



The Glen Echo

Newsletter of Fairlington Glen

Special Edition - August 13, 2025

August 2025 Special Budget Edition

The Fairlington Glen Board of Directors held a monthly meeting on Tuesday, July 8, 2025, at which time the Board moved to approve the proposed 2026 draft budget with a 2.6% dues increase for submission to the members at the 2025 Annual Meeting.

The Glen Treasurer presented his summary of the 2024 audit in the July edition of the Glen's newsletter. Therefore, that necessitates this special budget edition in which the Treasurer presents the draft budget line items to the community (after Board approval).

Following this page, please find Glen Treasurer Maynard Dixon's presentation of the 2026 draft budget with his explanation to all Glen co-owners.

Calling All Candidates

If you are interested in serving your community as a Board member, please contact the Glen President or any Board member. There will be two open seats on the 2026 Board, one (a three-year term) currently held by Glen President Charlie Robbins and one (one year remaining on a three-year term) currently held by Glen Secretary Seth Theuerkauf. Charlie has announced his intention to run again, but Seth is unable to fill the remaining year of his term.

Upcoming Important Glen Dates

- Board candidate profiles and proposed 2026 budget amendments are due to the Board Secretary by September 2, 2025.
- The Glen's Community Forum will be September 4, 2025, at 7:30pm online via Zoom.
- The Glen's Annual Meeting will be November 6, 2025 at 7:00pm online via Zoom.

Jay Yianilos / Editor

The *Glen Echo* is published monthly. Our editor is always looking for ideas or input. Please email him at jasonyianilos@yahoo.com.

The *Glen Echo* is published online each month on the Glen website, at <https://www.fairlingtonglen.com>. To be notified by email when the latest edition is published, with a link to the newsletter, sign up for Glen Alerts via the Glen's website. Your email address will only be used for official Glen business.

Budget and Fees Proposed for 2026

—Maynard H. Dixon, Jr., Treasurer—

At its meeting on July 8, 2025, the Board approved the draft 2026 budget and fee schedule in the table below for submission to Glen co-owners before the annual meeting on Thursday, November 6, 2025. The recommended budget would be based on a monthly fee increase of 2.6%. See the Proposed Fee Schedule at the bottom and the explanation of its calculation.

The Proposed 2026 Budget spreadsheet below presents the 2026 budget by Cardinal Management Company (Cardinal) account number. In January 2023, Cardinal changed many, but not all, of its existing account numbers. Where the number was changed, the account number before 2023 is in brackets. If a number is not in brackets, it is either the same number that was used before 2023 or the number of an entirely new account that was subsequently created. A blank cell indicates that the account was not used in the year. The table has a column for the audit of 2024, the latest one available.

Any Glen co-owner seeking a detailed, line-by-line explanation of the recommended budget should contact me, at MaynardDixonJr@gmail.com.

A Budget for Constrained and Re-Scheduled Expenses

Working for us in our 2026 budget are: (1) lower maintenance expense due to (a) declining need for proactive roof work and (b) to obtain better bids/unit, our completion of painting and related carpentry in 2025 that would ordinarily have been planned for 2026; and (2) an anticipated pause in the recent exponential growth in *Account 51750 Insurance* cost.

Working against us are: (1) larger-than-usual projected expenses for water, electricity, employee health insurance, and landscaping; and (2) an increased contribution to reserves to recover a 2025 contribution that was reduced in order to finance the extra painting and carpentry that was done in 2025.

This year’s proposed 2.6% dues increase compares favorably with trends in other increases affecting Glen residents over the last few years, as shown by the following table:

Dates	Dues Increase	Change in DC Area Consumer Price Index (BLS CPI-U)	Change in Federal Reserve Economic Data (FRED) PPI Nonresidential Building Maintenance and Repair	Federal Employee COLA DC Area	Social Security & CS Retiree COLA	BLS DC Area Average Wage & Salary Change for Year Ending in September	County Property Tax Increase on Arlington Unit
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2021	3.3%	1.5%	11.8%	1.0%	1.3%	4.7%	3.36%
2022	1.4%	6.0%	6.3%	3.20%	5.9%	4.1%	3.36%
2023	4.5%	4.4%	2.8%	4.86%	8.7%	5.5%	1.69%
2024	2.8%	3.6%	5.8%	5.31%	3.2%	4.0%	4.55%
2025	8.0%			2.22%	2.50%		0.00%
2026	2.6%						

Budget Development

The easiest to project expenses were: (a) those that are based on contracts that extend over future years, such as trash collection, contract landscaping, accounting, management, and pool operations; and (b) those that are discretionary, such as non-contract landscaping, employee cost-of-living adjustments, and certain pool spending.

Other expenses were more difficult to project because they are not fixed by contracts, but we can develop reasonable estimates based on known facts, trends, historical averages, or a knowledge of economics. For example, we projected water/sewer expense easily because we knew when and how the County will be changing its rates and we have (thanks to Glen volunteer Bill Worsley) accurate data on water consumption usage and trends. Taxes can be estimated based on projections of income and knowledge of tax rates. I have also been using this approach for maintenance, health care, and our condo insurance costs.

The most difficult to project expenses are those that involve randomness and no historical trends, especially if the account is new and we have no experience to draw from. Examples are *Account 51092 Legal Fee Reimbursement*, *Account 65370 Damage Claims*, and *Account 58582 Snow Removal* are examples. The best approach for this category is to budget long-term based on the best data we have, avoiding the recorded extremes or outliers. If we do this consistently, we will be more likely to balance the account over time even though individual years will come-in too high or too low.

Reserve contributions are also a part of our budget. The section below on *Reserve Contributions* walks readers through how our *2023 Replacement Reserve Study*¹ was used to budget our 2026 contribution to replacement reserves. This study has been posted to our website along with an updated plat portraying assets in the study.

¹ The valuation projections for this study start with 2023; but the final version of the study was completed on January 8, 2025, the date on the study document. The delay was due mainly to the inclusion of assets that were not in our 2018 study, notably additional drains and the buried power lines between the unit meters and the building units in Courts 1-4.

Highlights

The highlights of the budget are discussed below. Numbers were left unrounded when they were based on calculations, such as a trend line or an average of prior years.

- **Interest Income.** In budgeting *Account 40270 Interest*, conservatism is needed because it is highly volatile and subject to political pressure to keep interest rates low. If the current interest rates were to rise even by a few percentage points, the dollar increase in our interest income would be huge, but we should not base our budget on an increase that may not occur.

The projection of \$112,313 is what Morgan Stanley calculates would be earned on our reserves for one year from April 30, 2025 if the reserve level and the investment mix in effect on that date were to continue. This projection is conservative because it presumes that: (1) investable funds will not increase from their April 30, 2025 level to the end of 2026; and (2) the Federal Reserve Board will not be further increasing interest rates to ward-off inflation.

As in prior years, the 2026 budget presumes that the interest earned on our reserves, minus the taxes that we estimate would be paid on the interest, would be invested back into our reserves. Taxes are excluded so the operating portion of the budget will not subsidize the reserve portion of the budget. A rough estimate of the projected (federal + state) taxes is 21% of the projected interest. Thus, our *Account 90005 Replacement Reserve Interest* after-tax projection for 2026 = $.79(\$112,313) = \$88,727$.

- **Earnings On Equities.** At its April 2025 meeting, the Board voted to approve a plan where the Glen would invest part of its reserve funds in equities, rather than solely in the laddered CD's managed under our account with Morgan Stanley. The rationale is explained in our December 2024 newsletter, which is available on our website. Consequently, the Glen may be earning dividend and capital gain/loss income in 2026. To allow for this, we have added two new accounts for our ledgers and our budget:

Account 40281 Dividends. Budget this new account at \$0.00 for 2026, the first year of creation since we are not sure when we will begin to invest in equities and have no history to use for a projection. After 2026, we should be able to develop a rough projection of the dividends that will be earned based on the performance of prior years. Once we make that projection, we can do a rough projection of the taxes that will be paid on the projected dividends based on the applicable tax rates.

Account 40280 Capital Gains/(Losses). As with dividends, budget this new account at \$0.00 for 2026. For this and future years, the income posted to this account at the end of the year will almost always be \$0.00 because: (1) we will, as required by our guidelines, be investing funds in an index fund; and (2) index fund managers seldom accrue capital gains by selling stock. A significant sum would be posted to this account only if we were to sell one index fund and to invest the proceeds into another one.

- **Unpaid Dues and Their Recovery.** Our 2026 budget will discontinue income line item for *Account 40398 Recovery Income* and the related expense line item *Account 51401 Unpaid Assessments*. Our accountants prefer to treat these items as balance sheet

debits and credits, as in our *Account 14000 Accounts Receivable – Homeowner*. They view unpaid dues as recoverable until the Board officially writes it off as uncollectible, so they see it as improper to code the missing payments as an expense and their recovery by legal collection as income.

This “receivables-accounting” approach has its problems. When unpaid dues balances increase from year to year, this affects our ability to spend in the year of the increase, and we need to budget for this as an expense. While we stand a good chance of recovering most unpaid assessment income in a future year, we seldom know the exact year, and some debts will turn out to be uncollectible. Moreover, it would be helpful if these items were coded as income and expenses so our members could easily see them up front in our budgets. Notwithstanding these problems, the receivables-accounting approach is too firmly entrenched to be changed.

Fortunately, there is an acceptable alternative. We have added a new line item to the budget that has no ledger account number in Cardinal management’s accounting system but will allow us to track and to budget for unpaid dues and their recovery: in the budget table below, see *Predicted Change in Balance of Account 14000 Accounts Receivable - Homeowner*. The year-to-year *changes* in the balances of this account tell us how our budgets are being affected by unpaid dues income and its recovery. For example if the difference in the year 1 balance and the year 2 balance turns out to be negative, we know that recovery income in year 2 has grown faster than unpaid dues, and this will tend to increase to our bottom line profit/loss in year 2.

For projection, I developed a trend line. If the trend predicted by the trend line equation continues, we can expect that, from 2025-2026, the projected change in the balance of our dues receivable account from 2025-2026 will be $[\$16,991 (2026) - \$16,443 (2025)] = \$548$. This relatively small estimate is credible. While the area is suffering from employment actions that could increase unpaid dues in 2026, we are launching major, offsetting collections efforts against major debtors in 2025 that may bear substantial fruit in 2026.

- **Painting.** We are budgeting no cycled batch painting or softwashing work in 2026 for *Account 65310 Exterior Painting* because the Board, in May 2025, resolved to add the work that would have been done in 2026 (Courts 1-4) to its regular cycle of work in 2025 (Court 13-16). Funds will still be available for spot painting where the unit cannot wait until the next cycle.

- **Carpentry.** *Account 65284 Carpentry* takes place either (1) in-batch after bad wood is identified in the painting cycle or (2) on a spot basis:

(1) Cycled Work. We will be budgeting no cycled batch carpentry work in 2026 because the Board in May 2025 resolved to add the work that would have been done in 2026 (Courts 1-4) to its regular cycle of work in 2025 (Court 13-16).

(2) Uncycled Work. During 2026, there will most certainly be uncycled spot repair work. Kolas' carpentry fees have been increasing, but my 2024 estimate of \$63/uncycled unit seems much too high to use as an estimate for the 352 uncycled units in 2026, because: (1) the 2024 estimate reflects a higher-than-likely percentage of expensive spot

work in relation to the percentage of batch work; and (2) carpentry in almost half the Glen will have been completed in 2025. The 2023 estimate of \$33/uncycled unit seems is closer to the historical trend. Adjusting the \$33 for inflation during 2023-2026, our total uncycled cost = $[\$33/\text{Uncycled unit}][1.030(2024 \text{ actual})][1.025(2025 \text{ actual})][1.033(2026 \text{ estimated})][352 \text{ uncycled units}] = \$12,672$. Thus, for 2025, our total = \$0.00 (cycled) + \$12,668 (uncycled) = \$12,668.

- **Roof Repair**. Our *Account 65460 Roof Repair* budget of \$18,950 will be devoted entirely to unplanned spot work that cannot wait until the next batch repair cycle. We will be avoiding cycled repair work in 2026. This will lessen dues increase. The work is lower priority than painting, carpentry, and soft washing. The work in Courts 5-8 that was originally planned for 2026 is being postponed to 2027 and the budget for that year.

Our \$18,950 spot work budget for 2026 was estimated as (a) the number of roofs in the Glen that will be uncycled in 2026 (all 307 roofs in the Glen) multiplied by (b) the \$56 historical repair cost/uncycled roof from 2022-2024 and then (c) the actual and projected inflation during these years. If you have a better way of projecting this expense, please let me know.

- **Damage Claims**. *Account 61370 Damage Claims* is a volatile account.² It records four types of claims expense (debits): (1) expenses for property damage that is expected to be covered by the Glen's insurance; (2) payments to satisfy co-owner damage claims against the Glen; (3) bills that are paid by the Glen in emergency situations (usually involving plumbing) but that must be reimbursed by the owner because the damage is an owner responsibility; and (4) claims against third parties for expenses that we paid but can be recovered by litigation, such as legal fees. The balance can turn negative when large, offsetting reimbursements are credited to this account in subsequent years.

The history reveals no trend. Lacking any evidence of a trend, the best approach would be the average of 2018-2024, which is \$6,872.

- **Landscape**. Spending on our main landscape contract is projected to maintain its upward trend, but discretionary funding, except for what will be added by our new landscape savings fund, will be reduced overall to limit our dues increase.

Main Contract. *Account 58000 Landscaping Maintenance Contract* spending on the main landscape contract is projected to maintain its upward growth due to labor, gasoline, and environmental costs incurred by contractors in this area. Our attempts to get a better price/quality mix by continually switching contractors have not succeeded over the years.

The main contract fee for 2026 is not certain because our existing contract with ProGrounds may not be renewed. Under this contract, our fees were increased annually be 3%, and, if the CPI increase exceeds 3%, there was to be an additional percentage increase equal to the difference between the CPI increase and a 3% increase. In 2025, ProGrounds' annual fee turned out to be \$108,006.

² The tabular history of this account in the July 2024 newsletter article on the audit of 2024 shows how volatile this account can be.

Our best estimate is to assume that, in 2026, we will be under a new contract with terms that are similar to those in our existing contract with ProGrounds. My projected increase in CPI-U for the DC area during 2025 is projected is 3.6%. Under these assumptions, our projection for 2026 = $[1.036][\$108,006 \text{ (2025 rate)}] = \$111,894$.

Discretionary Spending. Discretionary landscape spending will be reduced to limit our dues increase. *Account 58050 Landscape Grounds Non-Contract* (spending outside our main landscape contract) will be reduced by \$7,000. *Account 61572 Special Projects/Improvements* will be reduced by \$1,000 to \$3,000. These reductions are supportable because we have not been skimping on discretionary landscape spending in recent years and we are creating a new landscape savings fund.

- **New Landscape Savings Fund.** Authority to spend unspent budget funds normally expires at the end of the budget year. This is proper annual budgeting practice, but it restricts landscape planners to yearly short-term planning. To foster long-term planning, this budget would add a new account, *Account 90103 Grounds Reserve Account*, for yearly contributions to the cost of big, multi-year landscape projects. Our initial contribution to this account would be \$2,000.

At the end of each year, the *Account 90103* balance would be added to a new asset account for accumulated landscape funds, *Account 25565 Landscape Use: Replacement*. This account will be used to fund planned long-term projects, not for spending in “Year 2” funds for yearly projects that were budgeted for “Year 1” but remained unspent at the end of that year. For proper use of these accounts, we will need to take care: (1) not to lose track of the funds in *Account 25565* and to plan for their long term use; and (2) to provide for annual contributions to *Account 90103* that will be sufficient to fund any long term plans.

- **Management on-Site.** Our fulltime onsite manager is a Cardinal Management employee, unlike the two employees on the Glen’s own payroll; but Cardinal allows the Glen to set the onsite manager’s basic salary, and the Glen then reimburses Cardinal for that salary + Cardinal’s related employment expenses. Related employment expenses may include health insurance, life insurance, a retirement plan contribution, social security tax, Medicare tax, unemployment insurance tax, and administrative expenses. To keep these expenses under control, the Glen and Cardinal, in mid-2022, contractually agreed to set the onsite manager’s related expenses at 30% of his/her base salary.

Base Salary. When Cardinal and the Glen were negotiating a new compensation formula in 2022, we informed Cardinal that we would expect to be approving annual percentage salary increases for our onsite manager that are at least equal to those of our own employees. Applying this formula to 2026, Cardinal would be receiving a 2.7% increase (the increase proposed for our own employees) in our 2025 payment of \$83,348.70 to finance her base salary, resulting in an increase to $\$85,599.11 = (1.027)\$83,348.70$.

Related Expenses. Applying the 30% ancillary expenses increase factor discussed above results in a total payment of $\$111,278.84 = (1.3)(\$85,599.11)$.

- **Maintenance Payroll.** To budget for changes in the compensation for our two onsite employees, we consider changes in various indices that are available on the internet: BLS DC Area Average Private Industry Wage & Salary Changes; Social Security and C.S. Retiree COLA; FERS Retiree COLA; Federal Government COLA; CPI-W DC Area; and CPI-U DC Area.

All things considered, an increase of 2.7% would be appropriate for 2026. With this increase, the salary compensation received by our two onsite employees would continue to track the changes in the above indexes from 2011-2023 or 2024. This increase would preserve their compensation in comparison with (1) the compensation received by area employees and retirees and (2) the cost of living changes in the DC area.

The base for projection of this expense after a percentage wage increase is the audited amounts actually paid in the most recent prior year (excluding irregular bonuses), rather than base salaries, because overtime and regular bonuses must be considered in any good projection.

For 2026, begin with the amount paid in 2024. The audited ledger shows \$110,620.32, including a longevity award to Maria of \$1,011.90 (two gift card payments costing \$505.95 each). For projection purposes, subtract the longevity award and add-back the \$2,277.00 income that was actually earned in 2024 but was excluded by the auditor in an "audit adjustment" because it was mistakenly included in (debited to) calendar year 2023. Thus, for 2026, our projection is: $[(\$111,982.78 - \$1,011.90 + \$2,277.00) (2024 \text{ Adjusted Ledger Total})] [1.048 \text{ (increase for 2025)}] [1.027 \text{ (increase for 2026)}] = [\$113,247.88][1.048][1.027] = \$121,888.24.$

The actual amount actually spent in 2026 will depend on actual hours worked and bonuses, both of which can be unpredictable. If we had to exceed budget to grant a special award that was not budgeted, such as an anniversary bonus, we can do so.

- **Management Fee (Cardinal Management).** Our *Account 51120* basic management fee is set under our contract with Cardinal Management Company. That fee has not been a major factor driving Glen dues increases. Under our contract with Cardinal, the fee is adjusted annually according to year-end changes in the Consumer Price Index for urban workers (CPI-U) for the metropolitan Washington, D.C., area. Increases are capped at 5% per year. At the beginning of 2023, the Glen continued this formula, but with a fee of \$67,584 based on the hiring of a full-time employee who will do even more work than was previously done by Cardinal. In January 2024, the Glen continued this formula, but with a reduced fee of \$65,976.35 to account for reduced attendance by the portfolio manager (supervisor of our onsite manager) at our Board meetings.

Our agreement will likely be renewed in 2026 based on the same CPI-U formula. The fee for 2025 = $\$67,757.71 = 1.027 [\$65,976.35 (2024)]$. For 2026, assume that the Jan. 2026 - Jan. 2027 CPI-U will have increased by 3.6%, the increased that I have predicted for that year. Thus, 2026 = $[1.036][\$67,757.71(2025 \text{ contracted})] = \$70,197.$

- **Management Schedule B.** In 2019, we added *Account 51125 Management Schedule B* to record separately and to budget Cardinal's Management Contract Schedule B fees, which were previously hidden-away in *Account 51550 Misc. Administrative*. Cardinal's

Contract Schedule B fees are charged for per-occurrence items, such as copying and preparation of re-sale packages. The numbers of transactions fluctuate from year to year. The charges have not been fixed under recent contracts, so they are free to vary yearly. Some of them are based on actual per-transaction costs that are beyond Cardinal's control. Others are based on hourly rates charged by Cardinal. Cardinal has reserved the right to change them at will.

In 2026, as in the last 4 years, I projected Management Schedule B charges using a trend line because they are volatile as to the number of transactions. The 2026 projection based on the trend line equation is \$11,748.

- **Insurance**. Expenses for the Glen's insurance policy are coded to *Account 51750 Insurance*. After 2019, our insurance cost began to rise rapidly. In September 2023, the Glen was hit with the largest ever increase in the cost of its General Liability policy -- from \$103,629 to \$200,403. Due to this late, unexpected, and unbudgeted increase, we underbudgeted this account in 2024 by \$88,812. We financed the \$88,812 extra cost during 2024 from our contingency fund and used our 2025 budget to replenish that fund.

The huge increases in recent years were not due to the Glen's loss history, which has been quite favorable. The increases were likely due to rising replacement costs and insurer reaction to fire and flood disasters in California and Florida. These disasters received extensive news coverage.

Exponential growth in insurance cost cannot continue indefinitely. Eventually, declining fear of ever-growing losses, regulation, and/or market resistance³ applies a break. Conforming to this pattern, our rate of increase for 2024-2025 slowed to 3.45% for the entire package (the Greater New York master policy + the other policies in the package).

For a proxy to estimate future changes in our rates, I used the historical FRED [Federal Reserve Economic Data] Producer Price Index of Premiums Paid For Homeowners Insurance. This index shows: (1) an average annual (not compounded) rate of increase of about 9%/year from June 1998-June 2022; (2) a sharper average annual, average rate of increase of about 60%/year from October 2022 to September 2024; and (3) a virtually flat rate of increase from September 2024 to March 2025. For October 2025-October 2026, I assumed that the factors producing the sharp increases from October 2022-September 2024 have dissipated and that countervailing factors, such as regulation and consumer resistance, will continue to cause rate increases to drift gradually downward until the end of the first 9 months of October 2026.

If we assume that these trends are accurate and use them to project from the most recent cost of our General Liability insurance (contact me if you want the details), our projection for this policy turns out to be \$217,389. I have also projected the costs of our other policies, such as workman's compensation and liability, which have been much less volatile. The sum of the projected costs of our other policies = \$20,956 (contact me if

³ One type of market resistance in self-insurance via increased deductibles. To constrain its insurance cost, the Glen has opted for an increased deductible.

you want the details). Thus, the projected cost of our total insurance package is \$217,389 (General Liability) + \$20,956 (Other Policies) = \$238,345.

I did not budget for a premium increase due to the 2025 fire in Court 5. This was the only human-caused major fire in the history of the Glen. The only other major fire in the Glen was a late 1970s fire in Court 3 that was caused by lightning. Insurance companies are likely to cut us more slack after unpredictable, commonly insurable events like this fire than they would after disasters that follow known risk-increasing factors, such as building condition (prone to water leaks, no firewall, etc.), weather, crime, and susceptibility to earthquakes. Hard-to-estimate, unexpected cost increases due to events like this are best covered by our contingency fund.

- **Health Insurance.** The health insurance cost paid by the Glen for its own two employees is posted to *Account 71070 Group Insurance*. Health insurance for our onsite manager, a Cardinal Management employee, is provided by Cardinal under its own company-wide insurance plan.

We have been insuring our employees with a high benefits, small group family coverage policy from CareFirst Blue Cross. The cost of this coverage changes with the age of the insured, the number of dependent children under age 26, and the same hard-to-predict regulatory and market considerations that influence medical insurance cost in general.

This expense for our two employees is best projected by a trend line. A trend line will capture the effect of age-dependent changes in the premiums, general inflation in the economy, and inflation in regulatory and medical costs that affect all providers. The line that I developed closely fits the data. Solving the trend line equation, we estimate their 2026 expense to be \$37,129 for both employees by themselves, with dependents no longer included since they both aged-out in 2021.

This is a sharp increase from our budget of \$28,619 for 2025, where I underestimated our actual expense of \$35,139, due mainly to my mistaken exclusion of the cost of employee dental insurance (explained in greater detail in our December 2025 newsletter).

- **Electricity.** Electricity bills are posted to *Account 62000 Electricity*. Begin by examining our historical trend in cost and how it may be affected by usage and rate changes.

Historical Trend. From 2010-2019, the cost was stable -- above \$10,000 for only two years. In 2020, our cost began to trend upward, probably due to the increased cost of green energy. The cost projected for 2026 by the historical trend line alone, beginning in 2019, is \$12,858, which would be a 6.4% increase over the 2024 audited balance.

Usage. Usage is not likely to change significantly from 2024 (the latest audited figure) to 2026. I see no significant changes in outlets or usage (wattage/outlet) additions to outlets during those years.

Rate Changes. In early 2025, there were new reports that Dominion Energy is proposing rate increases that would raise the average residential bill by 15.3% in 2025-2026. Some of this increase is likely to be approved because of the increased demand for power from data centers and the rising cost of the green energy that must be produced to meet this demand before nuclear power comes online.

Weighing the Factors. A safe estimate on the high end is that rates in 2024 will increase over the next two years by the average of the trendline increase of 6.4% and the 15.3% that Dominion is proposing = 10.8%. Thus, our estimate for 2026 = [$\$12,099$ (2024)][1.108] = $\$13,406$.

● **Water/Sewer.** Our joint water/sewer bills are posted to *Account 62120 Water/Sewer*. Our projected total 2026 cost is $\$227,055$, based on:

(1) a County-staff recommended July 2025-June 2026 increase in the County's per-meter charge from $\$21.92$ to $\$21.94$, and our projected 3% increase for the remainder of 2026 (July 2026-June 2027);

(2) a County-staff recommended July 2025-June 2026 increase in the County's volume charge from $\$15.25$ /thousand gallons to $\$15.88$ /thousand gallons, and our projected 3% increase for the remainder of 2026 (July 2026-June 2027); and

(3) a projected usage = the 3-year rolling average usage of 13.805 thousand gallons (up from the prior year's rolling average = 13.609 thousand gallons).

The 2026 estimate is 5.5% higher than our estimate for 2025.

Reserve Contributions

● **Contingency Reserve.** Our *Account 25620 Reserve Contingency* is an asset account that is fed by budgeted contributions to *Account 90061 Transfer Reserves Contingency*. Our contingency reserve is a part of what our accountant calls our "excess operating funds" (EOF) (contingency + unappropriated members equity). EOF protects our operating budget against unforeseen expenditures, such as snow removal, downed trees, flooding, and a volatile insurance market. We try to equalize our contingency reserve with the funds in our contingency bank account and to equalize our unappropriated members equity with the funds in our checking operating account.

Our contingency reserve is a major part of what our accountant calls our "excess operating funds" (EOF) (contingency + unappropriated members equity after profit/loss). EOF funds are available for budgeted operations. The auditor recommends that we maintain EOF of from 10-20% of our annual assessments. The upper range of 20% would provide a sound buffer against uninsurable disasters, adverse governmental employment developments, and hidden property defects.

For our budgeted 2025 assessment income = $\$2,066,307$, this larger buffer would require an EOF of $\$413,261 = .20(\$2,066,307)$. At the end of 2024, we were $\$93,318$ short of our 2025 goal, with an EOF = $\$319,943 = \$256,325$ (contingency) + $\$111,838$

(unappropriated members equity) - \$48,220 (loss). See the Table below, based on the rounded account balances:

	2024	2023	2022	2021
<i>Account 25620 Reserve/Contingency</i>	256,325	189,128.94	231,009.05	218,273.44
<i>Account 30410 Unappropriated Members Equity [20410 Before 2023]</i>	111,838	111,838.30	111,838.30	111,838.30
Profit (Loss)	(48,220)	53,196.02	(41,880.11)	12,735.61
EOF	319,943	354,232.56	300,967.24	342,847.35

For 2026, the best we can do is to get as close to the required EOF as the available data will allow. We cannot determine how much to add to contingency in our 2026 budget to bring EOF at the end of 2026 up to its recommended level of 20% of our annual assessment -- because EOF at the end of 2026 will be affected by what happens during both 2025 and 2026. For 2025, we are contributing \$10,000 to contingency. To hedge against further unexpected increases in insurance, electricity, and snow removal costs, a budget of \$20,000 in 2026 for *Account 90061 Transfer Reserves Contingency* is my educated guess.

● **Replacement Reserve.** Our contributions to our reserves should be guided by our reserve study. Our 2023 reserve study shows that we are not fully funded (reserves = accrued depreciation), although we have been making steady progress getting there.

Goal of Full Funding

Full funding of reserves is a desirable goal for the Glen, for these reasons:

- (1) Full funding ensures that earlier owners do not consume, or benefit from use of, the Glen's assets and leave the replacement cost to be borne by later owners via huge dues increases, borrowing, or special assessments as the Glen continues to age.
- (2) Banks and governmental agencies are becoming increasingly wary of the risks of lending to older condominiums with inadequate reserves.
- (3) Larger, fully funded reserves also (a) increase our ability to invest funds that may not be needed in the short term in less liquid investments offering greater returns and (b) allow the Glen to contract for the batch replacement of assets at a lower unit cost.

(4) Full funding can also cushion us short term if we ever have to recover from natural or man-made disaster.

Recommended Annual Contributions

In any budget, our total contributions to reserves (regular contributions + earned interest) should never be less than the full funding amounts recommended in our most recent study and should, wherever possible, attempt to exceed the recommended sums. Here is why:

(1) Reserve contributions that are less than the amounts recommended by the reserve study are noticed by lenders and will be reported in our audit.

(2) Even the best reserve study can err because the estimation of useful lives and replacement values of assets like sewer pipes and slate roofs has always had some art mixed in with the science. It is better to err on the upside than the downside; for if we later find that we have overestimated replacement needs, the funds will still be available for return to owners or the financing of upgrades.

In 2026, we should fund our reserves with (1) a regular contribution based on our 2023 reserve study + (2) an extra contribution to make-up for what was budgeted, but will not be contributed, in 2025 due to our May 2025 Board decision to pursue larger-than-budgeted painting and related carpentry expenses during this year.

(1) Regular Contribution. The projection table in Appendix C of our 2023 reserve study calculates, for each of the succeeding 20 years, what it calls the annual "Breakeven Reserve Contribution" to reserves that is needed to fund both: (a) the "Annual Depreciation" for the given year;⁴ and (b) an additional "Inflation Addition" needed to recover inflation in the replacement cost of assets after their original purchase. For 2026, the reserve study's Breakeven Reserve Contribution is $\$713,809 = \$412,250$ (Annual Depreciation) + $\$301,559$ (Inflation Addition⁵).

Our reserve study concludes (Appendix C, p.6) that, based on its assumption that the returns on our reserve investments portfolio are likely to grow faster than the projected increase in replacement costs, that we can attain 80% funded reserves 20 years after the 2023 starting date of the study by making less than the Breakeven contributions each year, *i.e.*, contributions that equal the prior year's Annual Depreciation increased by 2.8%, which is slightly above the estimated 2.55% annual rate of increase in replacement costs. For 2026, that lesser contribution would be $\$674,000$ (rounded) = 1.028 [$\$655,576$ (2025 Contribution)]. This would happen if, as the study projects, the annual return on our total reserve investment portfolio regularly exceeds the 2.8% projected increase in

⁴ Each year's Annual Depreciation is derived by indexing forward the \$392,003 year 2023 start-up annual depreciation from Appendix A, Full Funding Analysis of Replacement Reserves Summary Table, page 3. Thus, for 2026, the Annual Depreciation of $\$412,250 = [1.0255$ (average CPI since 2004)] [$\$401,999$ (prior year's Annual Depreciation)].

⁵ The 2026 Inflation Addition of $\$301,559 = [.0255$ (the Average CPI Since 2004)] [$\$11,825,859$ (2025 Full Funding Amount, *i.e.*, accrued depreciation at the end of 2025)].

replacement costs, as it would with a projected 3.00% increase in 2026 and 3.25% thereafter.

I recommend, however, that we make the higher Breakeven Reserve Contribution each year. The lesser contributions described above rest on what could turn-out to be an overly optimistic assumption that the future returns on our reserve investments will exceed the inflation in asset replacement costs. To avoid this risk, we should contribute the larger Breakeven Reserve Contribution each year, at least until we pass 60% of full funding of reserves and discover, in a future reserve study, that less is needed to attain full funding.

If we make this larger \$713,809 Breakeven Reserve Contribution in 2026, our reserves will grow by an extra \$39,809 = \$713,809 - \$674,000 (Projected 2026 Contribution), and our full funding percentage will be a larger 42.48% [(\$4,924,673+\$39,809)/\$11,685,846], rather than the 42.14% shown in the study (\$4,924,673/\$11,685,846). This difference will grow exponentially.

(2) Extra Make-Up Contribution. To our regular contribution we should add \$163,894 to make-up for a reduction in our budgeted 2025 reserve contributions to fund extra painting and related carpentry work in 2025.

Thus, our total gross replacement reserve contribution for 2026 should be \$713,809 + \$163,894 = \$877,703.

Part of the \$877,703 required gross contribution will be funded from projected *Account 90005 Replacement Reserve Interest* (after taxes) and *Account 90062 Cable Marketing Reserves* income (after taxes). Thus, our required contribution from dues income alone will be \$877,703 - [\$88,599 (Interest Income after taxes) + \$4,171 (Cable Marketing Reserves income after taxes)] = \$784,805.

PROPOSED 2026 BUDGET

ACCOUNT NUMBER [Different Number Before 2023]	ACCOUNT NAME	2024 After Audit	2025 Budget	2026 Budget
INCOME				
40100 [30100]	Assessment Income	1,912,788.00	2,066,307	2,120,516
40270 [30270]	Interest	107,898.71	83,687	112,313
40280	Capital Gains/Losses			0
40281	Dividend Income			0

ACCOUNT NUMBER [Different Number Before 2023]	ACCOUNT NAME	2024 After Audit	2025 Budget	2026 Budget
40398	Recovery Income		3,258	Deleted Budget Account
40290 [[30290]	Bad Debt Recovery	0.00	100	188
40172 [30171]	Late Fees	3,025.00	1,412	1,631
40190 [30190]	Pool Income	0.00	200	128
40430 [30260]	Misc. Income	5,280.00	5,280	5,280
40010	Additional Charges	375.00	245	375
	Total Income	2,029,366.71	2,160,489	2,240,431
	EXPENSES			
[No Ledger Account]	Change in Balance of Account 14000 Accounts Receivable - Homeowner			548
	ADMINISTRATIVE and MISCELLANEOUS			
51020	Postage	0.00	100	100
51030	Office Expense	4,381.41	4,071	4,160
51031	Copying/Printing	1,582.85	1,232	1,222
51050	Training & Education	0.00	300	300
51250	Entertainment & Social	226.41	300	300
51500	Misc. Expense	721.00	1,466	668
51550	Misc. Administrative	5,541.35	5,228	5,590
51110	Auditing, Taxes, and Accounting	9,625.60	10,200	11,450
51090	Legal Fees	9,840.85	17,500	21,000
51092	Legal Fee Reimbursement	0.00	(1,936)	(5,146)
51120	Management Fee	65,976.36	68,615	70,197
51125	Management Schedule B	11,910.90	10,683	11,748
51160 [51000]	Telephone & Related	3,832.71	3,973	3,971
	Total	113,639.44	121,732	125,561
51750 [71050]	INSURANCE	220,919.91	225,593	238,345

ACCOUNT	ACCOUNT	2024	2025	2026
NUMBER [Different Number Before 2023]	NAME	After Audit	Budget	Budget
	PERSONNEL			
51137	Management On-Site	103,391.00	108,354	111,279
52420 [61420]	Maintenance Payroll	111,982.78	114,825	121,888
52301 [61301]	Fed. FICA Tax	6,937.62	7,119	7,467
52308 [61308]	Fed. Medicare Tax	1,622.51	1,665	1,746
52302 [61302]	VA Unemployment Tax	16.00	50	48
52303 [61303]	Fed. Unemployment Tax	84.00	103	92
51770 [71070]	Group Insurance [Health]	32,269.44	28,619	37,129
52044 [61300]	Payroll Administration	10,189.25	10,542	10,855
65360 [61360]	Uniforms	218.63	450	500
52431 [61431]	Temporary Help	0.00	5,200	2,000
	Total Personnel	266,711.23	276,927	293,004
	UTILITIES			
62000 [71030]	Electricity	12,099.10	12,247	13,406
62120 [71010]	Water/Sewer	216,338.84	215,189	227,055
	Total Utilities	228,437.94	227,436	240,461
	POOL COMPLEX			
6000 [61150]	Pool Contract	59,500.00	61,285	64,189
60115 [61145]	Pool Repair and Maintenance	12,347.89	12,981	13,082
60176 [61156]	Pool Furniture	1,467.00	3,500	2,500
51268 [51258]	Pool Committee	3,174.00	2,500	3,200
	Total Pool Complex	76,488.89	80,266	82,971
	LANDSCAPING			
58000 [61180]	Landscaping Maintenance Contract	104,862.00	109,086	111,894
58172 [61188]	Tree Service [after 2018 -- work related to maintenance and reserve projects]	2,889.00	3,000	3,000

ACCOUNT NUMBER [Different Number Before 2023]	ACCOUNT NAME	2024 After Audit	2025 Budget	2026 Budget
61572	Special Projects/Improvements	3,208.94	4,000	3,000
58050 [61557]	Landscaping Non-Contract	20,982.73	25,000	18,000
58070 [61570]	Landscape Replacement [Damage from Contractor Negligence or Weather]	1,965.00	4,380	4,326
90103	Grounds Reserve Account [for contributions to Account 25565 Reserve Use: Landscape]			2,000
	Total Landscaping	133,907.67	145,466	142,220
	REPAIRS & MAINTENANCE			
65310 [61310]	Exterior Painting	46,576.00	93,160	0
65284 [61284]	Carpentry	41,939.50	35,447	12,668
65200 [61200]	Property Repairs	13,475.25	28,687	26,365
65090 [61090]	Maintenance Supplies	4,395.43	6,231	5,796
65469 [61460]	Roof Repairs	0.00	36,891	18,950
65010 [61010]	Vehicle Expenses	489.68	610	597
65247 [61247]	Playground Equipment	1,767.82	3,858	3,402
51106	Professional Fees	21,009.50	14,482	15,321
	Total Repairs & Maintenance	129,653.18	219,366	83,099
65370 [61370]	DAMAGE CLAIMS	1,408.00	7,783	6,872
	SERVICES PROVIDED MAINLY BY CONTRACT			
65240 [61240]	Exterminator	3,909.00	4,066	4,117
58582 [61581]	Snow Removal	26,022.00	10,258	11,636
65250 [61250]	Trash Removal	81,750.65	85,993	87,699
	Total Contracts	111,681.65	100,317	103,452
51400 [50400]	CREDIT LOSS – RECEIVABLE (BAD DEBTS EXPENSE)	1,501.00	200	1,501

ACCOUNT NUMBER [Different Number Before 2023]	ACCOUNT NAME	2024 After Audit	2025 Budget	2026 Budget
51401 [50401]	UNPAID ASSESSMENTS		1,969	Deleted Budget Account
	INCOME TAX ACCOUNTS			
51140 [71140]	Income Taxes	26,716.00	17,574	24,695
95000	Provision for Income Taxes			
	TOTAL EXPENSES	1,311,064.91	1,424,629	1,342,728
	RESERVE CONTRIBUTIONS			
	Replacement			
90000	Replacement Reserve [Contributions from Dues Income]	662,000.04	655,576	784,805
90005	Replacement Reserve Interest	85,239.98	66,113	88,727
90062	Cable Marketing Reserves [Funds amortization payments that are to be posted yearly to replacement reserves]	5,280.00	4,171	4,171
90061	Transfer Reserves Contingency	14,000.04	10,000	20,000
	Total Reserve Contributions	766,520.06	735,860	897,703
	GRAND TOTAL EXPENSES	2,077,584.97	2,160,489	2,240,431
	BALANCE OF INCOME AND USES OF INCOME (- DEFICIT)	(48,218.26)	0	0

PROPOSED FEE SCHEDULE

The fee schedule in the table below is derived by taking the revenue to be raised from assessment income alone in 2026 (\$2,120,516), multiplying it by the ownership percentage of each model, dividing by 12, and rounding to the nearest dollar. Due to rounding, the percentage annual changes in assessments experienced by the individual unit types may differ slightly from the yearly overall average percentage change (2.6% in 2026), but the differences are random and will not accumulate:

Unit Type	%	2026	2025	2024	2023
Arlington	.00379	\$670	\$653	\$604	\$588
Barcroft (I)	.00243	\$429	\$418	\$387	\$377
Barcroft (E)	.00250	\$442	\$430	\$399	\$388
Braddock (I)	.00195	\$345	\$336	\$311	\$302
Braddock (E)	.00202	\$357	\$348	\$322	\$313
Clarendon (I)	.00297	\$525	\$511	\$474	\$460
Clarendon (E)	.00304	\$537	\$523	\$485	\$471
Dominion	.00351	\$620	\$604	\$560	\$544
Edgewood (I)	.00263	\$465	\$453	\$419	\$408
Edgewood (E)	.00270	\$477	\$465	\$430	\$419

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