



# County Manager's Fiscal Year 2018 Proposed Budget



# FY 2018 County Board Guidance

- ❑ **My Proposed Budget meets County Board guidance:**
  - ✓ **Balanced budget that continues the current level of service within existing tax rate**
  - ✓ **Explore collaborations with APS and regional partners**
  - ✓ **Enhanced public engagement process**
  - ✓ **Possible tax rate increase for extraordinary needs or Metro and / or APS**
  - ✓ **Report back on ongoing and completed studies**



# External Fiscal Pressures

## Growing Population

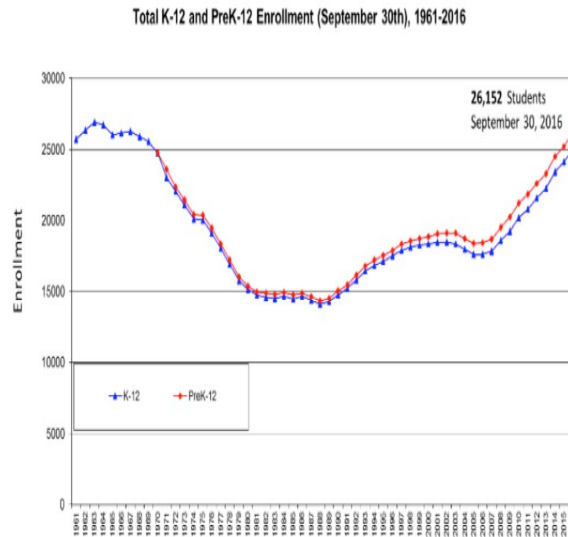
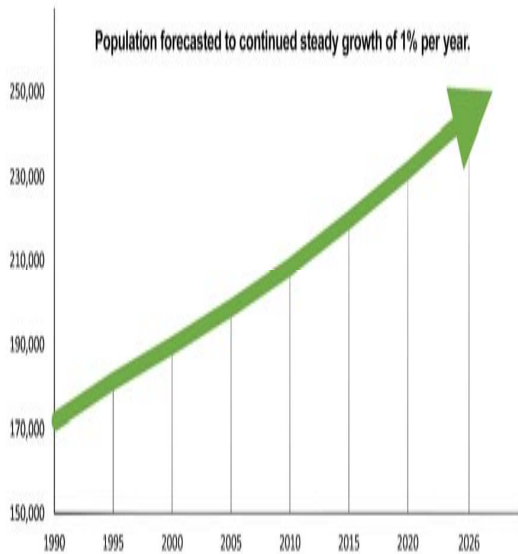
*Arlington's population is expected to rise by 1% per year*

## Rising APS Enrollment

*Arlington must posture itself to address concurrently increasing demands for service*

## Metro Costs

*Arlington continues to support Metro operations for its residents, even as operating costs rise*



### WMATA has Significant Multi-Year Budget Pressures

WMATA Operating Budget				
	FY17	FY18	FY19	FY20
	Adopted	Proposed	Projected	Projected
Total WMATA Subsidy	866.5	997.0	1070.0	1176.0
<b>Arlington's Subsidy</b>	<b>56.6</b>	<b>71.6</b>	<b>77.8</b>	<b>87.5</b>
Arlington Growth \$		14.9	6.2	9.7
Arlington Growth %		26%	9%	12%

Capital Budget				
	Adopted	Proposed	Forecast	
	FY17	FY18	FY19	FY20
Total Subsidy	260.0	815.0	796.0	861.0
<b>Arlington Subsidy<sup>1</sup></b>	<b>20.0</b>	<b>58.0</b>	<b>56.0</b>	<b>62.0</b>
Arlington Growth \$		38.0	-2.0	6.0
Arlington Growth %		190%	-3%	11%

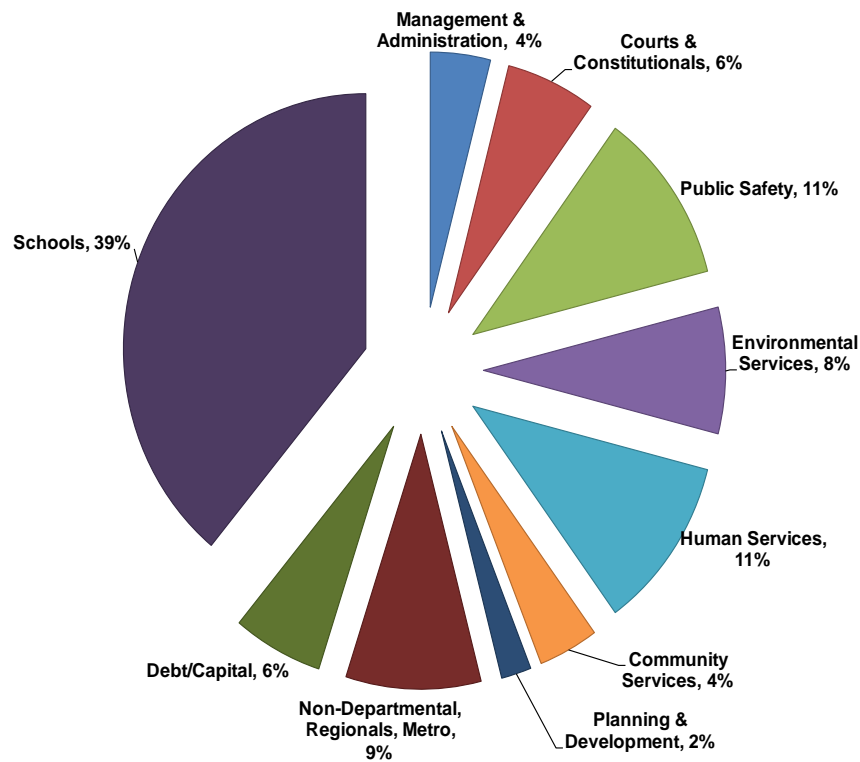
# General Fund Budget Overview

- ❑ Proposed Budget Includes a \$0.01/\$100 Increase to Base Real Estate Tax Rate for Metro - at \$1.001/\$100 (includes Stormwater)
- ❑ Recommending increased Tax Rate Advertisement up to \$0.02 / \$100 to include up to an additional \$11.1 million for APS, not currently in my budget
  - ❑ 1 cent for Metro and up to 1 cent for APS
- ❑ Proposed Total General Fund budget of \$1.24 billion
  - ❑ 2.9% increase in on-going budget over FY 2017 (excluding the 1 cent for Metro)
- ❑ County Operating Budget (excluding Schools) totals \$759.3 million
- ❑ Continued realignment of resources to maximize service delivery efficiencies

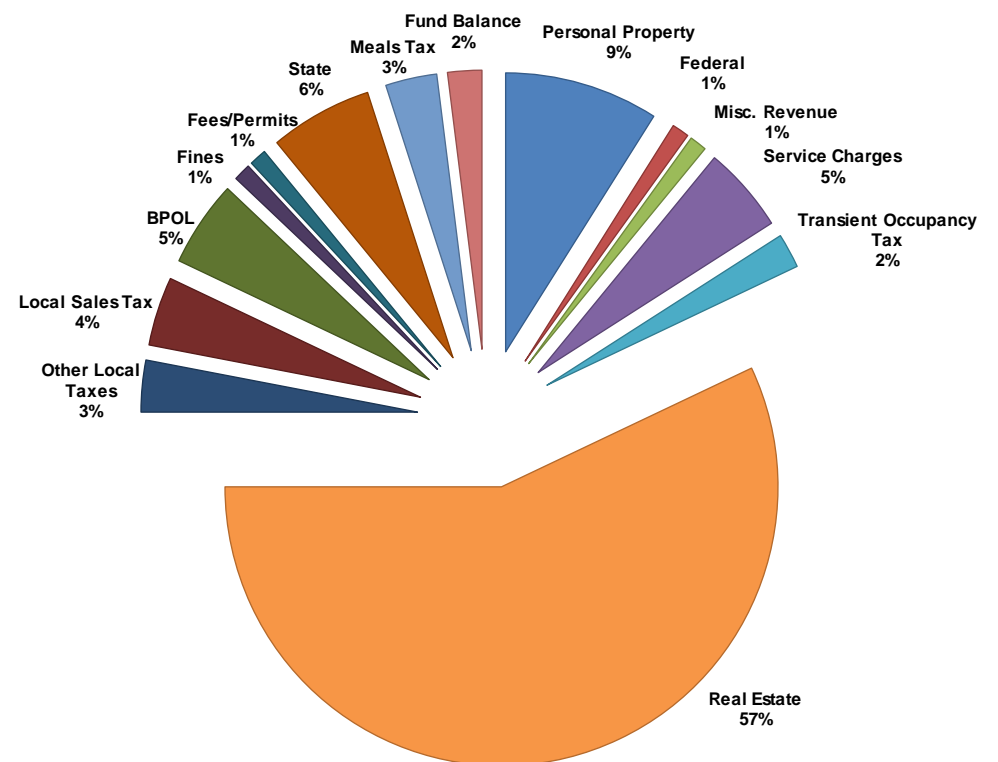


# General Fund Budget Overview

FY 2018 Proposed Budget General Fund Expenditures



FY 2018 Proposed Budget General Fund Revenues



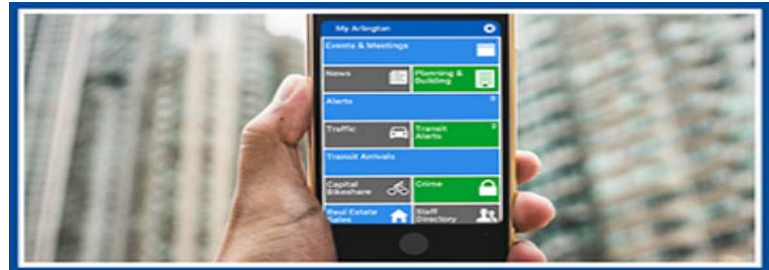
# County Manager Priorities



Economic  
Development



Service Delivery &  
Transparency

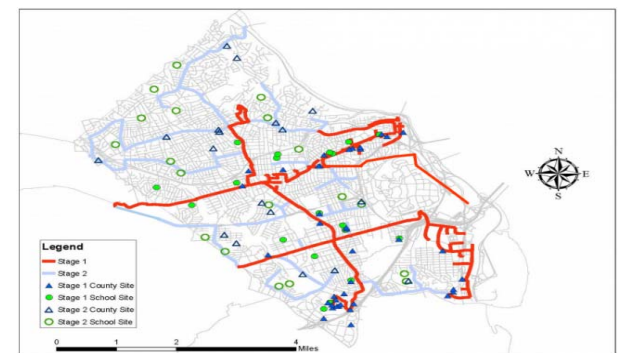


Strategic Budget  
Planning &  
Fiscal  
Sustainability

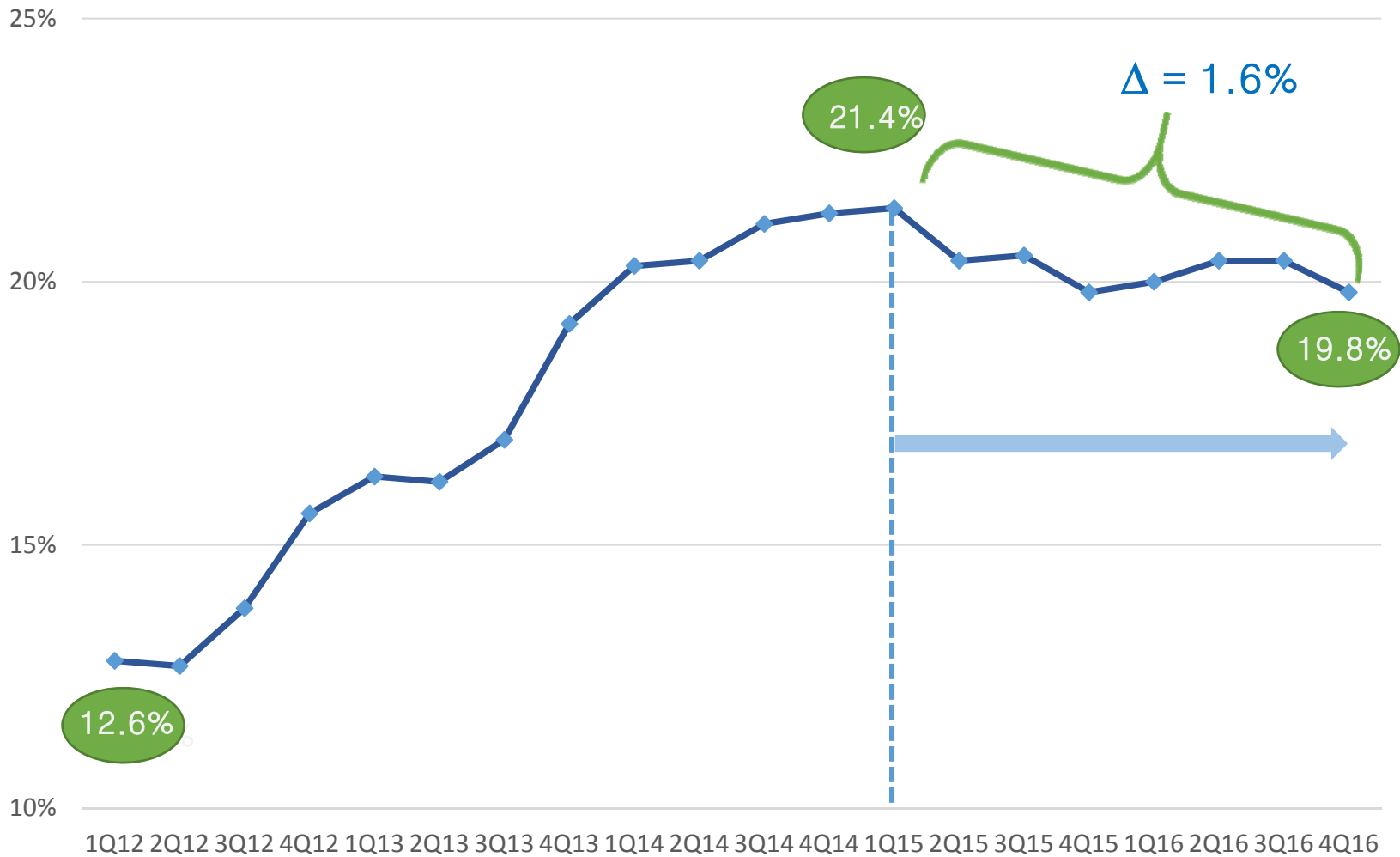


- ❑ Address high vacancy rates
- ❑ Attract tech-oriented companies
- ❑ Support small business
- ❑ Facilitate access to *ConnectArlington*

- ✓ Nestlé US
- ✓ Retention and Expansion
- ✓ Tech EcoSystem
  - **ConnectArlington**
    - \$250k for Connection Grants
    - ConnectArlington sales position & marketing money
  - Added **BizLaunch** Small Business Development Manager, focused on child care providers



## Vacancy Rate: 2012 - 2016





# Service Delivery and Transparency

- Build efficiencies and improve customer service**
  - Advance a one-stop permitting system**
  - Continue progress with open data transparency**
  - Create customer service standards**
  - Enhance virtual access to public meetings**

ONE-STOP  
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ARLINGTON



## Strategic Conversations with the County Board

- Impacts of population growth
- Related service delivery pressures

## Realigned Budgeting Practices

- Mid year and Close out budgeting practices
- Align base budget to expenditures
- Better use of one-time

## Financial Reserve Policies

- Maintain AAA bond rating
- Appropriate sized reserves



## PUBLIC SAFETY

- ❑ **7 Sheriff positions**, and the **armory** needs of Sheriff and Police from a reallocation of Peumansend Creek closure
- ❑ Reclassify three vacant Public Service Aide positions to free up uniform resources for **additional patrol support**.
- ❑ **3 new Emergency Communications Technicians** in the ECC by reclassifying existing resources
- ❑ Funding two large Fire recruit classes due to vacancies and projected attrition



## SAFETY NET SERVICES

- ❑ Reallocate savings within DHS to fund \$1.0 million in **housing grants** on an on-going basis.
  - ❑ Total housing grants funding of \$9.2 million (only \$1.6 million is one-time)
- ❑ Additional one-time monies (\$2.2 million) to the Affordable Housing Investment Fund (AHIF).
  - ❑ Total AHIF Finding of \$13.7 million (\$9.2 million one-time)



## INFRASTRUCTURE & MAINTENANCE

- ❑ **Streetlight and Trail Light maintenance**
  - ❑ **Added 5 positions, equipment, supplies and trail light inventory assessment**
  - ❑ **Service Improvements**
    - ❑ **Decrease routine outage response from 30 days to 3**
    - ❑ **Decrease major repairs from 4 months to 1 month**
- ❑ **\$3.3 million in PAYGO funding for paving. Additional GO Bond investments (\$11.9 million) bring total to an historic \$15.2 million.**
- ❑ **PAYGO investments include:**
  - ❑ **\$2.2 million in funding for facilities maintenance capital**
  - ❑ **\$1.3 million for two synthetic turf fields**
  - ❑ **\$2.0 million in one-time funding for land acquisition**
- ❑ **Preventive and corrective facility maintenance at the County's radio sites (partially funded through reallocation)**



# Response to Board Direction



Analysis of Salaries  
and Benefits



Strengthen  
Childcare Services



# Response to Board Direction

## Workforce Investment

- Merit based compensation increases (\$5.4 million)
- Transit subsidy increase from \$130/month to \$180/month (\$200,000)
- Provide up to \$500/year matching benefit for dependent/elder care FSA program (\$180,000)
- Fully-funded pension and retiree healthcare
- Addition of several positions (e.g. public safety) to relieve the service-demand issues on workforce



# Response to Board Direction

## Strengthen Childcare Services

Increase the number of childcare programs

Enhance the quality and distribution of childcare programs

Develop a collaborative strategy for public-private partnerships



- ❑ Ongoing funding \$478.3 million, up \$13.8 million or 3.0%
  - One-time funding of \$0.7 million
  
- ❑ Recommending the County Board consider advertising up to a 1 cent tax rate increase dedicated to Schools
  
- ❑ An additional 1 cent on the tax rate = \$11.1 million in additional transfer
  - combination of one-time and ongoing
  
- ❑ Superintendent budget proposed on February 23<sup>rd</sup>





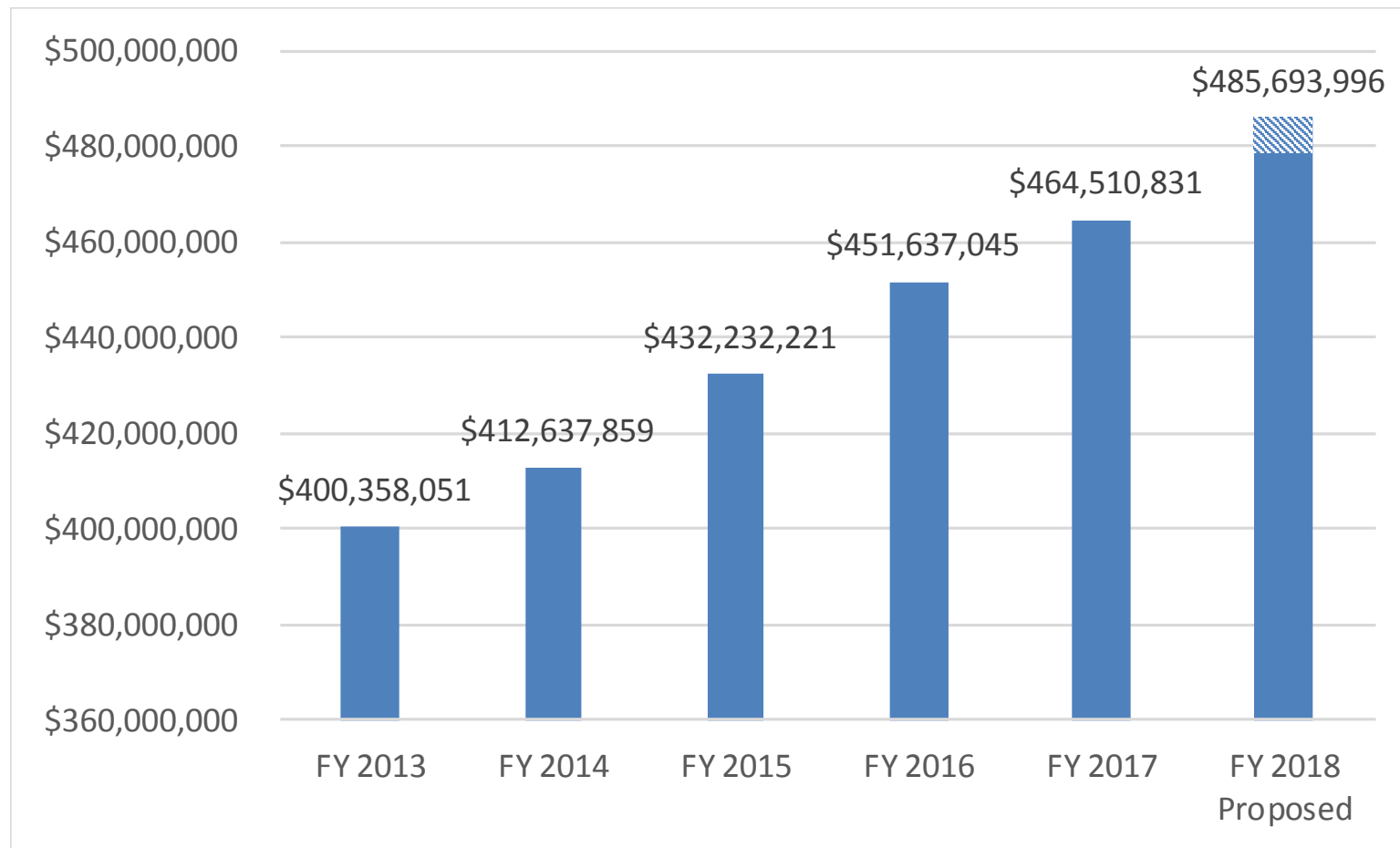
- ❑ County provides other services to the Schools costing **in excess of \$7 million** each year
  - Includes school resource officers, school health nurses and clinic aides and crossing guards
  
- ❑ Existing and planned APS capital funding totals almost **\$600 million** and **7,477 seats**.
  - Increased County effort supporting enrollment growth and capital projects
  - Increased demands on Planning, Zoning, Inspections, County Management, and Finance



- **Additional funding to support Youth**
  - **Fund needs of school aged population by reallocated tax funding:**
    - Increased Local Tax Transfer to Schools
    - School Youth Services Librarian
    - School Nurse
    - Joint Facilities Advisory Committee position
    - Services for At-Risk Youth in Courts



# School Transfer



- ❑ Fare revenues declining
  - ❑ Historically funded 51% of operations, FY 2018 projected to cover only 41%.
  - ❑ Lower gas prices, regional trends in telework
  - ❑ New alternatives such as Uber, Car2go and Lyft
  - ❑ Impacts of Safetrack and rail reliability
- ❑ Increased operating costs for contractual increases, wages and benefits, Silver line operations
- ❑ Future capital needs are significant
  - ❑ Historically funded \$15-\$20 million annually for capital. New norm may be \$40-\$50 million
- ❑ Jurisdictional subsidies have had to increase significantly to offset these pressures. 8% annual average since 2010



# Future Metro Pressures

## WMATA has significant multi-year budget pressures

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**Source:** WMATA Proposed FY 2018 Budget book, updated for revised allocations of the bus subsidy in February 2017.

# WMATA Budget Needs

- ❑ Extraordinary WMATA budget needs
  - ❑ Gross Operating Subsidy request increased 25%, from \$56.7 million to \$72 million
  - ❑ WMATA's capital budget request increased 190%, from \$20 million to \$58 million.
- ❑ General Fund transfer for WMATA: \$36.2 million, an increase of 19% over last year.
  - ❑ Use of State Transit Aid (\$27.9 million) and Regional Gas Tax (\$4.2 million)
  - ❑ County seeking \$30 million of additional reductions (\$2.6 million impact to County)
- ❑ One cent real estate tax rate increase proposed to meet remaining WMATA capital and operating budget needs (\$7.4 million)
  - ❑ \$5.9 million for WMATA's operating budget
  - ❑ \$1.5 million for debt services on an additional \$22 million of bonds needed to meet WMATA's capital budget request



# Tax & Fee Advertisements

- February 25: County Board will determine tax & fee levels to advertise
- Real estate tax rate advertisement sets the highest rate the County Board can adopt
- No changes to other taxes proposed (BID tax rates, personal property, BPOL, Stormwater)
- Fee Changes Proposed
  - Household Solid Waste Rate – Proposed increase of \$6.88 to \$314.16/year
  - Solid waste fee changes – commercial hauling fee, mulch delivery, damaged cart fees
  - Water/Sewer Rate – Proposed increase of \$0.35 to \$13.62/thousand gallons
  - New Accessory Homestay Permit Fee of \$60
  - Fire Permit fee adjustments
  - Police patrol camp & second hand license fee increases
  - Human Services fees related to substance abuse & medication administration
  - Parks & Recreation fee adjustments



# Regional Tax Advertisements

	<b>CY 2016 Tax Rates</b>	<b>Residential Assessment Change 2016-2017</b>	<b>Total Assessment Base Change</b>	<b>CY 2017 Tax Rates Proposed</b>
<b>Arlington County</b>	\$0.978 – base adopted \$0.013 -stormwater  \$0.125 - commercial only	2.5%	3.0%	\$0.988 – base proposed \$0.013 -stormwater  \$0.125 - commercial only
<b>City of Alexandria</b>	\$1.073- base adopted	1.7%	2.1%	\$1.10 – base proposed
<b>City of Falls Church</b>	\$1.315 – adopted	2.6%	3.6%	Proposes March 13
<b>Fairfax County</b>	\$1.130 - base adopted \$0.0275- stormwater \$0.001- pest control \$0.015- leaf collection  \$0.125- commercial	0.68%	1.89%	\$1.130 - base proposed \$0.0300- stormwater \$0.001- pest control \$0.013- leaf collection  \$0.125- commercial
<b>City of Fairfax</b>	\$1.0815 base adopted \$0.0225 stormwater  \$0.095- commercial			Proposes February 28
<b>Prince William County</b>	\$1.122 – base adopted \$0.0705 – fire \$0.0025 – mosquito & pest			\$1.125 – base proposed \$0.0792 – fire
<b>Loudoun County</b>	\$1.145 - adopted	3.5%	4.6%	\$1.135 –proposed \$1.140 – advertised





# Tax & Fee Burden on Average Household

	CY 2014	CY 2015	CY 2016	CY 2017 at \$0.991	Percent Change '16 to '17	CY 2017 Plus 1 penny	Percent Change '16 to '17 plus 1 penny	CY 2017 Plus 2 pennies	Percent Change '16 to '17 plus 2 pennies	CY 2017 Plus 3 pennies	Percent Change '16 to '17 plus 3 pennies
Real Estate Tax (includes sanitary district tax)	\$5,505	\$5,848	\$5,981	\$6,116	2%	\$6,178	3%	\$6,240	4%	\$6,302	5%
Personal Property (taxpayer share only)*	918	908	950	968	2%	968		968		968	
Annual Decal Fee*	66	66	66	66	0%	66		66		66	
Refuse Fee**	271	271	307	314	2%	314		314		314	
Water / Sewer Service**	913	929	929	953	3%	953		953		953	
Residential Utility Tax**	72	72	72	72	0%	72		72		72	
<b>Total</b>	<b>\$7,745</b>	<b>\$8,094</b>	<b>\$8,305</b>	<b>\$8,489</b>	<b>2%</b>	<b>\$8,551</b>	<b>3%</b>	<b>\$8,613</b>	<b>4%</b>	<b>\$8,675</b>	<b>4%</b>
<b>Increase in Tax &amp; Fee Burden</b>		<b>\$349</b>	<b>\$212</b>	<b>\$184</b>		<b>\$246</b>		<b>\$308</b>		<b>\$369</b>	

\* Assumes two conventional vehicles per household, the approximate average number of vehicles owned per Arlington household. The personal property tax figures reflect the PPTRA subsidy for personal property tax relief. For CY 2017, it is projected that 28% of vehicle value between \$3,000 and \$20,000 will be exempt from taxation; values below \$3,000 are 100% exempt.

\*\* Reflects the next fiscal year. Water/sewer rate reflects 70 thousand gallons of water consumption. Residential utility tax assumptions are based on the ceiling tax rates.



# Timeline

February 25

County Manager's FY 2018 Proposed Budget submitted to the County Board

February - April

## **Budget Work Sessions**

County Board holds a series of budget work sessions with County departments, Constitutional Offices, and the School Board

March

County Manager submits FY 2017 mid-year review of expenditures and revenues to the County Board

March 28

*7:00 PM, County Board Room,  
2100 Clarendon Blvd*

## **Public Hearing**

County Board hosted public hearing on proposed FY 2018 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees

March 30

*7:00 PM, County Board Room,  
2100 Clarendon Blvd*

## **Public Hearing**

County Board hosted second public hearing on proposed FY 2018 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees

April 22

## **Budget Adopted**

County Board adopts FY 2018 Budget and Appropriations Resolutions for the County government, the public schools, and Pay-As-You-Go Capital. County Board adopts CY 2017 real estate tax rate and other FY 2018 taxes and fees.

May 4

School Board adopts FY 2018 school budget

July 1

FY 2018 begins