

Fairlington Meadows

Council of Co-Owners

President's Budget Report

September 6, 2017

Dear Co-Owners:

The proposed 2018 calendar-year budget for Fairlington Meadows, as reviewed and approved by the Board of Directors, is enclosed in this mailing and is available on our website at <http://www.fairlington.org/meadowsindex.htm>. If you would like to follow along with the budget discussion at the meeting, please bring it with you as there will be a limited number of copies available at the Annual Meeting. The budget reflects a 2.60 percent increase in the residential assessments, which is less than the 2.8 percent increases of the last five years, and lower than the 3.40 percent increases we had for several years prior to 2013.

The items that factor into the increase include:

- **Rebuilding the reserve accounts:** During 2010, we completed the major capital improvements project of repairing and relining the sewer laterals serving the buildings. The final cost of the project, including grounds restoration and engineering services, was \$751,454, considerably less than the original estimate of approximately \$1 million. We continue to replenish the reserves, which were used to fund this important project.
- **Covering the costs associated with the snow and wind storms, heavy rains, earthquake and fire:** The snow storms in December 2009 and February 2010, the wind storm in August 2010, the tropical storms and the earthquake in 2011, and the building fire and derecho in 2012 all created significant expenses for us. Considerable damage was done to the gutters and drainpipes, as well as to the roofs, trees and landscaping throughout the community. Fortunately, insurance covered most of the cost for the roof and gutter work after we paid a \$10,000 deductible for each "event"; however, we had to bear the full cost for snow removal and tree work. We were very fortunate that no one was injured in the 2012 fire and, again, insurance covered all but the \$10,000 deductible for restoration of the unit. While some storm damage can be expected every year, and we plan for such in our budget, the severity, uniqueness and totality of these events was beyond expectations and very costly to the Association. Insurance premiums continue to rise nationwide as more and more of these types of extreme events occur. The Board works closely with our agent, USI, to keep premiums as low as possible.
- **Maintaining and replacing the roofs:** The roofs are deteriorating as they age, so the Board has put into place a systematic plan for repair and replacement. Roofs are replaced only when repairs no longer keep them weather-tight. Through September of this year, we have invested over \$121,000 for these repairs. We average one complete roof replacement per year; prioritization depends entirely on the condition of the roof, with the worst ones receiving the highest priority. The cost to replace one roof (multiple units) averages \$120,000; however, the size of the building and the extent of any damage to the underlying wood also drive the cost. Our maintenance crew and roofing contractor are constantly monitoring the condition of the roofs and performing routine maintenance.

- **Paying for water and sewer services:** Water and sewer services remain our single most expensive budget line item. The Board continues to urge residents to make every effort to conserve water both throughout the community and in your daily lives.

During previous years, the Board has had significant success in stabilizing cost increases for insurance coverage (due primarily to the upgrade of our sewer system) and grounds maintenance. We have been successful in negotiating with a number of our contracted service providers to keep monthly costs level, or at very modest increases, including the contracts for trash removal, property management, pool management, grounds maintenance, audits and insurance. In all cases, the items included in the 2018 budget reflect due diligence on the part of the Board (e.g., multiple vendor proposals to ensure the lowest responsible bid for the highest quality work; extensive research into proposed projects, particularly major capital improvements; and careful oversight of all contracts). We are continuing to set aside funds in the budget to replenish the reserve accounts and we prudently invest the reserves in certificates of deposit and money market accounts that produce modest but safe returns, relative to today's economy.

In summary, the Board believes that the 2018 budget is accurate and responsible. Despite all the storm-related costs incurred in the past several years, the Board has spared the community special assessments by maintaining adequate reserves and controlling costs. The Board will continue to monitor the budget and expenditures closely in 2018.

We look forward to seeing you at the Annual Meeting on Tuesday, October 17.

Sincerely,

John W. Thurber

John W. Thurber, President
Fairlington Meadows Board of Directors