
 - Reserve Study indicates a possible life span in excess of 150 years!
 - Our roofs are in excellent shape and are monitored closely
 - Reserve Study indicates that more thorough repairs when problems arise will ensure extended service life
 - Reserve Study indicates that chimney, gutter, and trim repairs should be undertaken on units undergoing roof replacement

Operating Budget Administration and Payroll

	FY 2008 Actual	FY 2009 Budget	FY 2009 Current Est.	FY 2010 Proposed
Administrative				
Postage	\$1,032	\$50	\$1,000	\$500
Printing and Copying	\$0	\$0	\$100	\$100
Misc. Administrative	\$9,620	\$5,500	\$10,000	\$5,500
Audit	\$3,675	\$3,750	\$3,750	\$4,000
Legal Expenses	\$7,099	\$4,500	\$2,000	\$4,500
Management Fees	\$47,528	\$48,960	\$48,960	\$48,960
Prop and Liability Insurance	\$61,835	\$63,144	\$62,047	\$63,276
Insurance Deductible	\$1,593	\$0	\$0	\$0
Condo Fees	\$1,979	\$2,138	\$2,138	\$2,266
Telephone Expenses	\$2,180	\$2,400	\$2,070	\$2,400
Community Outreach	\$4,215	\$3,200	\$2,800	\$3,200
TOTAL ADMINISTRATIVE	\$140,756	\$133,642	\$134,865	\$134,702
Payroll				
Payroll Taxes	\$8,686	\$9,550	\$9,550	\$10,561
Health Insurance	\$21,671	\$22,500	\$22,500	\$22,600
Employee Benefits	\$0	\$0	\$0	\$1,034
Workers Comp. Insurance	\$3,010	\$4,775	\$4,775	\$5,280
Maintenance Salaries	\$115,876	\$119,376	\$119,376	\$132,008
TOTAL PAYROLL EXPENSES	\$149,243	\$156,201	\$156,201	\$171,483

- Small increase for insurance
- No increase for management company
- Incorporates pay raises for staff
- Provides a budget for overtime
- Provides coverage of health insurance premiums

Operating Budget Utilities and Maintenance

	FY 2008 Actual	FY 2009 Budget	FY 2009 Current Est.	FY 2010 Proposed
Utilities				
Electricity	\$10,145	\$11,470	\$10,400	\$12,900
Water/Sewer	\$163,481	\$210,000	\$180,000	\$200,000
TOTAL UTILITIES	\$173,626	\$221,470	\$190,400	\$212,900
Repairs & Maintenance				
Electrical Supplies	\$606	\$600	\$1,000	\$600
Sewer Maintenance	\$0	\$1,000	\$2,000	\$1,000
(Ext.) Painting & Décor	\$78,105	\$70,000	\$64,000	\$54,000
Interior Maintenance	\$690	\$1,600	\$1,600	\$1,600
Misc. Operations Maintenance	\$8,060	\$10,000	\$10,000	\$10,000
Gutter Porch & Dormer	\$8,865	\$10,000	\$10,000	\$10,000
Rep/Maint-Concrete	\$3,577	\$3,500	\$3,500	\$3,500
Rep/Maint Roof	\$5,293	\$5,000	\$5,000	\$15,000
Rep/Maint Vehicle	\$4,361	\$4,000	\$4,000	\$4,000
Rep/Maint Tennis Court	\$0	\$4,000	\$4,000	\$1,000
Rep/Maint Fence	\$2,115	\$500	\$500	\$500
TOTAL REPAIR & MAINT.	\$111,672	\$110,200	\$105,600	\$101,200

- Electricity rates changing over the next few months, resulting in a 6.9% increase when complete
- Water and Sewer rate increases by Arlington County of 6.3% in May 2009 considerably less than expected. Projecting a 3% increase in May 2010, offset by sustainment of reduced consumption.
- Painting for courts 4,6,11 and migrating from a three year to a four year painting cycle
- Increases in roof maintenance, per Reserve Study, is more than offset by savings from switching to a four year painting cycle

Operating Budget

Pool, Landscaping, Services & Taxes

	FY 2008 Actual	FY 2009 Budget	FY 2009 Current Est.	FY 2010 Proposed
Pool Expenses				
Pool Management	\$33,449	\$37,355	\$32,920	\$33,908
Rep/Maint Pool	\$7,876	\$6,000	\$4,000	\$4,000
Pool Furniture	\$2,495	\$500	\$200	\$500
Pool Telephone	\$685	\$600	\$955	\$720
TOTAL POOL EXPENSES	\$44,505	\$44,455	\$38,075	\$39,128
Landscaping				
Landscaping Other	\$10,631	\$4,000	\$6,000	\$6,000
Tree Trimming	\$9,105	\$7,000	\$7,000	\$7,000
Landscaping Contract	\$63,528	\$63,528	\$63,528	\$67,000
TOTAL LANDSCAPING	\$83,264	\$74,528	\$76,528	\$80,000
Maintenance Service Agreements				
Snow Removal	\$2,696	\$8,000	\$7,501	\$8,000
Trash Removal	\$65,199	\$65,928	\$67,441	\$68,678
TOTAL SERVICE AGREEMENTS	\$67,895	\$73,928	\$74,942	\$76,678
Taxes & License				
Personal Property Taxes	\$505	\$500	\$650	\$500
Income Taxes	\$1,159	\$1,830	\$849	\$1,440
TOTAL TAXES AND LICENSES	\$1,664	\$2,330	\$1,499	\$1,940

- Continue with our new pool contractor
- Pool fence/gate at wading pool needs replaced
- Landscaping and trash contracts extend into 2010
- Snow removal budgeted at five year average
- Tax reduction in line with reduced interest income

Reserve Budget 2009 Update

	<u>FY 2009 Budget</u>	<u>FY 2009 Projection</u>
Beginning Balance	646,745	584,196
Income		
Interest Earned	12,200	5,238
<u>Annual Contribution</u>	<u>97,278</u>	<u>136,834</u>
Total Income	109,478	142,072
Capital Expenditures		
Sewer Laterals	(100,000)	(100,000)
Pool/Tennis Courts	(90,000)	(27,314)
Paving	(20,000)	(19,102)
<u>Signage</u>		<u>(13,000)</u>
Total Expenditures	(210,000)	(159,416)
Ending Balance	546,223	566,852

- Lower beginning balance due to early start of pool project, offset by positive FY 2008 operating balance
- Interest rates have declined in 2009
- Lower than budgeted operating expenses will allow a larger than budgeted transfer to reserves
- Signage is the only outstanding Reserve item. All other projects are complete or under contract

Reserve Budget Five Year Plan

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
Beginning Balance	566,852	487,295	432,196	436,993	430,316
Income					
Interest Earned	9,600	9,104	8,606	8,587	9,689
Annual Contribution	150,843	179,997	202,281	219,008	236,661
Total Income	160,443	189,101	210,887	227,595	246,350
Capital Expenditures					
Roofs	(140,000)	(144,200)	(106,090)	(109,273)	
Sewer Laterals	(100,000)	(100,000)	(100,000)	(100,000)	(83,350)
Asphalt/Paving					(22,510)
Vehicle				(25,000)	
Tot Lot					(22,510)
Signage					
General Operating					
Total Expenditures	(240,000)	(244,200)	(206,090)	(234,273)	(128,370)
Ending Balance	487,295	432,196	436,993	430,316	548,296

- Continues basic plan established in 2009 budget Five Year Plan
- Reserve Study results incorporated
- Accelerate replacement of concrete asbestos roofs
- Revised roof cost based on historical experience, new bids, expanded scope

Assessments and Income

	FY 2008 Actual	FY 2009 Budget	FY 2009 Current Est.	FY 2010 Proposed
Income				
Assessments				
Residential Assessments	\$846,327	\$914,032	\$914,520	\$968,874
		8.0%	8.1%	6.0%
Total Assessments	\$846,327	\$914,032	\$914,520	\$968,874
Other Income				
Interest Income	\$17,781	\$12,200	\$5,238	\$9,600
NSF and Late Charges	\$1,656	\$0	\$424	\$0
Miscellaneous Income	\$1,026	\$0	\$0	\$0
Bad Debt	\$0	\$0	\$0	\$0
Total Other Income	\$20,463	\$12,200	\$5,662	\$9,600
Total Income	\$866,790	\$926,232	\$920,182	\$978,474
TOTAL OPERATING EXPENSES	\$772,625	\$816,754	\$778,110	\$818,031
INCOME less EXPENSE	\$94,165	\$109,478	\$142,072	\$160,443
Contribution to Reserve	\$95,943	\$109,478	\$142,072	\$160,443
From Interest	\$17,781	\$12,200	\$5,238	\$9,600
From Assessments	\$78,162	\$97,278	\$136,834	\$150,843

- Proposed 6% assessment increase, ~\$12 per unit per month
- Reduced interest income due to lower rates and lower reserves
- Increases contribution to reserves to address sewer lining and accelerate near term roof replacement schedule

Assessments and Income

Five Year Plan

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Assessment Change	6%	5%	5%	4%	4%
Residential Assessments	968,874	1,017,318	1,068,184	1,110,911	1,155,347
Interest Income	9,600	9,104	8,606	8,587	9,689
Total Income	978,474	1,026,422	1,076,789	1,119,498	1,165,037
Total Expenses	818,031	837,320	865,902	891,903	918,686
Contributions to Reserve	160,443	189,101	210,887	227,595	246,350

- Covers latest water rates and consumption averages
- Inflation on most items assumed at 3% per year
- Reduced interest income due to lower rates and lower reserves
- Bolsters contribution to reserves to address sewer lining and accelerate near term roof replacement schedule

Questions?

James Moser – Treasurer
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BACKUP

Assessments Schedule

	<u>FY 2009</u>	<u>FY 2010</u>	<u>Change</u>
Arlington	277.26	293.89	16.63
Barcroft End	182.81	193.77	10.96
Barcroft Inside	178.24	188.93	10.69
Braddock End	147.77	156.63	8.86
Braddock Inside	143.20	151.79	8.59
Clarendon End	222.41	235.76	13.35
Clarendon Inside	217.84	230.91	13.07
Dominion	257.45	272.90	15.45
Edgewood End	198.04	209.92	11.88
Edgewood Inside	192.71	204.27	11.56

- Proposed 6% assessment increase
- ~\$12 per unit per month
- Effective 1 November, pending budget approval

Neighborhood Comparison

	<u>Arbor</u>	<u>Mews</u>	<u>Meadows</u>	<u>Glen</u>	<u>Commons</u>	<u>Green</u>	<u>Villages</u>
Units	367	277	342	352	229	169	1,703
Monthly HOA - Inside Clarendon							
Current / Proposed	231	271	268	318	319	338	301
Date Implemented	1-Nov-09	1-Aug-09	1-Jan-09	1-Jan-09	1-Jan-09	1-Oct-08	1-Oct-09

- Data sourced from MRIS listings, community newsletters, and failington.org
- No representation of accuracy is made or implied

Sewer Table

Fairlington Arbor Sewer Lateral Status			
Court	Address	Feet	Status
1	3410A-3416B S Utah	136	Repaired 2002
1	3418-3428 S Utah	171	Repaired 1984
1	3430A-3436B S Utah	102	Repaired 2009
2	3440-3450 S Utah	93	Lateral Liner 2009
2	3452A-3456B S Utah	98	Lateral Liner 2008
2	3458-3462B S Utah	157	Lateral Liner 2009
2	3464A-3468 S Utah	123	Lateral Liner 2009
2	3470A-3474B S Utah	114	Lateral Liner 2009
2	3476-3480 S Utah	70	Lateral Liner 2009
2	3482-3488B S Utah	68	Lateral Liner 2005
3	3500-3514 S Utah	123	Lateral Liner 2006
3	3516-3526 S Utah	242	Lateral Liner 2009
3	3528-3546 S Utah	151	Original
3	4401-4411 S 36th	114	Lateral Liner 2005
4	3601-3611 S Wakefield	132	Original
4	3613-3617 S Wakefield	109	Original
4	4500-4504 S 36th	83	Lateral Liner 2009
4	4506-4510 S 36th	65	Lateral Liner 2008
4	4512-4514 S 36th	50	Lateral Liner 2008
4	4516-4518 S 36th	68	Lateral Liner 2008
4	4520-4522 S 36th	64	Original
5	4415 S 36th	63	Original
5	4419-4421 S 36th	75	Lateral Liner 2009
5	4425-4435 S 36th	62	Lateral Liner 2007
5	4437-4439 S 36th	78	Lateral Liner 2007
5	4441-4453 S 36th	64	Lateral Liner 2007
5	4501-4505 S 36th	62	Original
6	3501-3515 S Wakefield	134	Repaired 1988
6	3517-3527 S Wakefield	216	Lateral Liner 2006
6	3529-3539 S Wakefield	164	Lateral Liner 2005
6	4507-4517 S 36th	54	Repaired 1998
7	3459-3469 S Wakefield	130	Lateral Liner 2009
7	3471-3477 S Wakefield	237	Lateral Liner 2007
7	3479-3485 S Wakefield	310	All Plumbing 2004
7	3487-3497 S Wakefield	10	All Plumbing 2004
8	3407-3415 S Wakefield	76	Original
8	3417-3423 S Wakefield	31	Lateral Liner 2006
8	3425-3435 S Wakefield	46	Lateral Liner 2007
8	3437-3443 S Wakefield	66	Lateral Liner 2007
8	3445-3453 S Wakefield	59	Original
9	4500-4508 S 34th	103	Repaired 1995
9	4510-4528 S 34th	130	Repaired
9	4530-4540 S 34th	68	Original
10	4400-4410 S 34th	70	Original
10	4412-4422 S 34th	124	Repaired 1995
10	4424-4432 S 34th	114	Original
11	3610-3620 S Taylor	50	Lateral Liner 2009
11	3622-3632 S Taylor	50	Lateral Liner 2005
11	4300-4310 S 36th	65	Lateral Liner 2009
11	4314-4318 S 36th	76	Repaired 2000
11	4322-4332 S 36th	104	Lateral Liner 2009
12	4400-4410 S 36th	99	Lateral Liner 2009
12	4414-4416 S 36th	97	Lateral Liner 2009
12	4418-4428 S 36th	164	Lateral Liner 2009
12	4430-4444 S 36th	103	Lateral Liner 2009
12	4446-4452 S 36th	91	Lateral Liner 2009
12	4454-4460 S 36th	115	Repaired
12	4464-4470 S 36th	60	Original

Sewer Map



	Completely Lined
	Partially Repaired
	Completely Repaired
	Original Terra Cotta

Roof Table

<u>Court</u>	<u>Address</u>	<u>Original Roof Type</u>	<u>Replaced Roof Type</u>	<u>Year</u>
1	3410A-3416B S Utah	Bangor		
1	3418-3428 S Utah	Bangor	Vermont	2001
1	3430A-3436B S Utah	Bangor		
2	3440-3450 S Utah	Vermont		
2	3452A-3456B S Utah	Asbestos Cement	Vermont	2007
2	3458-3462B S Utah	Asbestos Cement		
2	3464A-3468 S Utah	Asbestos Cement	Vermont	2006
2	3470A-3474B S Utah	Asbestos Cement	Vermont	2005
2	3476-3480 S Utah	Buckingham		
2	3482-3488B S Utah	Vermont		
3	3500-3514 S Utah	Asbestos Cement	Vermont	2003
3	3516-3526 S Utah	Bangor	Vermont	1998
3	3528-3546 S Utah	Asbestos Cement	Vermont	2005
3	4401-4411 S 36th	Buckingham		
4	3601-3611 S Wakefield	Vermont		
4	3613-3617 S Wakefield	Vermont		
4	4500-4504 S 36th	Bangor		
4	4506-4510 S 36th	Buckingham		
4	4512-4514 S 36th	Bangor	Vermont	1998
4	4516-4518 S 36th	Vermont		
4	4520-4522 S 36th	Vermont		
5	4415 S 36th	Tile		
5	4419-4421 S 36th	Vermont		
5	4425-4435 S 36th	Vermont		
5	4437-4439 S 36th	Bangor	Buckingham	1984
5	4441-4453 S 36th	Vermont		
5	4501-4505 S 36th	Buckingham		
6	3501-3515 S Wakefield	Buckingham		
6	3517-3527 S Wakefield	Asbestos Cement		
6	3529-3539 S Wakefield	Bangor	Vermont	2002
6	4507-4517 S 36th	Buckingham		
7	3459-3469 S Wakefield	Vermont		
7	3471-3477 S Wakefield	Buckingham		
7	3479-3485 S Wakefield	Buckingham		
7	3487-3497 S Wakefield	Vermont		
8	3407-3415 S Wakefield	Bangor	Vermont	1999
8	3417-3423 S Wakefield	Asbestos Cement	Vermont	2004
8	3425-3435 S Wakefield	Asbestos Cement	Vermont	2002
8	3437-3443 S Wakefield	Asbestos Cement	Vermont	2004
8	3445-3453 S Wakefield	Bangor	Vermont	1997
9	4500-4508 S 34th	Asbestos Cement		
9	4510-4528 S 34th	Buckingham		
9	4530-4540 S 34th	Vermont		
10	4400-4410 S 34th	Vermont		
10	4412-4422 S 34th	Bangor		
10	4424-4432 S 34th	Asbestos Cement	Vermont	2003
11	3610-3620 S Taylor	Bangor	Vermont	1997
11	3622-3632 S Taylor	Bangor	Vermont	2000
11	4300-4310 S 36th	Vermont		
11	4314-4318 S 36th	Bangor	Vermont	1997
11	4322-4332 S 36th	Vermont		
12	4400-4410 S 36th	Bangor	Vermont	2000
12	4414-4416 S 36th	Vermont		

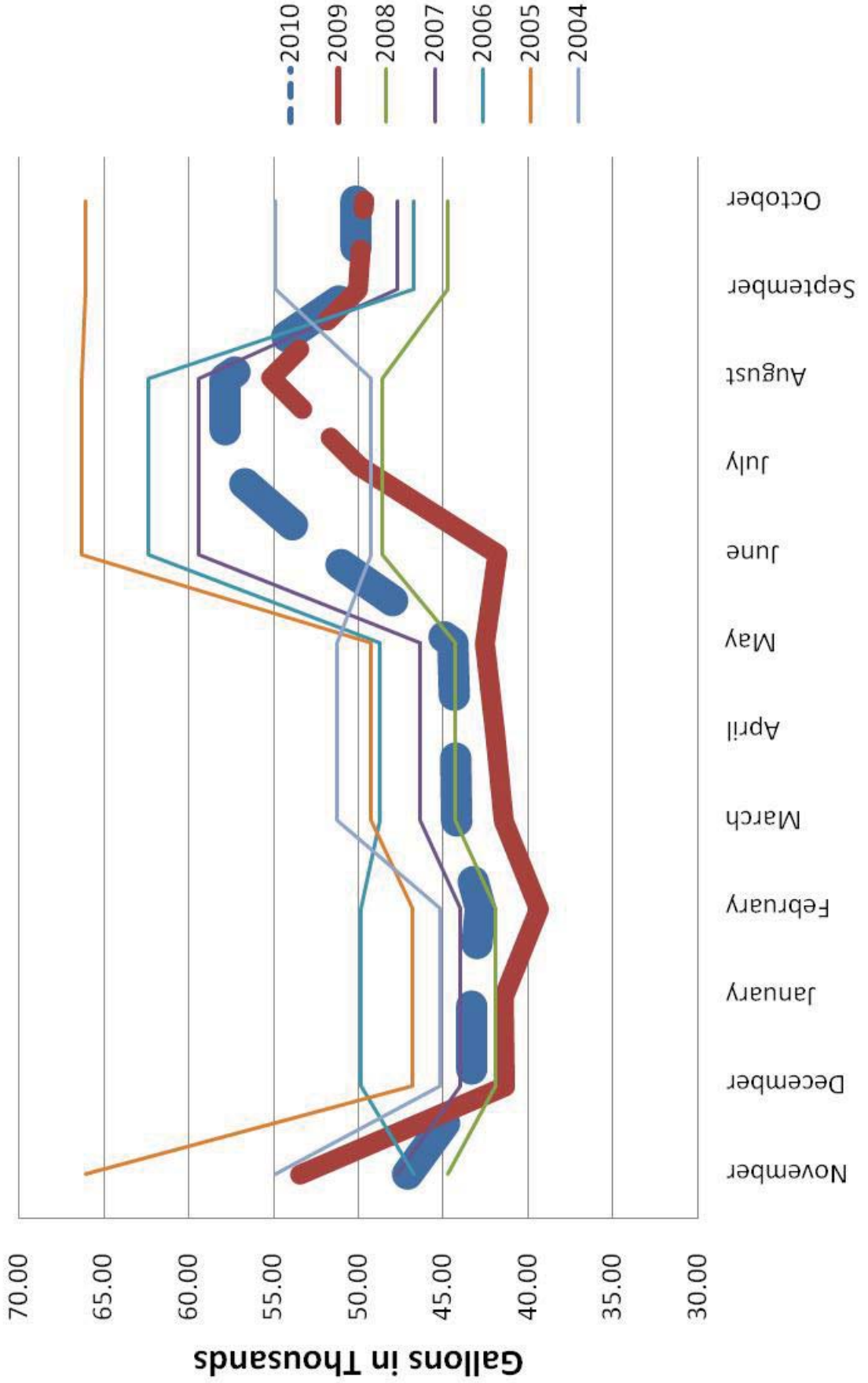
Roof Map



- Replaced Vermont - 75 yr
- Replaced Buckingham - 100 yr
- Original Bangor / Asbestos Cement - 50 yr
- Original Vermont - 75 yr
- Original Tile - 100 yr
- Original Buckingham - 100 yr

Fairlington Arbor

Average Daily Water Usage



Fairlington Arbor

Average Daily Water Usage

