FY24 BUDGET

Frequently Asked Questions

In our continuing effort to respond to the feedback and questions from the community about the new budget, how it is funded, and the new trash service, we wanted to take this opportunity to capture the most frequently asked questions in a single place to help answer these questions for the entire community. We will continue to update this FAQ sheet as needed until the annual meeting, but please feel free to reach out to our management team for further questions at 703-670-6187 or by e-mail at info@montclairva.com.

What are the actual costs of the Montclairion and why do we need it?

Pursuant to Section 55.1-1817 of the Virginia Property Owners Association Act (the Act), the Board of Directors (BOD) are required to "establish a reasonable, effective, and free method, appropriate to the size and nature of the Association, for lot owners to communicate among themselves and with the board of directors regarding any matter concerning the Association." The MPOA meets this requirement through the combined communication methods of the MPOA's website (www.montclairva.com), link within the e-newsletter blast, and the monthly magazine, The Montclairion. In the Montclairion, this is called Neighbor to Neighbor Communications, which is further defined in Section 2.7.5(e) of the MPOA Community Guidelines.

The actual cost of The Montclairion for Fiscal Year (FY) 2024 is projected to be $75,000.00, an approximate 5% increase from FY23. This increase is due to rising printing costs because of paper shortages. It is expected to be an additional $10,500.00 in mailing costs. These expenses are offset by advertising revenue, which the BOD recently approved an increase at the February 8th meeting. The increase is projected to add approximately $16,000.00 to the forecasted $60,000 of revenue included in the proposed budget, making the total anticipated revenue for FY24 $76,000.00. Therefore, the cost of producing the Montclairion is relatively minimal, if not entirely offset by ad revenue.

Mailing costs are significantly reduced by having a bulk mailing agreement for the entire address list within Montclair with our printing/distribution vendor. In addition to increased postage for the newsletter if we did not have this in place, there would also be a need for additional mailings to comply with other requirements in the POA Act that we currently save on by including those items in the Montclairion, such as notices to changes in community guidelines and the aforementioned neighbor to neighbor communications. An opt-out process may also increase other administrative related expenses.

What are reserves and why do we need to fund it?

The reserves are funds used to repair, replace, and restore the Association's capital components as defined in Section 55.1-1800 of the Act and in the MPOA Amended Declaration. The reserve funds are not an extra expense, they simply spread out the expenses for capital assets more evenly over a longer period of time, avoiding a large, unexpected expense to owners in the form of a special assessment or a large increase in assessments when a component needs to be replaced at the end of its useful life.

Section 55.1-1826(B) of the Act requires the Board of Directors to 1.) conduct a reserve study at least once every five years to determine the necessity and amount of reserves required to repair, replace, and restore the capital components, 2.) review the results of the study at least annually to determine if the reserves are sufficient; and 3.) make any adjustments the board deems necessary to maintain the reserves, as appropriate.

Why is there such a large increase to the reserve contribution for the new budget?

The MPOA recently conducted an updated reserve study due to the addition of capital improvements, funding concerns with the rising costs of materials, and the increasing rate at which we've needed to repair and/or replace existing capital assets. Although the annual contribution to the reserves based on the previous Reserve Study were met, the results indicated a significant shortfall in our collective reserve funding, which is projected to fall to 17.8% funded during FY24 if the funding level remained unchanged from the prior reserve study. Maintaining the reserves at a level equal to the *value* of deterioration is called **Full** Funding (100% funded). There is a very high risk for special assessments when the percent funded is below 30%. The increase to the reserve contribution in the proposed FY24 budget of $830,000 will keep the reserve funding level above this high-risk threshold.

The new study is currently in draft form and will be approved by the Board of Directors at a subsequent meeting and will be made available to the members once approved.

What are the risks of not properly funding the reserves?

The failure of the Association to adequately fund reserves has many downfalls; some more serious than others. These can be summarized below (the D's):

- **D**eferred Maintenance leads to higher costs – delaying repair or replacement components to build more funds results in higher costs overall.
- **D**isruption of finances (special assessments) – the need to use other funding methods like special assessments or loans can drastically alter the financial standing of the Association and the individual owners.
- **D**eclining property values – perhaps the most detrimental of all is the propensity for declining property values when the community is not maintained, and components become dilapidated. Lack of reserve funding is also a red flag to prospective new buyers and their lenders. As such, it can have an adverse impact for new buyers obtaining a mortgage and for existing homeowners attempting to refinance.
- **D**iscouragement & **D**isappointment – owners become discouraged with the state of their Association and are disappointed in the operation of their Association.

What happens if the budget fails?

Failing the budget comes with a number of consequences aside from the aforementioned reserve funding requirements. Inflation has also raised the costs of regular operating expenses such as labor and insurance, which impacts nearly all of the Association's contracts. Not funding the Association's current operating expenses will further deplete the owner's equity funds, further increasing the need of a special assessment to fund necessary expenses.

Has the budget ever failed before, and what happened when it did?

The last time the budget failed was in 2020, and the feedback from the majority of the owners who voted against it at the time was based on the controversial decision to include trash as a common expense for every lot. The Board transferred funds from the owner's equity fund to the reserve fund to "makeup" for the shortfall in the annual reserve contribution for that fiscal year, and the owners' equity fund does not have enough to make up for the current shortfall if the FY24 budget is not approved.

How is trash going to be funded?

The Board of Directors selected Disposal Services as the new trash vendor for the MPOA. Unlike with American Disposal Services (ADS) where individual homeowners signed up and had to pay directly to the vendor, owners/sub-associations desiring trash service will now enroll through the MPOA and will be billed by the MPOA for such service to their lot. These expenses are passed through expenses, meaning what we collect is then paid to the vendor for service, creating a zero sum to the overall operating budget.

Are there any other increases to the budget for managing the trash activity, including amendments to the FSR contract?

No, all of the costs associated with trash service are passed through to the homeowner, with the exception of the initial setup for the recurring billing to owners who opt in, which FSR has estimated to be approximately $2,000-3,000. This expense is expected to be one-time only (not annually) and will be paid for from the operating contingency line from the FY23 budget. FSR is otherwise already setup to manage additional services, as they do for snow clearing billing to sub-associations that opt-in for such service.

What happens if I (or my sub-association) does not opt-in for trash service?

If your lot (or sub-association) is not opted-in to the new trash service, you are free to continue your service with ADS as-is, or go through another vendor of your (or the sub-association's BOD) choosing. ADS will continue to service their existing clients on an individual basis, including the townhomes in sub-associations, but their rates will no longer be under a "preferred rate" and are subject to change accordingly. For more information on changes to rates with ADS, please contact them directly by calling 703-368-0500.

I live in a sub-association, why cannot I enroll my lot for the new trash service?

Currently, only owners who do not live in a sub-association can opt-in to the new trash service on an individual basis. Owners who reside in a sub-association will be subject to the decision of their sub-association's Board of Directors as to whether they will enroll their community as a whole with Disposal Services. This restriction was established by the vendor as managing/enforcing trash collection for townhomes at an individual level is not effective, it has to be the entire community to ensure the hauler is paid for each lot serviced in that respective community.

If my sub-association enrolls, what happens to my fees?

Sub-associations have a few different methods of collecting assessments to fund this service, and that decision rests solely with those boards. Whichever option they choose, the owners will pay their sub-association directly. The sub-association will then pay the MPOA a lump-sum for trash service for all of their lots, which we then distribute to Disposal Services on a monthly basis. There will not be additional costs added by the MPOA to the individual lots in a sub-association or to the sub-association itself beyond the price for service as provided by Disposal Services.