

**MULTI-YEAR FORECAST & FUTURE OUTLOOK**

Consistent with the County's debt and financial policies, staff has prepared a multi-year financial forecast. This forecast is intended to help inform, and provide greater awareness to, the Board and the community of medium and long-term budget pressures as policy and service delivery choices are considered.

The County is required to adopt a balanced budget annually, so any projected shortfalls would be eliminated through a combination of expenditure and service reductions, revenue increases (either increased taxes or fees), or a combination of the two. The County is constrained in its revenue growth by restrictions to its ability to change taxes and fees.

As illustrated in the forecast, future budgets are expected to follow the current trend for the foreseeable future, with anticipated budget gaps of approximately \$30.5 million in FY 2023 growing to about \$128.9 million in FY 2027 driven principally by expenditure growth continuing to outpace revenue growth. One driver of these projected gaps is the assumption of a conservative recovery of revenues to pre-pandemic levels; a faster or more dramatic revenue recovery would reduce the projected budget gaps.

On the expenditure side, the forecast assumes that we will continue our commitments to our workforce, fund the operating costs of capital projects, address the core needs of our growing population, and maintain support for our schools in line with the revenue sharing agreement (currently sharing 47% of local tax revenue with schools).

With the discussion of budget priorities, it is evident that some programs would benefit from additional resources, but given the current budget climate, will not receive them. These additional resources range widely from continuation of pandemic-level support to residents and businesses to more traditional services like streetlight maintenance, library materials, and community engagement resources. Any changes in service levels to fund priority areas will be considered in each year's budget process.

Multi-Year Financial Forecast														
	Adopted		FY 2022		Forecast		Forecast		Forecast		Forecast		Forecast	
REVENUE	FY 2021	% chg	Proposed	% chg	FY 2023	% chg	FY 2024	% chg	FY 2025	% chg	FY 2026	% chg	FY 2027	% chg
Real Estate	803,658,440	3.2%	810,573,740	0.9%	813,703,820	0.4%	819,622,440	0.7%	828,649,100	1.1%	840,477,660	1.4%	857,844,940	2.1%
Less Crystal City TIF Real Estate	(5,759,940)	1.9%	(4,303,230)	-25.3%	(3,621,400)	-15.8%	(3,469,550)	-4.2%	(3,549,020)	2.3%	(3,835,680)	8.1%	(4,543,010)	18.4%
Less Columbia Pike TIF Real Estate	(968,520)	43.8%	(627,960)	-35.2%	(431,720)	-31.3%	(388,010)	-10.1%	(410,880)	5.9%	(493,390)	20.1%	(696,980)	41.3%
Less Ballston Quarter TIF Real Estate	(1,811,540)	44.9%	(1,408,690)	-22.2%	(1,346,380)	-4.4%	(1,310,450)	-2.7%	(1,298,640)	-0.9%	(1,322,030)	1.8%	(1,369,280)	3.6%
Personal Property	120,052,147	0.8%	118,052,147	-1.7%	118,533,147	0.4%	119,212,457	0.6%	120,675,463	1.2%	122,167,683	1.2%	123,281,151	0.9%
BPOL	63,000,000	-8.7%	68,400,000	8.6%	70,110,000	2.5%	71,862,750	2.5%	72,581,378	1.0%	73,307,191	1.0%	74,040,263	1.0%
Sales*	43,127,695	-3.5%	43,800,000	1.6%	44,238,000	1.0%	44,680,380	1.0%	45,573,988	2.0%	46,485,467	2.0%	47,415,177	2.0%
Meals*	36,772,563	-10.1%	31,480,525	-14.4%	37,776,630	20.0%	40,043,228	6.0%	41,644,957	4.0%	42,477,856	2.0%	43,327,413	2.0%
TOT	19,257,639	-25.9%	10,000,000	-48.1%	16,500,000	65.0%	22,275,000	35.0%	24,502,500	10.0%	25,727,625	5.0%	27,014,006	5.0%
Other Taxes	38,907,881	-4.9%	41,415,000	6.4%	42,243,300	2.0%	43,088,166	2.0%	43,519,048	1.0%	43,954,238	1.0%	44,393,781	1.0%
<b>SUBTOTAL: TAXES</b>	<b>1,116,236,365</b>	<b>0.4%</b>	<b>1,117,381,532</b>	<b>0.1%</b>	<b>1,137,705,397</b>	<b>1.8%</b>	<b>1,155,616,411</b>	<b>1.6%</b>	<b>1,171,887,892</b>	<b>1.4%</b>	<b>1,188,946,621</b>	<b>1.5%</b>	<b>1,210,707,461</b>	<b>1.8%</b>
State	79,146,009	4.1%	79,424,957	0.4%	79,424,957	0.0%	79,424,957	0.0%	79,424,957	0.0%	79,424,957	0.0%	79,424,957	0.0%
Federal	16,145,620	0.5%	15,994,904	-0.9%	15,994,904	0.0%	15,994,904	0.0%	15,994,904	0.0%	15,994,904	0.0%	15,994,904	0.0%
Other Revenue	111,677,217	0.2%	125,490,276	12.4%	119,215,762	-5.0%	115,639,289	-3.0%	116,795,682	1.0%	117,963,639	1.0%	119,143,275	1.0%
<b>SUBTOTAL: OTHER</b>	<b>206,968,846</b>	<b>1.7%</b>	<b>220,910,137</b>	<b>6.7%</b>	<b>214,635,623</b>	<b>-2.8%</b>	<b>211,059,150</b>	<b>-1.7%</b>	<b>212,215,543</b>	<b>0.5%</b>	<b>213,383,500</b>	<b>0.6%</b>	<b>214,563,136</b>	<b>0.6%</b>
CARRYOVER FUNDS	22,239,239	-45.9%	25,378,660	14.1%	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%
<b>TOTAL REVENUE</b>	<b>1,345,444,450</b>	<b>-0.8%</b>	<b>1,363,670,329</b>	<b>1.4%</b>	<b>1,352,341,020</b>	<b>-0.8%</b>	<b>1,366,675,561</b>	<b>1.1%</b>	<b>1,384,103,435</b>	<b>1.3%</b>	<b>1,402,330,121</b>	<b>1.3%</b>	<b>1,425,270,597</b>	<b>1.6%</b>
<b>EXPENDITURES</b>	<b>Adopted</b>	<b>% chg</b>	<b>FY 2022</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>
Salaries	290,920,801	1.2%	296,037,225	1.8%	310,839,000	5.0%	326,831,000	5.0%	342,700,000	5.0%	359,835,000	5.0%	377,827,000	5.0%
Benefits	130,964,273	1.8%	125,847,120	-3.9%	128,678,242	2.2%	131,905,493	2.5%	135,214,939	2.5%	138,608,700	2.5%	142,088,951	2.5%
<b>SUBTOTAL: PERSONNEL</b>	<b>421,885,074</b>	<b>1.4%</b>	<b>421,884,345</b>	<b>0.0%</b>	<b>439,517,242</b>	<b>4.2%</b>	<b>458,286,493</b>	<b>4.3%</b>	<b>477,914,939</b>	<b>4.3%</b>	<b>498,443,700</b>	<b>4.3%</b>	<b>519,915,951</b>	<b>4.3%</b>
Ongoing Operating Expenses	216,366,821	7.5%	228,673,262	5.7%	232,103,541	1.5%	235,636,728	1.5%	239,275,911	1.5%	243,024,269	1.6%	246,885,078	1.6%
Metro	47,808,764	0.4%	46,622,208	-2.5%	48,566,164	4.2%	54,833,742	12.9%	57,878,800	5.6%	61,403,728	6.1%	65,010,988	5.9%
Contingents (General & Stabilization)	250,000	-96.4%	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Economic Development Grants	2,389,371	-	2,491,028	4.3%	2,166,029	-13.0%	1,782,413	-17.7%	1,782,413	0.0%	1,895,646	6.4%	1,857,409	-2.0%
Ongoing AHIF	8,303,202	2.5%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%
One-time AHIF	7,090,140	-2.3%	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Regionals	6,724,786	-9.7%	6,990,129	3.9%	6,990,129	0.0%	6,990,129	0.0%	6,990,129	0.0%	6,990,129	0.0%	6,990,129	0.0%
Ongoing Capital	3,832,227	-43.5%	1,180,133	-69.2%	3,832,227	224.7%	5,000,000	30.5%	5,000,000	0.0%	5,000,000	0.0%	5,000,000	0.0%
Debt	68,962,748	-4.4%	73,564,710	6.7%	79,313,612	7.8%	86,074,193	8.5%	92,085,802	7.0%	95,380,030	3.6%	100,505,127	5.4%
Debt Service for Master Lease	8,107,143	0.0%	8,107,143	0.0%	8,350,357	3.0%	8,600,868	3.0%	8,858,894	3.0%	9,124,661	3.0%	9,398,401	3.0%
OPEB	18,400,000	0.0%	17,900,000	-2.7%	18,437,000	3.0%	18,990,110	3.0%	19,559,813	3.0%	20,146,608	3.0%	20,751,006	3.0%
COVID Contingent	10,200,000	-	17,500,000	71.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
<b>SUBTOTAL: NONPERSONNEL</b>	<b>398,435,202</b>	<b>-2.8%</b>	<b>411,331,815</b>	<b>3.2%</b>	<b>408,062,261</b>	<b>-0.8%</b>	<b>426,211,385</b>	<b>4.4%</b>	<b>439,734,964</b>	<b>3.2%</b>	<b>451,268,273</b>	<b>2.6%</b>	<b>464,701,340</b>	<b>3.0%</b>
Schools Ongoing (based on 47.0% of tax revenue)	524,631,092	0.4%	525,169,320	0.1%	534,721,537	1.8%	543,139,713	1.6%	550,787,309	1.4%	558,804,912	1.5%	569,032,507	1.8%
Schools One-time	-	-	4,577,170	-	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Transfers to Other Funds	493,082	0.0%	707,679	43.5%	501,679	-29.1%	501,679	0.0%	501,679	0.0%	501,679	0.0%	501,679	0.0%
<b>TOTAL EXPENSES</b>	<b>1,345,444,450</b>	<b>-1.0%</b>	<b>1,363,670,329</b>	<b>1.4%</b>	<b>1,382,802,719</b>	<b>1.4%</b>	<b>1,428,139,270</b>	<b>3.3%</b>	<b>1,468,938,892</b>	<b>2.9%</b>	<b>1,509,018,564</b>	<b>2.7%</b>	<b>1,554,151,477</b>	<b>3.0%</b>
<b>Shortfall/Surplus \$ (millions)</b>	<b>Adopted</b>	<b>FY 2022</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
Revenue	1,345,444,450	1,363,670,329	1,352,341,020	1,366,675,561	1,384,103,435	1,402,330,121	1,425,270,597							
Expenditures	1,345,444,450	1,363,670,329	1,382,802,719	1,428,139,270	1,468,938,892	1,509,018,564	1,554,151,477							
Annual Deficit/Surplus**	-	-	(30,461,699)	(61,463,709)	(84,835,456)	(106,688,442)	(128,880,880)							

\*Sales and meals tax estimates in years FY 2023 through FY 2027 include growth attributable to the Ballston Quarter development and are net of contributions to the Ballston Quarter TIF

\*\*Arlington County is required to adopt a balanced budget each year. Deficits that appear in out-years will be reduced by the actions taken to balance the prior year.