

Fiscal Year 2022 Proposed Budget Message

To the County Board and the Arlington community:



We still face rapidly changing and uncertain times caused by the COVID-19 pandemic. The one thing that I can promise the Board and the community is that the assumptions underlying the budget I present today will change tomorrow, so adaptability and flexibility have been my guiding principles in preparing this budget. This proposal “bridges” us to the post-pandemic world. To that end, you will see that I have chosen in many, but not all, cases to freeze (rather than cut) positions and continue the temporary closure or reduced hours at facilities rather than proposing permanent closure. This approach, along with the continuation of a larger COVID-19 contingent, will give us the flexibility to adjust as conditions change.

Despite the uncertainty caused by the pandemic, our top priorities are clear. The proposed budget follows the [guidance](#) laid out by the County Board in November and focuses on COVID-19 response while addressing our other ongoing priorities. The proposed budget addresses:

- Resources to battle COVID-19 and impacts to programs and facilities
- Affordable housing and food security
- Racial equity
- Stormwater and flood mitigation
- Options for opening Lubber Run Community Center and the Long Bridge Aquatics and Fitness Facility
- Resources to address gaps identified by the Police Practices Group (PPG).
- Workforce investment
- Substantial investments with County funds and ongoing transfers of revenue to Arlington Public Schools (APS)

I am incredibly proud of our workforce—they have performed heroically, persevering month after month. Our front-line services have largely continued without interruption; more than half of our workforce has continued to report in person to serve our residents, from public safety, facilities staff, parks and libraries workers, and trades crews to our MVPs: public health. And in all departments, the innovation and creativity they have shown in reinventing service delivery has been inspiring.

Since the pandemic began, we used a variety of tools to keep our budget balanced and to respond to the crisis in our community. We eliminated employee pay increases, implemented a hiring freeze, deferred non-essential capital projects,

temporarily slowed some services and closed some facilities, and utilized contingents in a prudent manner. The single largest tool we had was the \$41 million in CARES Act funding, which helped both the County and APS. With the evolving news from Congress as we went to print on this budget, we are hopeful that additional federal funding will be provided to Arlington, giving us additional options to balance the budget.

The challenges we face in FY 2022 will undoubtedly linger through FY 2023. Hopefully, we will be past the pandemic before this calendar year ends. However, we face the uncertainty of how segments of our economy, such as hotels and the office market, will adapt to a post-pandemic world. We will continue to monitor revenue impacts and may be back to the Board with adjustments in any FY 2022 plan to accommodate the economic circumstances.

BY THE NUMBERS

The FY 2022 proposed budget totals \$1.36 billion, a 1.4-percent increase over the FY 2021 adopted level. This fall, we entered the budget planning process with a \$41 million to \$56 million gap, driven by dramatic losses in meals, sales and hotel taxes, flat real estate assessments, and anticipated increased costs to continue fighting COVID-19, and for Metro and ART. (Notably, our estimated gap assumed no compensation increase.)

Since then, we received positive news on real estate assessments, as well as additional federal support for Metro. This narrowed the projected gap between revenues and expenditures to \$26 million (excluding compensation). Real estate assessments showed overall growth of 2.2 percent with an increase in residential of 5.6 percent and a 1.4 percent decline in commercial.

Detailed discussion of program cuts and adds follows later; however, the steps taken to bring the proposed budget into balance include:

- Freezing and reducing \$16.4 million in programs, described in summary below and in detail in following pages. This approach does not fund 56 vacant positions (some currently vacant, others to be vacant before the end of FY 2021). In related measures, we are continuing with the hiring freeze put in place during last spring. For the close to 50 employees who took advantage of the early retirement incentives, those positions are expected to largely remain vacant in order to achieve budget savings. The combination of these personnel actions will have impacts on service delivery.
- Using one-time funding, including \$5 million of the Stabilization Reserve, which is required to be replenished within two fiscal years. This leaves a balance of \$5.6 million in the Reserve. The County is also anticipating one-time funds through pending lease transactions.
- Proposing a flat tax rate for government and school operations of \$1.013/\$100 of assessed value and an increase from 1.3 cents to 1.7 cents for taxes dedicated solely to stormwater improvement and flood mitigation efforts. Due

to CY 2021 assessment growth, the “average” residential property tax burden increases 6 percent or \$420 for the real property tax, including \$29 from the proposed stormwater tax increase.

- Transferring \$529.7 million to Arlington Public Schools, consistent with the revenue sharing principles, an increase of \$5.1 million (\$0.5 million ongoing and \$4.6 million one-time).

COVID-19 RESPONSE

The budget proposes a \$17.5 million COVID-19 contingent, to be available for vaccine distribution, testing, tracing, and assisting the neediest in our community. Since the beginning of the pandemic, many of these needs were covered by CARES Act funding, with other County budget actions making up for the loss in revenues and other indirect pandemic impacts. The size of this contingent is our best estimate based on the CARES Act funding that has been used for testing, tracing, PPE, facilities and eviction prevention and food assistance. Without additional resources available from the federal and state government, this proposal is 70 percent larger than the amount set aside in the FY 2021 budget. Highlights of our COVID-19 funding and response plans follow.

Innovations in Services: Departments seamlessly transitioned to provide most of their services virtually. A few highlights are below; each department will give an overview of their COVID-19 pandemic operations at the budget work sessions.

- One of the first jurisdictions in the country to do remote call taking and dispatching in the Emergency Communications Center.
- Permit applications are submitted and paid for online.
- Purchasing bids and offers are submitted electronically and bid openings are virtual.
- Field inspections (mix between in-person and virtual depending on inspection situation to continue) for fire, CPHD, and real estate assessments.
- Virtual programming by parks and libraries.
- Telehealth behavioral healthcare.
- DES and DHS Customer Service Center’s implementation of telephone systems and software allowing agents to operate the call center and serve clients remotely.
- Transitioning outreach, client educational resources, employment workshops, classes, and intake processes to virtual platforms.
- In-person, paper-based eligibility determination processes for federal subsidy programs and income-based CSB fee reductions converted to a remote process.
- Client payment processing across DHS programs transitioned from a primarily face-to-face procedure to one with no in-person interaction through increased use of telephone, U.S. Mail and drop box options.
- Virtual public engagement and public meetings (mix between in-person and virtual depending on event to continue).

Vaccine Delivery & Other Direct COVID Response: We are pleased to have finally moved into vaccine distribution, but with the nationwide shortages of vaccine doses, we realize that this will likely be the longest and most difficult phase of the COVID-19 pandemic. Up-to-date statistics on vaccine delivery can be found at arlingtonva.us/covid-19/vaccines/. While public focus has shifted to vaccines, we continue with other pandemic activities: testing, PPE distribution, and facilities cleaning and improvements. A summary can be found at data-dashboard.arlingtonva.us/covid.

Eviction Prevention & Food Security: After meeting direct virus response needs, our first priority has been to ensure that County residents can stay in their apartments and homes. We have been greatly assisted with federal and state funding and related eviction moratoriums. I'm anticipating that a portion of the \$17.5 million COVID-19 contingent will be used to continue our existing level of eviction prevention support. As part of the Cooperative for a Hunger-Free Arlington, we also began to address the growing hunger needs in Arlington. In FY 2021, we reallocated a position to create a new food coordinator in DHS and will be kicking off a food insecurity task force.

Community Business Support: In addition to our small business [GRANT program](#), Arlington Economic Development organized a training program to support businesses and build resiliency, developed a [Reopening Toolkit](#) to help businesses safely welcome employees and customers back, and worked with an interdepartmental team to increase flexibility by easing parking restrictions, increasing signage options, and creating temporary outdoor seating areas (TOSAs). AED also stood up the business ReLaunch program to address obstacles and challenges the small business community faces and drive business resilience and opportunity in 2021. AED will be evaluating how best to utilize the additional FY 2022 funds to support business recovery efforts going forward.

EMPLOYEE COMPENSATION:

Many County staff have worked from last March until now without a vacation day and all without a normal merit-based step increase. While I am not yet able to propose an across-the-board merit pay raise for staff, I have included a \$500 one-time payment for all permanent County staff. **As additional funds may become available through future Federal stimulus legislation or mid-year funding, my first priority with these additional funds will be to provide an across the board merit pay raise.** Importantly, we have held health premiums flat for those on the Cigna plan, and have made no changes to pension or active/retiree health care benefits. I am also pleased that my budget includes raising the minimum hourly rate for employees from \$15/hour to \$17/hour, and I have included the continued funding of studies for those job classifications that are falling behind the region.

Because of the inability to offer a pay increase, I focused on lower cost but impactful benefit changes. I am extending the "use by" date for all accrued vacation leave through the end of calendar year 2021, and proposing increasing volunteer and

parental leave, increasing the dependent care match, and enhancing our Live Where You Work program and employee housing incentives. More detail on compensation proposals can be found in the following pages.

Finally, the Commonwealth has allowed the County to examine whether to adopt a collective bargaining ordinance. In anticipation of such a decision, the proposed budget includes two new positions and consulting services to assist in this effort and its implementation no later than FY 2024. I would note that as a collective bargaining approach evolves, additional resources will likely be needed.

COUNTY OPERATIONS

We are proposing approximately \$16.4 million in program reductions, efficiencies, and budget realignments in the FY 2022 budget. The main components of these proposals include:

- As noted earlier, eliminating funding for more than 50 vacant positions across the County
- Delayed reopening of Cherrydale and Glencarlyn library branches until FY 2023, in part due to staffing availability
- Reducing or deferring of maintenance capital projects
- Various changes to the Police budget, including eliminating funding for 10 vacant uniformed positions and three vacant non-uniformed positions, as well as non-personnel reductions
- Enterprise-wide savings related to the ongoing hiring freeze, reduction in fleet, fuel savings, and contingents
- Various changes to the Sheriff's budget, including eliminating funding for 10 vacant positions and realignment of schedules and overtime.
- Staffing adjustments to 9-1-1 and dispatching
- Reductions in DPR temp staff
- Reduction of contingent funding

These reductions and other savings and reallocations have allowed us to make strategic investments in other County and community priorities. Proposed investments include:

- **New Facilities**
 - Lubber Run: The proposed budget allows flexibility to open Lubber Run in FY 2022 in a phased and safe way. Given the constraints on all of our facilities due to the pandemic (social distancing requirements, staffing constraints, and facility needs), the proposal assumes temp staffing reductions and continued reduced hours at other community centers.
 - Long Bridge: The proposed budget allows for opening of Long Bridge; all facility operating costs are covered by the Boeing contribution.
- **Fire "Kelly Day" Staffing**: Adding 10 positions to complete the last year of Kelly Day staffing implementation to allow for a shorter work week in the fire

department; this multi-year initiative is intended to help with recruitment and retention.

- **Body Worn Cameras:** With the initial phase of implementation in 2021, we have found additional staffing needs, and are proposing six new positions across six departments. Funds are also proposed for technology improvements to support body worn camera evidence in courtrooms.
- **Police Practices Group (PPG):** My proposed budget includes a “down payment” totaling \$1.5 million for near-term recommendations of the PPG.
 - Mental Health: Proposed funding to improve the County’s crisis response, including additional medical and clinical staff, medically equipped transport van, security for Temporary Detention Orders, and operating supplies for 24x7 Crisis Intervention Center.
 - Traffic Enforcement: Adding five additional traffic control positions and a supervisor to supplement enforcement related to traffic and bicycle/pedestrian safety. These positions would also support Vision Zero.
 - Civilian Review Board: Funds for a position or other resources as needed.
 - Alternative Dispute Resolution: The initial focus will be training our emergency communication center (ECC) staff and focus on how our community uses ECC resources.

FOCUSING ON EQUITY

We are in the initial phase of our racial equity work. Normalization is the first step, and I’m pleased that virtually every department has begun targeted equity work with their employees, in addition to the enterprise-wide work led by the Chief Race and Equity Officer. Equity was a dominant theme in the conversations with my leadership team in developing this budget, but there is no doubt that we have years of work to go to get this right and change our institutional practices, culture, and allocation of resources.

More tangibly, I have included new investments to support the equity work. There are additional funds to support training across the organization, an additional position to support the work plan of the Chief Race and Equity Officer, and supplemental funding to support the Public Defender’s Office and Restorative Justice. Information on our equity work can be found at topics.arlingtonva.us/equity/ and details on the budget proposal can be found on subsequent pages.

AFFORDABLE HOUSING

In recent years, our focus has been on both increasing the affordable housing supply and providing direct assistance to residents in need. As a result of the COVID-19 crisis, this proposed budget puts greater emphasis on eviction prevention and housing support while still working to increase housing supply.

The proposed budget increases funding for Housing Grants and Permanent Supportive Housing to meet growing demand for this direct assistance. We also anticipate that a portion of the COVID-19 contingent will also be used for eviction prevention. At the same time, we are continuing ongoing support to the Affordable Housing Investment Fund and extending the waiver of payments due on County affordable housing loans through the end of this calendar year. We are also taking advantage of new development opportunities at the Crystal Houses and the \$20 million contribution from the Amazon HQ2 MetPark site plan. More details follow on subsequent pages.

STORMWATER

Our stormwater workplan has expanded dramatically in the last two years as we deal with the multiple priorities of improving water quality, ensuring compliance with our state MS4 permit, addressing our aging infrastructure, and investing in watershed scale flood mitigation initiatives. These are multi-year efforts, but I am particularly pleased that in FY 2021 and FY 2022, we will execute several multi-million-dollar projects. To pay for these projects, I am proposing a 0.4-cent increase in the sanitary district tax rate, which is legally restricted in use to stormwater operations and capital projects and has not been increased since FY 2011. This proposal, which would impact the “typical” single family homeowner \$29, will also bridge the County financially as we complete the feasibility and evaluation work on forming a stormwater utility.

Under the utility model, property owners would be charged based on the impervious surface area of their property. Initial work on the utility concept can be found on the [County website](#). If approved, a utility would likely go into effect in FY 2024. Addressing the complexities of our stormwater and flooding issues requires a community-wide focus, with the County, the private sector and residents all contributing to the solution. We have been working on other non-financial initiatives, such as the Risk Assessment and Management Project (RAMP), enhancements to the land disturbance activity (LDA) permit process and regulations, and the Stormwater Working Group deliverables, that will also be unveiled in the coming months.

As we manage through these uncertain times, I am grateful every day for the very committed and dedicated workforce we have—and for a community that has worked together and with us to weather this pandemic and economic stress. I look forward to further discussions about the proposed budget at the work sessions in March.

Sincerely,



Mark Schwartz
County Manager