

Fiscal Year 2019 Proposed Budget Message

To the County Board & the Arlington Community:



I am pleased to present my proposed budget for Fiscal Year 2019. While the development of any budget is challenging, this year has been one of the more difficult times in my tenure with the County. Although we are fortunate to see continued growth in County revenues, that growth has been more modest than in years past and will not keep pace with the significant funding needs and pressures we face today and over the coming years.

Maintaining our County's commitment to delivering priority core services efficiently and effectively will be challenging over the near term. Over the next few years, the County will need to:

- provide competitive compensation for our County employees in order to maintain a talented and effective team of public servants;
- maintain our financial support to sustain Metro;
- work with Arlington Public Schools to address substantial student enrollment growth;
- maintain our core infrastructure; and
- address housing affordability.

We will need to do this while facing the ongoing high vacancy rate in our commercial office market. While we have an economic development team second to none, strong support from the County Board and all County departments, we face continued pressures from our neighboring jurisdictions and macroeconomic forces. The commercial market vacancy rate is back up to 19.4 percent and "economic headwinds" will remain with us for the foreseeable future.

Over the past three years we have improved budget execution and have moved away from our previous reliance on unexpended funds available at year-end ("closeout") for use in future budgets. Departments have focused on executing the budgets as passed, and the amount of funds that are "discretionary" for allocation at closeout have been reduced annually (\$11.1 million in FY 2017, compared to \$17.8 million in FY 2016 and \$21.8 million in FY 2015). Of those closeout funds that have been made available, immediate spending has been limited to commitments already made by the Board or for emergency needs. Most importantly, County staff has worked diligently and successfully to execute on the budgets and priorities adopted by the County Board.

My Proposed Budget for FY 2019 represents a series of tough choices designed to maintain the County's commitment to its priorities. The spending choices I offer in the following pages reflect a balance of the guidance I received from the County Board in November 2017, input I gathered from our workforce, suggestions from my leadership team, and my priorities as County Manager. This proposal also reflects important feedback gathered from residents (in community "budget roundtables"),

who consistently stressed the need to ensure that our government is operating as efficiently as possible.

I want to be clear: these choices have not been easy. They affect County services and they affect people. However, at the end of the day, my responsibility is to be a good steward of County resources and to draw on the data and expertise available to me to identify the most efficient allocation of taxpayer dollars.

Fiscal Year 2019 – By the Numbers

My proposed budget totals \$1.6 billion for all funds and \$1.3 billion for the General Fund. Incremental tax revenue over FY 2018 totaled \$28.8 million. Under the Revenue Sharing Principles with Schools, the County's share totaled \$15.4 million, and Schools' share totaled \$13.4 million, assuming no change in the current real estate tax rate. Our largest source of revenue is real estate property taxes, and property assessments grew by 1.9 percent this year, approximately 1.3 percent less than anticipated when we first discussed the upcoming budget with the community last fall. While residential values increased by 3.8 percent, office properties declined by 7.3 percent, a function of the vacancy rate (19.4 percent at the end of CY 2017 compared to 19.0 percent at the end of CY 2016 and 12.7 percent at the beginning of 2012) and rent concessions offered by developers.

Focusing on Core Services

The County Board's guidance was clear, and this proposal meets that direction. The proposed budget is balanced with no increase in the real estate tax rate, while focusing on priority core services: County employees, Metro, Schools, and affordable housing.

Employees: We cannot deliver high quality services without the support and hard work of our employees. Since becoming Manager over two years ago, I have proposed annual salary increases in an effort to stay competitive with other governments and to retain our highly skilled workforce. Unfortunately, we still lag behind our competitors in many job classes. With this budget I am proposing the beginning of a five-year classification maintenance plan, with my immediate priority being addressing needs for recruiting and retaining public safety personnel. This multi-year plan will evaluate and adjust salary ranges to ensure we are aligned with the regional market – a market which is essentially at full employment.

Over the last year, it has become clear that we are specifically lagging in compensation for our public safety workforce, which has affected recruitment and retention of firefighters and police officers. We face particularly difficult pressures with our Fire staff, whose standard workweek is 56 hours. My budget includes the first installment of a multi-year plan to gradually reduce the workweek for firefighters. Our police department is also reviewing service delivery options based upon the reduction of available staffing resources.

Metro: In FY 2018, we increased our taxes to meet the ongoing funding requirements for WMATA. For FY 2019, we have met the request of the General Manager for a 3 percent increase in operating funding, while relying on a comprehensive solution (among Virginia, Maryland, and the District) to meet our capital obligations.

Arlington Public Schools: In FY 2018, we increased our taxes to meet the additional requirements associated with almost 1,000 additional students each year. The

FY 2019 proposal meets the commitment to Arlington Public Schools articulated as part of the Revenue Sharing Principles (local taxes split with 53.4 percent to the County and 46.6 percent to APS) and provides an additional \$13.4 million in ongoing funding compared to FY 2018. Increasing taxes each year to meet school enrollment needs is not sustainable.

Affordable housing and housing grants: This proposal funds the same level proposed last year for the Affordable Housing Investment Fund (AHIF) at \$13.7 million, including shifting from one-time to ongoing funding. The proposed budget provides 49 percent of the total appropriation through ongoing funds as compared to 33 percent in the adopted FY 2018 budget. This budget also continues efforts to shift funding of Housing Grants to ongoing funding sources. My proposed budget fully funds the FY 2019 housing grant need of \$8.7 million with only \$0.7 million funded with one-time funding, compared to one-time funding for housing grants of \$1.6 million in FY 2018. Through these funding efforts the County will be able to sustain its commitment to affordable housing, while also continuing to explore land use tools to further increase the supply of affordable units.

In building this budget, we have sharply examined many of our lines of business for reductions, focusing on duplicative programs, or those that no longer are needed. Examples of these instances are included in this message, the FY 2019 Proposed Budget Reductions & Realignments on book page 47, and the overall budget document.

We have carefully reviewed all revenue options and recognize that there are few options that remain after adoption of the FY 2019 budget that will enable us to avoid increases in real estate or personal property tax rates. In addition, we are unsure of the revenue impacts of new Federal tax legislation on our current tax structures. We will also begin operating, and funding, new school and county facilities in FY 2020. These trends suggest that the budget challenges we are likely to face in FY 2020 and beyond (the next 3 to 5 years) will mean acutely difficult choices regarding direct reductions in current services.

The approach taken this year of exploring fee changes, funding realignments, and spending reductions is the model we will continue to follow, but over time, our revenue options will decline. Consequently, the majority of our budget containment efforts will necessarily be in spending reductions.

I invite you to read on to better understand this year's budget, the changes I am proposing, and my reasoning and rationale in each area.

Closing Our Revenue-Expenditure Gap

The combination of lower than anticipated revenue growth, the growing demand of core services, affordable housing, and compensation have resulted in a gap between revenues and expenditures of \$20.5 million.

I am proposing several options to address this gap, including spending reductions, targeted fee and committed tax increases, and funding realignments. I discuss my approach to each of these areas in detail below and in the following pages, but most significantly, **my budget includes reductions totaling \$8.4 million in ongoing funding and \$0.9 million in one-time funding, and the elimination of 48.06 positions.**

Proposed Reductions

As part of each year's budget process, we evaluate ways to deliver services more efficiently and effectively, and where feasible, we reallocate existing resources to support new priorities or increasing service demands. The extraordinary pressures we face this year required a much broader and deeper reexamination than in years past. I challenged my leadership team and County staff to suggest any and all possible options to the County's 140-plus lines of business.

The aim was to look beyond traditional lines of departmental business and find service redundancies, efficiencies that could be gained, different ways to provide services, and market forces or trends that have reduced the need for specific programs. Those options that were rejected this year may need to be pursued in future budget seasons.

Of the over 50 reductions, those seven with the largest dollar amount are as follows:

- **Reduce Ongoing Funding to Pay-As-You-Go Capital (PAYG) (\$1,553,535):** The FY 2019 Proposed Budget reduces ongoing funding to PAYG by \$1,553,535. Total ongoing PAYG funding included in FY 2019 Proposed Budget is \$5,544,983, comprised of \$5,321,750 in ongoing annual funding and \$223,233 in one-time funding. In addition to the FY 2019 ongoing funding in the Proposed Budget, there is an additional \$4.1 million in one-time PAYG funding.

The largest programmatic decrease in ongoing PAYG funding is in paving, which will see a decline in funding from FY 2018 of \$1.6 million. The County utilizes a Pavement Condition Index (PCI) to assess the condition of the County's 1,051 lane miles. The County has established a desired average PCI range of 75-80 (with 100 representing the best possible condition) and has raised the overall average PCI to 74.6 in 2017 from an average PCI of 67 in 2015. The paving program for FY 2019, which will likely include approximately \$11 million in funds from a bond sale in the Spring of 2018, will enable the County to continue making progress toward achieving its stated PCI goal, as long as changes in winter weather, contracting costs, and oil prices do not negatively impact the anticipated paving program.

- **Re-envisioning of employment services (Department of Human Services) (\$825,584):** The County provides a robust set of employment services to our community through several departments, non-profits, and regional partners. This proposed reduction is the first step in a multi-year process to evaluate the entirety of our workforce development program in light of a rapidly changing employment market, consistently low unemployment rates, and a declining caseload. This effort will help ensure that the resources dedicated to employment services across the County are used in the most efficient way possible and are targeted to priority areas. The initial reduction will result in increased caseloads in a few areas and reduced supervisory support. Finally, this proposal includes a reduction in administrative support for the REEP program (the English as Second Language program operating by Arlington County Schools); however, no direct services will be impacted.
- **Reallocation and reduction of resources from the AIRE program (Department of Environmental Services) (\$554,312):** This proposal would provide targeted reductions in the AIRE program including elimination of

the residential rebate program, consultant funding, and some energy efficiency investments in County facilities.

- **Lee Highway Planning (Community, Planning, Housing and Development) (\$500,000):** This one-time reduction would decrease the scope of the Lee Highway planning process, limiting it to a defined section or commercial center to be funded with previously allocated funding of \$250,000. Staff would continue its work on the process but use of consultant support may be limited later in the fiscal year.
- **Elimination of the Office of Community Health (Department of Parks and Recreation) (\$483,238):** This program provides nutrition, healthy lifestyle, and exercise support for internal parks and recreation programs and County-wide initiatives. We believe the core functions can be or are already provided through other County programs.
- **Provision of lab services to Department of Human Services' clients through contractors (\$449,359):** This proposal would partially transition lab services to an outside contractor, similar to the approach of other jurisdictions for this service.
- **ART service reductions (Department of Environmental Services) (\$356,771):** This proposal eliminates two routes (92 & 54) that are not meeting minimum service standards and where service delivery can potentially be met by other transit or other modes such as Capital BikeShare.

These proposals are not made lightly. Although some can be absorbed without an impact in services to our community, a number of them will mean reductions in services valued by certain members of the community. Full descriptions of the impacts of these proposed reductions can be found in the FY 2019 Proposed Budget Reductions & Realignments section on book page 47.

Revenue Increases & Realignment of Funding Sources

Consistent with Board direction to limit any revenue increases to fees or sources other than the existing real property tax rate, we have prepared several proposals, which together total \$6.6 million in additional revenue. A full list of proposed tax and fee increases can be found at book page 41; highlights are below:

- **Increase in parking hours and parking rates (\$3.8 million):** This proposal would increase parking meter hours to 8 p.m. from 6 p.m. and also increase rates by \$0.25 per hour. This will help to better manage our curb resources, a key contributor to the financial health of the County's commercial corridors. The majority of the revenue here is dedicated to enforcement functions which have been rising in costs, in part due to proposed salary increases. These proposed new hours and fees would bring us into closer alignment with our peer jurisdictions.
- **Utility taxes (\$1.7 million):** This proposal is to increase the residential and commercial utility taxes, sharing the additional revenues with Schools. The majority of the revenue would be dedicated to AHIF in part to ensure energy efficiency improvements in affordable housing developments.

- **Fee changes (\$1.1 million for General Fund):** Each year we evaluate fees to ensure appropriate cost recovery and to address inflation. This year's budget includes proposals to adjust permit and development related fees in DES and CPHD, adjustment of fire systems testing fees in office and apartment buildings, and cost recovery increases for commercial recycling. For the first time, we are also proposing, where technologically feasible, recovery of transaction fees charged to the County by credit card processing companies. For example, users of the County's many parks and recreation program offerings will begin to be charged a credit card processing fee when paying with credit cards. Finally, we are also proposing increasing parking tickets by \$5.00 for exceeding the time limit on parking meters. Additional details of each of these fee adjustments can be found in the following pages.

We also regularly evaluate our cost allocation among various functions and operating versus capital and other funds supported by dedicated revenues. These proposed realignments are to ensure appropriate cost allocation totaling \$1.6 million in ongoing funds and \$244,284 in one-time funds and include the following:

- **Reduction in allocation to Crystal City, Potomac Yard, and Pentagon City Tax Increment Fund (TIF) (\$503,882 in ongoing and \$244,284 in one-time):** This proposal reduces the percentage of incremental tax revenues generated in this area and dedicated to the TIF from 30 percent to 25 percent. This proposal will still provide the funding stream necessary to deliver Capital Improvement Plan (CIP) commitments in the TIF area. Reducing the TIF increment from 30 percent to 25 percent would redirect an estimated \$943,600 in ongoing funding and \$457,460 in one-time funding from the TIF to the General Fund, with \$503,882 in ongoing and \$244,284 in one-time to the County and the balance going to Schools based on Revenue Sharing Principles.
- **Street Sweeping & Allocation to Stormwater Fund (\$0.4 million):** Currently, equipment associated with the County's street sweeping functions are allocated to the Stormwater Fund. This proposal would move the entire cost of the program from the General Fund to the Stormwater Fund. Over the long term, if the current stormwater capital investment plan is to be maintained, this proposal may require review and a possible increase to the dedicated Stormwater Fund tax rate (currently at 1.3 cents).
- **Allocations to Capital /Transportation Projects (\$0.7 million):** This proposal would more appropriately allocate certain positions and activities, particularly in DES, to the respective capital projects that staff are assigned to on a daily basis.

Finally, we have employed other tools in balancing this year's budget totaling \$3.9 million in ongoing funds. These items are not reductions, but areas where we realized savings from both refining estimates from budget planning and decisions I made to provide flexibility to the organization. For example, we have offered a voluntary retirement incentive program that yields both budget savings and creates flexibility as we work to find placements for those employees affected by budget reductions. We may offer further incentive programs as the budget process proceeds. We received updated cost estimates for a number of items that provided savings, including the FY 2019 healthcare rate increase (decreased from a 7.5 percent increase to a 5 percent increase), lower Other Post Employment Benefits (OPEB – retiree health care) estimates based on the most recent actuarial study, savings from county-wide fuel and utility costs, and reducing the County's contribution to the Northern Virginia

Juvenile Detention Home based on a recent grant award to the agency which reduced the County's contribution.

Continued Focus on Multi-Year Priorities

My budget continues investments and progress on my multi-year initiatives:

- **Focus on Economic Development:** We recognized three years ago that we needed a new approach to economic development in the face of a changing and more competitive office market that was resulting in higher office vacancy rates. Our approach to performance-based financial incentives has yielded firm results and therefore I have included \$1.5 million in ongoing funds and \$2.7 million in one-time funds in this year's budget. I also have preserved core economic development staff during our discussion of reductions.
- **Focus on Service Delivery:** We continue our multi-year effort to improve our residents' and businesses' experience as they work through the permitting process through the One-Stop Arlington project, and we expect to reach major milestones over the next 12 months as the system implementation progresses. We have also begun the planning process for the renovation of the Ellen M. Bozman Government Center at Courthouse Plaza, which will yield benefits to residents and employees alike. We recently kicked off the Child Care Initiative to address quality, accessibility, and affordability of child care to benefit Arlington families and businesses. Finally, we have undertaken an organization-wide effort to improve customer service – the CARES initiative, which includes mandatory training for all employees. This effort is accompanied by a review of our existing call center, public facing phone numbers, and online tools that we hope will yield a better customer experience. More detail on each of these initiatives is included in the following pages.
- **Focus on Government Transparency:** Our OpenArlington strategy has accelerated this past year with the formation of an Open Data Advisory Group. To date a total of 185 data sets have been made available to the public with seven more scheduled for publication by early March. We will also be unveiling a new portal this year offering transparency for County financial information.

The Long Range Outlook

I anticipate that this period of tight budgets will continue for the foreseeable future. Our multi-year forecasts assume that we must continue our commitments in the following areas:

- Investment in our workforce – Funding the multi-year compensation maintenance studies for all job classes to ensure that we do not lose our competitive position.
- Addressing the core needs of a growing population, specifically the growing population that is impacting Schools enrollment and County services.
- Funding the operating costs associated with new facilities, including new schools and the Long Bridge Aquatics & Fitness Facility & Park.

The approach we took this year yielded ideas that we did not pursue for variety of reasons, including the need for more analysis and / or community engagement. I have

COUNTY MANAGER'S MESSAGE

included many of these ideas in the attached documentation and expect that these will need to be pursued in the coming years or could be considered as options by the Board for this year. I also can't leave a discussion of budget priorities without acknowledging that some programs and services, ranging from streetlight maintenance to library materials to community engagement would benefit from additional resources, but given the current budget climate, will not receive them.

I greatly appreciate the effort of all staff in the County as we prepared this budget.

Sincerely,

A handwritten signature in blue ink that reads "Mark Schwartz". The signature is written in a cursive style with a large, stylized "S" at the end.

Mark Schwartz
County Manager

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.

As illustrated in the forecast, future budgets are expected to follow the current trend for the foreseeable future, with anticipated budget gaps ranging between \$13.8 to \$33.4 million in FY 2020 and growing to between \$54.6 to \$119.7 million in FY 2024. driven principally by expenditure growth continuing to outpace revenue growth. The ranges in the forecast are the result of changes in revenue assumptions, with the baseline assuming greater assessment growth in real estate and slightly higher growth in other revenue sources. The County is constrained in its revenue growth by restrictions to its ability to change taxes and fees. On the expenditure side, the forecast assumes that we will continue our commitments to our workforce, funding the operating costs of new facilities, and addressing the core needs of a growing population.

Investment in our workforce – The County faces competitive pressures in recruiting and retaining the best workforce in a full employment economy. The County Manager is pursuing two efforts in response which impact our out-year budgets.

- Renewing the multi-year compensation maintenance studies for all job classes to ensure that we do not lose our competitive position.
- Implementing a Kelly Day work schedule for our Fire Department: our fire staff work a 56-hour work week, which is more than in neighboring jurisdictions and also out of sync with current workplace expectations – including how many staff must balance the demands of two working parents. The FY 2019 budget and the forecast include a multi-year plan to gradually reduce the workweek, achieving full implementation in FY 2023.

Funding the operating costs associated with new facilities – Both the County and Arlington Public Schools (APS) have new facilities that will open in the coming years.

- Operating costs associated with County facilities including Lubber Run Community Center and the Long Bridge Aquatics & Fitness Facility & Park are included in the forecast as "Operating Impact from CIP."
- Three new schools – the new elementary at Jefferson, the new middle school at Stratford, and the new school at Wilson – will add 1,839 seats in FY 2019 followed by an expansion of Reed in 2021 (725 seats), a new high school in 2022 (1,300+ seats), and additional elementary capacity in 2025 (400-725 seats). APS will fund the operating costs of these news schools in its budget with support from the County transfer of 46.6% of local tax revenues. No additional County resources are assumed in the forecast.

Addressing the core needs of a growing population – The new County and APS facilities will help the County better serve our growing population. However, the demand for services extends beyond what these facilities will be able to provide. County-wide demand for service increases is being felt in parks and recreation, library services, human services, public safety, and more. Given the budget realities, the County will need to be creative in responding to these needs by continuing efforts to re-envision service delivery, reallocate existing resources, evaluate the efficacy of existing services, and weigh the implementation of new programs.

These efforts combined with the exploration of revenue opportunities allowed us to balance the FY 2019 budget. Some ideas that were discussed this year were deferred for potential implementation in a future year due to the need for more analysis and / or community engagement.

The County's future budget challenges will require further review of community priorities to evaluate services and programs. Possible areas for future budget review will include: reducing or eliminating direct services to residents; examining service levels of programs; continuing support to our non-profit partners; levels of employee compensation and benefits; changes to taxes and fees; and further collaboration with schools.

Direct Services: changing or eliminating direct services to the community will impact residents and businesses.

- Close the Lee Community Center: consolidate Senior Adult Programs and relocate other programs.
- Close the Glen Carlyn and/or Cherrydale branch libraries: while these locations are valued by the immediate neighborhoods, they have lowest circulation levels and each location has costly maintenance challenges.
- Review and update the Cultural Affairs business model in Arlington Economic Development.
- Studying Human Services programs to either realign funding or adjust staff caseloads.
- Realigning service levels within the Courts and Constitutional offices, which were held constant in the FY 2019 budget.

Delivery of services: Evaluating the delivery of services could mean that a non-government entity begins providing the service or that the service is reduced or eliminated.

- Explore alternative service delivery for traffic and parking enforcement.
- Consider reducing public safety support for special events.
- Changes to levels of service for Police responses to non-emergencies such as minor theft and reductions to district teams.
- Reductions in Parks and Environmental Services crews including those that provide maintenance in the parks and repaving of the sidewalks.
- Fewer recreation programming options.

Support to non-profits: the County partners with over 90 unique organizations on over 130 different programs, providing over \$25 million in funding from local, state, and federal sources, primarily in the areas of housing, disability, seniors, and health and counseling services. Further evaluation of the support provided, services delivered, and outcomes achieved could allow for changes in what funding is awarded and organizations are supported. Reductions in support could have direct impact on residents in a variety of areas.

Employee compensation: any changes to compensation will need to be weighed against the commitment to provide competitive compensation in order to maintain a talented and effective workforce.

- Reduce annual increases to employees.
- Make changes to the healthcare plan design and possibly offer incentives to employees to move off County health insurance.
- Examine other benefits, such as retirement plans.

Taxes and fees: increases to taxes and fees can both place a greater burden on our residential taxpayers but also affect our competitiveness and ability to recruit and retain new businesses to our community, which could further erode the 50/50 split between our residential and commercial real estate tax base.

- Increases to Vehicle Personal Property and Business Tangibles tax rates increasing the residential tax burden and affecting our commercial competitiveness within the region.
- Implement a License Plate Penalty Fee: we currently charge individuals with out-of-state license plates a \$100 tax in addition to the Personal Property Tax that is due. Both Fairfax County and the City of Alexandria also charge a \$250 penalty to these individuals. However, it is anticipated that this penalty fee could disproportionately affect our immigrant population.
- Increase fees for alarm system registration and false alarm fines following the implementation of a new system for tracking alarms.

- Increase other parking ticket and moving violation fines in collaboration with the Virginia Supreme Court.
- Complete a study of all development and permit fees.
- Eliminate the vehicle personal property decal and transition to a vehicle registration fee similar to Fairfax and Loudoun Counties.

Collaboration with schools: could yield efficiency, better service delivery, and savings for both the County and APS.

- Explore contracting crossing guards;
- Facilities planning;
- Shared technology network support; and
- Whether some school children ride ART instead of APS buses.

The discussion of budget priorities cannot ignore that some programs and services would benefit from additional resources, but given the current budget climate, will not receive them. These range widely from streetlight maintenance to library materials to community engagement resources. Any opportunities to more appropriately fund these priority areas will be considered through reallocations.

Multi-Year Financial Forecast - Baseline Scenario

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
REVENUE														
Real Estate	721,342,790	4.1%	735,073,980	2.0%	753,037,370	2.4%	772,818,450	2.6%	793,695,540	2.7%	815,407,920	2.7%	838,051,210	2.8%
Less Crystal City TIF Real Estate	(6,304,880)	31.0%	(4,718,020)	-25.2%	(5,006,240)	6.1%	(5,297,350)	5.8%	(5,591,380)	5.6%	(5,888,340)	5.3%	(6,188,270)	5.1%
Less Columbia Pike TIF Real Estate	0	-100.0%	(150,730)	-	(458,210)	204.0%	(778,000)	68.8%	(1,110,580)	42.7%	(1,456,460)	31.1%	(1,816,190)	24.7%
Less Ballston Quarter TIF Real Estate			(537,700)	-	(1,393,400)	159.1%	(1,832,240)	31.5%	(1,889,290)	3.1%	(1,947,480)	3.1%	(2,006,830)	3.0%
Personal Property	115,452,147	3.0%	119,052,147	3.1%	122,028,000	2.5%	125,079,000	2.5%	128,206,000	2.5%	131,411,000	2.5%	134,696,000	2.5%
BPOL	63,088,073	10.6%	65,620,000	4.0%	66,276,000	1.0%	66,939,000	1.0%	67,603,000	1.0%	68,267,000	1.0%	68,930,000	1.0%
Sales*	42,000,000	4.5%	43,260,000	3.0%	44,015,605	1.7%	44,687,587	1.5%	45,359,819	1.5%	46,032,272	1.5%	46,704,726	1.5%
Meals*	39,900,000	3.6%	41,500,000	4.0%	43,379,000	4.5%	44,703,060	3.1%	46,027,522	3.0%	47,351,992	3.1%	48,686,472	3.1%
TOT	25,450,000	1.8%	26,000,000	2.2%	26,780,000	3.0%	27,583,000	3.0%	28,414,000	3.0%	29,262,000	3.0%	30,100,000	3.0%
Other Taxes	38,082,000	2.7%	42,122,000	10.6%	43,395,000	1.5%	44,704,000	1.5%	46,046,000	1.5%	47,400,000	1.5%	48,796,000	1.5%
SUBTOTAL: TAXES	1,039,010,130	4.2%	1,067,821,677	2.8%	1,091,412,165	2.2%	1,117,297,507	2.4%	1,145,369,631	2.5%	1,174,448,687	2.5%	1,204,976,689	2.6%
State	73,402,747	0.7%	75,420,031	2.7%	76,174,000	1.0%	76,936,000	1.0%	77,705,000	1.0%	78,482,000	1.0%	79,267,000	1.0%
Federal	15,170,833	4.9%	16,312,254	7.5%	16,312,000	0.0%	16,312,000	0.0%	16,312,000	0.0%	16,312,000	0.0%	16,312,000	0.0%
Other Revenue	93,601,364	4.8%	99,143,168	5.9%	101,126,000	2.0%	103,149,000	2.0%	105,212,000	2.0%	107,316,000	2.0%	109,462,000	2.0%
SUBTOTAL: OTHER	182,174,944	3.1%	190,875,453	4.8%	193,612,000	1.4%	196,397,000	1.4%	199,229,000	1.4%	202,110,000	1.4%	205,041,000	1.5%
CARRYOVER FUNDS	31,526,938	31.1%	15,194,069	-51.8%	4,000,000	-73.7%	4,000,000	0.0%	4,000,000	0.0%	4,000,000	0.0%	4,000,000	0.0%
TOTAL REVENUE	1,252,712,012	4.6%	1,273,891,199	1.7%	1,289,024,165	1.2%	1,317,694,507	2.2%	1,348,598,631	2.3%	1,380,558,687	2.4%	1,414,017,689	2.4%

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
EXPENDITURES														
Salaries	273,707,845	3.5%	280,951,818	2.6%	291,157,816	3.6%	301,700,517	3.6%	312,696,700	3.6%	324,075,872	3.6%	335,063,000	3.4%
Benefits	119,148,091	5.2%	127,134,697	6.7%	131,317,669	3.3%	136,696,251	4.1%	142,349,133	4.1%	148,226,326	4.1%	153,959,620	3.9%
SUBTOTAL: PERSONNEL	392,850,936	4.0%	408,086,515	3.9%	422,475,485	3.5%	438,396,768	3.8%	455,045,833	3.8%	472,302,198	3.8%	489,022,620	3.5%
Ongoing Operating Expenses	196,352,893	4.1%	193,027,485	-1.7%	196,154,755	1.6%	199,375,967	1.6%	202,694,083	1.7%	206,112,162	1.7%	209,633,364	1.7%
One-time Operating Expenses	4,543,563	-36.6%	4,619,560	1.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Metro	36,239,666	19.4%	40,600,000	12.0%	46,363,717	14.2%	49,934,981	7.7%	51,843,357	3.8%	53,398,658	3.0%	55,000,617	3.0%
Metro - TDP Implementation	-	-	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%
Contingents (General & Stabilization)	367,000	-	4,235,182	1054.0%	4,500,000	6.3%	4,500,000	-47.8%	4,500,000	-30.2%	4,500,000	-30.0%	4,500,000	0.0%
Economic Development Grants	4,905,406	12.6%	6,238,196	27.2%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%
Ongoing AHF	10,111,006	8.0%	7,025,628	-30.5%	6,525,002	-10.0%	6,525,002	0.0%	6,525,002	0.0%	6,525,002	0.0%	6,525,002	0.0%
One-time AHF	7,531,562	-6.9%	5,098,518	-33.4%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%
Regionals	6,875,285	-2.5%	6,694,893	-2.6%	6,694,893	-2.6%	6,694,893	-2.6%	6,694,893	-2.6%	6,694,893	-2.6%	6,694,893	-2.6%
Ongoing Capital	6,694,893	46.8%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%
Debt	62,964,345	2.8%	67,800,000	7.7%	72,600,000	7.1%	79,200,000	9.1%	84,000,000	6.1%	88,600,000	5.5%	91,700,000	3.5%
Debt Service for Master Lease	7,641,761	3.0%	7,871,013	3.0%	8,107,144	3.0%	8,350,358	3.0%	8,600,869	3.0%	8,858,895	3.0%	9,124,662	3.0%
OPFB	20,400,000	0.0%	19,000,000	-6.9%	19,982,000	5.2%	20,581,660	3.0%	21,198,904	3.0%	21,834,871	3.0%	22,489,917	3.0%
SUBTOTAL: NONPERSONNEL	368,877,380	4.8%	367,137,049	-0.5%	369,819,332	0.7%	381,904,482	3.3%	391,948,929	2.6%	401,966,302	2.6%	411,110,276	2.3%
Schools Ongoing	484,178,720	4.2%	497,604,901	2.8%	508,598,069	2.2%	520,660,638	2.4%	533,742,248	2.5%	547,293,088	2.5%	561,519,137	2.6%
(based on 46.6% of tax revenue)	6,077,476	147.7%	367,234	-94.0%	-	-100.0%	-	-	-	-	-	-	-	
Schools One-time	727,500	-34.4%	695,500	-4.4%	695,500	0.0%	695,500	0.0%	695,500	0.0%	695,500	0.0%	695,500	0.0%
Transfers to Other Funds	-	-	-	-	1,280,000	-	5,430,000	324.2%	5,933,000	9.3%	6,278,000	10.9%	6,274,000	-4.6%
Operating Impact from OIP	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL EXPENSES	1,252,712,012	4.6%	1,273,891,199	1.7%	1,302,868,386	2.3%	1,347,087,388	3.4%	1,387,365,510	3.0%	1,428,835,088	3.0%	1,468,621,533	2.8%

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
Shortfall/Surplus \$ (millions)	1,252,712,012		1,273,891,199		1,289,024,165		1,317,694,507		1,348,598,631		1,380,558,687		1,414,017,689	
Revenue	1,252,712,012		1,273,891,199		1,302,868,386		1,347,087,388		1,387,365,510		1,428,835,088		1,468,621,533	
Expenditures	-		-		(13,844,221)		(29,392,881)		(38,766,879)		(48,276,400)		(54,603,844)	
Annual Deficit/Surplus**	-		-		(13,844,221)		(29,392,881)		(38,766,879)		(48,276,400)		(54,603,844)	

* Sales and meals tax estimates in years FY 2019 through FY 2024 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 were reduced by the actions taken to balance the prior year.

Multi-Year Financial Forecast - Low Scenario

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
REVENUE														
Real Estate	721,342,790	4.1%	735,073,980	2.0%	723,494,690	-1.8%	722,769,050	0.0%	728,050,140	0.7%	736,073,400	0.7%	747,307,330	1.4%
Less Crystal City TIF Real Estate	(6,304,880)	31.0%	(4,718,020)	-25.2%	(3,790,220)	-19.7%	(3,441,000)	-9.2%	(3,302,580)	-4.0%	(3,202,580)	0.0%	(3,302,580)	0.0%
Less Columbia Pike TIF Real Estate	0	-100.0%	(150,730)	-	(170,420)	13.1%	(286,030)	67.8%	(403,360)	41.0%	(522,460)	29.5%	(643,340)	23.1%
Less Ballston Quarter TIF Real Estate			(537,700)	-	(1,393,400)	159.1%	(1,832,240)	31.5%	(1,889,290)	3.1%	(1,947,480)	3.1%	(2,006,830)	3.0%
Personal Property	115,452,147	3.0%	119,052,147	3.1%	120,243,007	1.0%	121,445,173	1.0%	123,266,417	1.5%	125,115,240	1.5%	126,991,641	1.5%
BPOL	63,088,073	10.6%	65,620,000	4.0%	66,931,992	2.0%	68,270,509	2.0%	69,635,552	2.0%	71,028,141	2.0%	72,448,275	2.0%
Sales*	42,000,000	4.5%	43,260,000	3.0%	43,562,820	0.7%	43,780,634	0.5%	43,999,485	0.5%	44,219,374	0.5%	44,400,300	0.5%
Meals*	39,900,000	3.6%	41,500,000	4.0%	42,122,500	1.5%	42,543,704	1.0%	43,030,369	1.5%	43,480,488	1.5%	44,488,061	1.5%
TOT	25,450,000	1.8%	26,000,000	2.2%	26,000,000	0.0%	26,130,506	0.5%	26,261,276	0.5%	26,323,838	1.0%	26,789,464	1.0%
Other Taxes	38,082,000	2.7%	42,122,000	10.6%	42,122,000	0.0%	42,332,210	0.5%	42,755,965	1.0%	43,183,058	1.0%	43,614,599	1.0%
SUBTOTAL: TAXES	1,039,010,130	4.2%	1,067,821,677	2.8%	1,058,122,969	-0.9%	1,061,712,516	0.3%	1,071,555,975	0.9%	1,084,801,018	1.2%	1,100,126,921	1.4%
State	73,402,747	0.7%	75,420,031	2.7%	75,420,031	0.0%	75,420,031	0.0%	75,420,031	0.0%	75,420,031	0.0%	75,420,031	0.0%
Federal	15,170,833	4.9%	16,312,254	7.5%	16,312,254	0.0%	16,312,254	0.0%	16,312,254	0.0%	16,312,254	0.0%	16,312,254	0.0%
Other Revenue	93,601,364	4.8%	99,143,168	5.9%	100,134,600	1.0%	101,135,946	1.0%	102,147,305	1.0%	103,168,778	1.0%	104,200,466	1.0%
SUBTOTAL: OTHER	182,174,944	3.1%	190,875,453	4.8%	191,866,885	0.5%	192,868,231	0.5%	193,879,590	0.5%	194,901,063	0.5%	195,932,751	0.5%
CARRYOVER FUNDS	31,526,938	31.1%	15,194,069	-51.8%	4,000,000	-73.7%	4,000,000	0.0%	4,000,000	0.0%	4,000,000	0.0%	4,000,000	0.0%
TOTAL REVENUE	1,252,712,012	4.6%	1,273,891,199	1.7%	1,259,989,854	-1.6%	1,258,580,747	0.4%	1,269,435,565	0.9%	1,283,702,081	1.1%	1,300,059,672	1.3%

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
EXPENDITURES														
Salaries	273,707,845	3.5%	280,951,818	2.6%	291,157,816	3.6%	301,700,517	3.6%	312,696,700	3.6%	324,075,872	3.6%	335,063,000	3.4%
Benefits	119,148,091	5.2%	127,134,697	6.7%	131,317,669	3.3%	136,696,251	4.1%	142,349,133	4.1%	148,226,326	4.1%	153,959,620	3.9%
SUBTOTAL: PERSONNEL	392,855,936	4.0%	408,086,515	3.9%	422,475,485	3.5%	438,396,768	3.8%	455,045,833	3.8%	472,302,198	3.8%	489,022,620	3.5%
Ongoing Operating Expenses	196,352,893	4.1%	193,027,485	-1.7%	196,154,755	1.6%	199,375,967	1.6%	202,694,083	1.7%	206,112,162	1.7%	209,633,364	1.7%
One-time Operating Expenses	4,543,563	-36.6%	4,619,560	1.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Metro	36,239,666	19.4%	40,600,000	12.0%	46,363,717	14.2%	49,934,981	7.7%	51,843,357	3.8%	53,398,658	3.0%	55,000,617	3.0%
Metro - TDP Implementation	-	-	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%	4,250,000	0.0%
Contingents (General & Stabilization)	367,000	-	4,235,182	1054.0%	4,500,000	6.3%	4,500,000	-47.8%	1,500,000	-30.2%	1,050,000	-30.0%	1,050,000	0.0%
Economic Development Grants	4,905,406	12.6%	6,238,196	27.2%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%	6,238,196	0.0%
Ongoing AHF	10,111,006	8.0%	7,025,628	-30.5%	6,525,002	-7.5%	6,525,002	0.0%	6,525,002	0.0%	6,525,002	0.0%	6,525,002	0.0%
One-time AHF	7,531,562	-6.9%	5,098,518	-33.4%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%	5,098,518	0.0%
Regionals	6,875,285	-2.5%	6,694,893	-2.6%	6,694,893	0.0%	6,694,893	0.0%	6,694,893	0.0%	6,694,893	0.0%	6,694,893	0.0%
Ongoing Capital	6,694,893	46.8%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%	446,465	-93.3%
Debt	62,964,345	2.8%	67,800,000	7.7%	72,600,000	7.1%	79,200,000	9.1%	84,000,000	6.1%	88,600,000	5.5%	91,700,000	3.5%
Debt Service for Master Lease	7,644,761	3.0%	7,871,013	3.0%	8,107,144	3.0%	8,350,358	3.0%	8,600,869	3.0%	8,858,895	3.0%	9,124,662	3.0%
OPFB	20,400,000	0.0%	19,000,000	-6.9%	19,982,000	5.2%	20,581,660	3.0%	21,198,904	3.0%	21,834,871	3.0%	22,489,917	3.0%
SUBTOTAL: NONPERSONNEL	368,877,380	4.8%	367,137,049	-0.5%	369,819,332	0.7%	381,904,482	3.3%	391,948,929	2.6%	401,966,302	2.6%	411,110,276	2.3%
Schools Ongoing	484,178,720	4.2%	497,604,901	2.8%	493,085,304	-0.9%	494,758,033	0.3%	499,345,084	0.9%	505,517,274	1.2%	512,659,145	1.4%
(based on 46.6% of tax revenue)	6,077,476	147.7%	367,234	-94.0%	-	-100.0%	-	-	-	-	-	-	-	
Schools One-time	727,500	-34.4%	695,500	-4.4%	695,500	0.0%	695,500	0.0%	695,500	0.0%	695,500	0.0%	695,500	0.0%
Transfers to Other Funds	-	-	-	-	1,280,000	-	5,430,000	324.2%	5,933,000	9.3%	6,274,000	10.9%	6,274,000	-4.6%
Operating Impact from OIP	-	-	-	-	1,280,000	-	5,430,000	324.2%	5,933,000	9.3%	6,274,000	10.9%	6,274,000	-4.6%
TOTAL EXPENSES	1,252,712,012	4.6%	1,273,891,199	1.7%	1,287,355,620	1.1%	1,321,184,783	2.6%	1,352,968,346	2.4%	1,387,059,274	2.5%	1,419,761,541	2.4%

	Adopted FY 2018	% chg	FY 2019 Proposed	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg	Forecast FY 2024	% chg
Shortfall/Surplus \$ (millions)														
Revenue	1,252,712,012		1,273,891,199		1,259,989,854		1,258,580,747		1,269,435,565		1,283,702,081		1,300,059,672	
Expenditures	1,252,712,012		1,273,891,199		1,287,355,620		1,321,184,783		1,352,968,346		1,387,059,274		1,419,761,541	
Annual Deficit/Surplus**	-		-		(33,365,767)		(62,604,036)		(83,532,781)		(103,357,193)		(119,701,869)	

* Sales and meals tax estimates in years FY 2024 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.

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ECONOMIC DEVELOPMENT UPDATES

Arlington's "Way Forward" initiative to counter historically high office vacancy rates and increased pressure from competitive markets continues to make advancements. The initiative has introduced strategic and programmatic adaptations including new ways of marketing Arlington to national and international audiences, and business development efforts to diversify the commercial tax base and align with our highly skilled workforce. Since 2015, Arlington Economic Development (AED) has assisted on more than 5.3 million square feet of new or retained office space representing approximately 25,400 jobs.

- **Vacancy rate update** – The vacancy rate was down to 17.3 percent in the second quarter of 2017 following a steady recovery from an all-time high of 21.0 percent in the first quarter of 2015. Improvement in the first half of 2017 was driven by overall positive activity in the market and initial leasing by Nestle USA, which will eventually occupy 206,000 square feet at 1812 N. Moore Street. By the end of 4Q 2017, that momentum was reversed by the departure of the National Science Foundation resulting in an end-of-year vacancy rate of 19.4 percent. Throughout the region, the office market continues to be in a state of transition as tenants leave older buildings in search of newer spaces and more advantageous lease terms. On the positive side for Arlington, tenants are seeking locations with high concentrations of amenities and optimal Metro accessibility. However, certain headwinds persist due to office footprint reductions upon lease renewal and competitive submarkets along the Silver Line and in the District of Columbia. The Arlington office market also faces the impending departure of the Transportation Security Administration and uncertain future of the Drug Enforcement Administration lease (1 million square feet combined).
- **Selected business development accomplishments** – As of February 2018, AED had assisted with nearly 815,000 square feet of economic development successes in FY 2018. Collectively, these projects represent nearly 3,200 jobs in Arlington County. Notable projects include:
 - The retention and expansion of major employers in media, government and professional services including the BNA Bloomberg, Hobsons, APT, Strategic Analysis, and UVA Darden School of Business.
 - The continued attraction and expansion of fast growing tech companies like Phone2Action, Higher Logic, Mobile Posse, and Itech AG; and
 - The attraction of the American Institutes for Research, enhancing Arlington's reputation as a prime location for nonprofits and research organizations.
- **Incentive Program** – Arlington began using targeted, performance-based financial incentives in 2015 to help lower the office vacancy rate and diversify the economy. Since then, the County has incented projects that align with Arlington's economic development strategy, generate significant return on investment for the County in taxes, and in many cases leverage money from the Commonwealth of Virginia. Projects include the recruitment of Nestle USA, the retention and expansion of major employer Bloomberg BNA, and the attraction of fast-growing technology companies like StoryBlocks. Of the County's successful economic development deals since this program began, only 8 percent use incentives. The FY 2019 Proposed Budget includes \$1.5 million in ongoing funding and \$2.7 million in one-time funding to continue this program.
- **Marketing Arlington's Tech Ecosystem** - AED's Business Investment team attends key technology events and trade shows throughout the year to create and maintain relationships

with tech companies and enhance Arlington's profile as an attractive office location for the tech industry. Additionally, these engagements generate information for business development about what types of companies are poised for growth and may be seeking new office space. The events include:

- CES 2018: Arlington is proud to be the home of the Consumer Technology Association (CTA), the creators of the Consumer Electronics Show. CES draws an international audience of more than 170,000 attendees. AED hosted a "startup" lounge space in the Eureka Park exhibit area to showcase the benefits of opening or moving a business to Arlington. AED also invited a handful of standout Arlington startup companies to demo their products in the startup lounge, allowing for national and international exposure.
 - SXSW 2018: In March 2018, AED will host a panel discussion at the SXSW Interactive Festival, considered one of the largest festivals for technology companies in the world. "War Games: From Battlefield to Ballot Box" was selected for presentation at SXSW from more than 6,000 entries around the world and will showcase the innovation of cybersecurity companies located in Arlington.
 - Collision 2018: In May 2018, AED will attend Collision, a tech conference that brings together experts in a variety of tech fields and related topics such as autotech, robotics, startups, marketing, big data, and planetech.
- **Tourism report** — In the second year following the FY 2016 reinstatement of Arlington County's tourism-dedicated 0.25 percent transient occupancy tax, the Arlington Convention and Visitors Service (ACVS) is achieving record-setting results. With the reinstated funds, in FY 2017 ACVS invested more than \$1.1 million into marketing and promotion, resulting in a leading-edge StayArlington website; expanded advertising, digital marketing, and trade events; updated market research; new photography and video resources; and much more. Group hotel room nights booked by ACVS rose 13 percent to 26,400; advertising impressions to target audiences increased more than 15,000 percent, reaching nearly 250 million; and an additional 950 million new StayArlington ad impressions were generated in China. Even prior to the October 2017 launch of the new StayArlington website, FY 2017 web view sessions were up 161 percent over the prior year, and users were up 158 percent. The number of Arlington visitors served in person rose 36 percent, and more than 215,000 Arlington Visitors Guides, Meeting Planner Guides, Maps, and Rack Cards were distributed through the Mobile Visitors Center, by mail, and at Reagan National and Dulles International Airports. Through December 2017, Arlington's annual hotel Occupancy was 76.7 percent (down 0.6 percent from 2016); Average Daily Rate was \$167.42 (up 3.3 percent over 2016); and Revenue Per Available Room (RevPAR) was \$128.46 (up 2.7 percent over 2016).
 - **Ballston Quarter** — The Ballston Quarter redevelopment is still under construction and on track with an expected delivery in the fall of 2018. The tax increment financed bonds were issued and sold in November 2016, completing a two-year effort to implement the public-private partnership that was a critical component of the Ballston Quarter project. In FY 2018, Forest City has announced tenants for the space include Cookology, Nook, 5 Wits, and an 18-restaurant food hall.

OPEN GOVERNMENT, TRANSPARENCY, AND CUSTOMER SERVICE

One of my strategic priorities continues to focus on Open Government, Transparency and Quality Services. Our goal is to increase citizen satisfaction and promote positive experiences with Arlington County government by making it faster and easier for residents and businesses to complete transactions and receive quality services. Effective customer service and engagement processes play an important role in building public trust, increase transparency, and make working with the government an easier and more gratifying experience.

The County is making progress in advancing Open Government – moving towards greater transparency and easier access to information. We are learning along the way and balancing the demand in this important area with our available County resources. I want to highlight a series of initiatives that we will help us advance our journey across four key areas: (1) Simplifying access to Information and Data; (2) Streamlining Government Processes; (3) Enhancing Customer Services; and (4) Advancing Public Engagement Processes.

Simplifying Access to Information and Data

We recognize the importance of making data more accessible, offering easier options for finding information easily without the need for submitting formal inquiries or requests. Data sharing is an important tool for leveraging public information and gaining insights to inform public policy. We are taking initial steps to understand how data is used, how it is interpreted, and the context for data.

- **Open Data Advisory Group** - Last year, I appointed a new Open Data Advisory Group (ODAG) to help identify and prioritize datasets for the County. The ODAG is comprised of residents, business owners, open data partners such as the Sunlight Foundation and Code for America, and members of several County commissions. The ODAG will continue to provide recommendations on strategies to improve open data and transparency.
- **Open Data Portal** - The Arlington [Open Data Portal](#) now offers 185 different datasets, with more being added each month, such as the Park Facility Reservations made live in January 2018. I recently directed every Department to identify data sets that can be shared with our residents and businesses. In addition, we have an internal staff team working to complete a comprehensive data inventory over this next year.
- **My Arlington App** - We continue to promote the “My Arlington App”, where members of the public can easily view county events and meetings, permits under review, traffic alerts, and other county information. One newest element includes “[My Arlington Projects Map](#)” visualization tool. This map view tool, is intended to make it easier for residents to locate and learn more about County projects taking place around Arlington. It also offers insight to site plan projects which are under review, under construction, approved, or completed. Users can filter projects by type and size, street address or civic association. It also offers an update on our County crews’ daily work.
- **Open Financial Portal** - Over the next year, we are planning an initial launch of an Open Financial Portal. This portal will provide an interactive graphical display of data, including budget and transactional information. It also will provide the ability to “slice and dice” and drill down into the data by department, division, line of business, and more.

- **Freedom of Information Act Requests** - Following our efforts started in 2016, we will continue to post responses to Virginia Freedom of Information Act (FOIA) requests online, to promote increased awareness and transparency of government activities. The Virginia Freedom of Information Act provides citizens of the Commonwealth and representatives of the media access to public records held by public bodies, public officials and public employees. (Note: Personal identifying information of residents and 911 phone call transcripts are not posted online.) I am excited that starting this year we are also using a new FOIA tracking system that offers improved internal data analysis and posting of responsive FOIA documents that do not require redaction.

Streamlining Government Processes

A significant aspect of open government includes making it easier to do business with Government. [One Stop Arlington](#) is an enterprise-wide effort, aimed to make it easier to apply for and process permit applications for large and complex projects with Arlington County.

Customers will ultimately have a one stop option for assistance and case management support for large and complex projects throughout the permit process. Once completed, the public benefits will include the ability for customers to apply online for permits 24/7, submit plans and drawings electronically, schedule inspections, check application status, review staff comments, sign up for email notifications and alerts, make online payments, and access real-time information regarding the status of a permit.

The new system is scheduled to be implemented in two phases. Phase I will support the online submission, review and payment of select permit types, including development project and small business applications (site plans and use permits), civil engineering plans and zoning determinations, among others. This phase also includes an interim solution for online submission, review and payment for land disturbance activities and building permits. Phase I is anticipated to be delivered in FY 2019. Phase II, anticipated to be complete in FY 2020, will support online submission, review and payment of all remaining permit types and applications. Ongoing customer feedback and user experiences will be used to inform the development, design, and implementation phases.

The CPHD Development Fund is funding the design and development of the new permitting system. This year CPHD Development Fund permitting fees are proposed to increase 2.5 percent, tied to the Employment Cost Index. This increase will ensure that the fees keep pace with the cost, salaries, and benefits for employees who process permits and applications. Upon successful delivery of Phase I, the current automation enhancement surcharge on all land development and permit fees is proposed to increase to ten percent (from its current rate of five percent) to ensure that the CPHD Development Fund has sufficient funding to deliver Phase II of the system.

Enhancing Customer Service

- **CARES:** In the past year, we launched the Arlington CARES initiative to provide ongoing improvements to customer service for our residents, businesses, and visitors. Every Arlington County employee is now receiving mandatory CARES training to identify strategies to embrace core elements of customer service: Communication, Awareness, Responsiveness, Empowerment, and Solutions. The CARES team is also reviewing our existing call center operations, public facing phone numbers, and online tools that we hope will yield a better

customer experience. And, in the coming months, we will establish new customer service standards and launch the CARES Customer Service Squad, a quality review initiative to help identify opportunities for continuous improvement.

- **Report a Problem** - One key tool that Arlington County will continue to use and evaluate is "Report a Problem". This online tool provides a portal for residents and businesses to share information about a streetlight outage, pot hole in need of a repair, and other core service needs. Members of the public can also view the requests submitted using a map or list view. This public access tool is an excellent example of residents and government working together to identify needs across our County. Our team continues to identify new opportunities to expand the use of this important customer service strategy.
- **Ombudsman Officers** - Unfortunately, residents and businesses still have challenges with resolving issues or finding information easily. Therefore, we will continue to support our ombudsman program for both residents and businesses. Our *Resident Ombudsman* is available to troubleshoot resident concerns that are not easily resolved and works closely with County leadership and elected officials to break down silos, implement process improvements, and improve customer service to residents. He relies upon a network of staff subject matter experts to accomplish these goals. Similarly, our *Business Ombudswoman* works in partnership with the business community to help resolve issues on a range of topics, improve customer service, and identify improvements to County administrative processes to become the premiere place to do business, and increase Arlington's economic competitiveness in the region and nationwide. Additionally, the Ombudsman serves as an ambassador to strengthen relationships working with the Arlington Chamber of Commerce, Ballston, Crystal City, and Rosslyn Business Improvement Districts (BIDs), and other business associations.
- **Consumer Protection** - Over the next year, we will launch a new Consumer Protection Initiative across the County. This will include a dedicated liaison to assist residents if they experience challenges with non-county businesses or service providers. A new central website will be made available to find resources and information about consumer issues, including cable services, taxi, and towing. Information will also be available on accessing state and federal resources for addressing consumer protection issues.

Engage Arlington

After nearly a year of listening to both internal and external stakeholders, the County has developed a [public engagement action plan](#) which includes four key objectives: (1) Build a clear and consistent approach for public engagement; (2) Strengthen communication and trust throughout our project lifecycle; (3) Expand and diversify participation; and (4) Evaluate and enhance policies to advance good community engagement practice. As part of this action plan, we have taken steps to advance the following initiatives and activities:

- **Public Engagement Guide:** The County realized a major milestone in achieving these objectives by finalizing the new *Six Step Public Engagement Guide for Capital Projects* in February 2018. Arlington completes hundreds of capital projects -- large and small -- in any given year. Recognizing there's no one-size-fits-all approach, this guide is intended to help align the appropriate level of public engagement based on characteristics, benefits, and potential impacts. The guide highlights how engagements should be planned, implemented, and assessed depending on the type of capital project being completed -- using a unique

decision matrix, with guiding questions. This should lead to more consistent and effective interactions surrounding county projects. The guide also aims to score successes on all four key objectives, establishing practices to: set clear, consistent, and transparent engagement efforts; communicate early and often throughout the lifecycle of a project; expand and diversify outreach to the full range of impacted stakeholders (including hard to reach); and continuously assess and improve implementation efforts. We have recently started to train staff to use this new tool with anticipation of adopting implementation of the guide for all capital projects by late spring or early summer 2018. The Public Engagement team will ultimately seek out methods to adapt the guide to other types of County efforts, including planning and policy.

- **Board Reports:** Staff has already been tasked with including descriptions of their public engagement efforts as a part of all reports to the County Board. Making engagement a key component of Board reports elevates awareness of the County's commitment to improving its engagement processes while also serving to provide the best possible information to the Board.
- **Integrate Engagement principles into Capital Improvement Process (CIP):** A bedrock assumption of successful public engagement is that raising awareness as early as possible is critical to a successful process. And with capital projects, that means that we have to find new and better ways to engage the community around the Capital Improvement Plan (CIP). In preparing for the next CIP process, the County will develop a multi-tiered approach. As the County begins the process of identifying capital projects for consideration for the 2019-2028 period, we will seek early community feedback to help inform the development of this CIP. We will explore the use of data visualization tools to help make the proposed CIP more digestible and accessible, leading to a more informed and engaged community process.
- **Capacity Building for Engagement Practice:** As the County seeks better practices for engaging the community itself, it is also working to build capacity within the community with several other first of their kind events. In March, the County is hosting a series of roundtable discussions between the County Manager, the President of the Civic Federation, and the Presidents of Arlington's Civic and Condo Associations. These events offer a unique opportunity to explore opportunities and strategies for improving communication and coordination between these organizations. Similarly, the County is exploring other options to help civic associations and others with tools and strategies to improve communication and engagement with neighbors. Our team is also working with the County Board to explore training opportunities for targeted commission chairs to fortify the skills of these public partners in their vital work.

In developing these and other new tools to provide a consistent approach to public engagement across departments and a common set of game rules for public participation, the County is working to create avenues for greater public involvement and ultimately, more impactful and effective community processes.

WORKFORCE INVESTMENT

The FY 2019 Proposed Budget includes the implementation of the five-year compensation maintenance plan as well as additional funding to provide other enhancements for continued investment in our workforce. The last major compensation study was completed in 2016. Since that time, we have lost ground and it is important to keep refining the analysis. The proposed Compensation Maintenance Plan is a five-year plan that focuses on pay competitiveness for all classes and pay programs and includes external benchmark reviews of salary range, internal reviews of organizational structure, and may include updates to the Administrative Regulations associated with changes to pay, job changes or reclassifications, and pay ranges. An evaluation of market competitiveness will be conducted and evaluated based upon the County's total compensation philosophy. Costs related to the classification maintenance plan are estimated at a total of \$5.5 million (base and benefit) over the five years with the first year costing the most, approximately \$2.9 million and subsequent years averaging \$0.65 million, annually.

The enhancements for FY 2019 include compensation and benefit increases for both public safety and general employees.

Focus on Public Safety:

- Year one funding of the Five-Year Compensation Maintenance Plan - Year one focuses on the job family related to public safety. This is the largest cost, \$2.9 million, of the five-year plan and is recommended to align the Police, Sheriff and Fire pay. The entry pay for certain positions in this job family are significantly behind the market with Arlington behind our market position tied to the average of our three major competitors. This plan will move our entry pay to a highly competitive position and adjust other ranges and pay to minimize pay compression. The proposed budget includes the following compensation increases for public safety:
 - Police - a 2.5 percent pay adjustment for sworn uniformed employees up to the rank of Police Sergeant
 - Sheriff - two percent pay adjustment for Corporal positions
 - Fire - A four percent pay adjustment for sworn uniformed employees
 - The proposed budget also continues the public safety pay plan, which includes a 3.5 percent pay increase for uniformed employees in addition to the pay adjustments described above.
- Implementation of Kelly Day for the Fire Department – The Kelly Day schedule provides an extra day off per 28-day cycle thus reducing the number of hours worked. Arlington Firefighters work more hours than most other jurisdictions and this would enhance our competitiveness and ability to recruit and retain staff. The proposed Kelly Day initiative is projected to be implemented over four years, adding nine FTES each year. Once fully implemented, 36 uniformed employees would be added to the Fire Department to provide an extra team. This initiative is a first step towards an effort to reduce the workweek to a level closer to other jurisdictions.
- Increase in location pay for Police and Sheriff uniformed employees. This does not impact the midnight shifts.

Focus on General Employees:

- Continued Open Range Pay Plan – The proposed budget continues the open range plan. All general employees on this plan at least meeting expectations will receive a 3.25 percent increase up to the maximum of their grade range.
- 1.0 percent increase to the Maximum of Each Grade – The maximum salary in all pay plans will increase by 1.0 percent for General Employees in FY 2019. Ranges are reviewed annually to stay competitive. It is critical to keep the maximum of our ranges competitive in order to reward, retain, and fairly compensate our employees.
- Base Rate Increasing to \$15.00/hour – The base rate pay for permanent employees and most temporary employees will increase to \$15.00/hour from the current \$14.50/hour.

Other Compensation and Benefits investments include:

- New Adoption Assistance – This provides \$5,000 in financial assistance to adoptive parents who are employees.
- Increased Volunteer Leave – Volunteer leave will increase to eight hours from the current four hours. Volunteer hours can be used for a pre-approved County volunteer activity or with any Arlington County non-profit organization.
- Health Insurance Costs – Annual costs continue to rise due to medical and prescription costs. The overall health care budget is projected to increase 5%. Actual premium increases may vary based on the plan and tier selected. This is the smallest increase in several years.

As part of our commitment to providing a well-rounded total rewards package, we conducted the first phase of a multi-year comprehensive benefits study to look at our retirement, health and other benefits. A survey was given to all employees for their input and focus groups were conducted consisting of employees from across the organization. The second phase of the comprehensive benefits study will be completed in the coming year. This, together with the five-year classification maintenance plan will better inform compensation and benefit options for FY 2020.

Our employees are our most valuable assets and we will continue to invest in them to provide a work/life balance and compensation and benefits package to retain and attract a high quality workforce.

FIRE WORKWEEK

Fire Department Workweek Reduction

The FY 2019 proposed budget calls for implementing the first stage of a reduction of the Arlington County Fire Department’s (ACFD) scheduled work hours from an average of 56 hours per week to 50 hours. If approved, the reduction is achieved by adding nine (9) new FTE’s per year over the next four years at an estimated cost of \$1 million per year, or \$4 million total. This would increase staffing to the level necessary to cover an extra day off every 28-days for employees assigned to Operations, thus reducing the number of hours worked.

With a reduction in the hours worked, the number of personnel assigned to each shift would be at a level that permits a portion of each shift to be off duty without the shift falling below the requisite number of personnel necessary to staff all stations and response units. This rotating day off is known as a “Kelly Day” and provides individual members with an additional 24 hours off per month.

This proposal addresses a number of factors, including escalating and sustained levels of attrition and difficulties in recruitment for the ACFD. When reviewing other benefits, ACFD pay lags most of the other jurisdictions in the region and the proposed budget begins to address this discrepancy. Public safety retirement and health benefits remain competitive.

Current Challenges with the ACFD Shift Schedule

At present, there are three operational shifts in ACFD. Members assigned to a shift work a rotating schedule of 24 hours that results in an average 56-hour workweek. Depending on the schedule rotation some weeks may be 72-hours.

The current work schedule is: personnel begin a shift at 7 a.m. and work for 24 hours; this is followed by a 24-hour period off, followed by another 24 hours on-duty, another 24 hours off and finally, a third 24-hour shift on-duty; the cycle ends with a four day-off period:

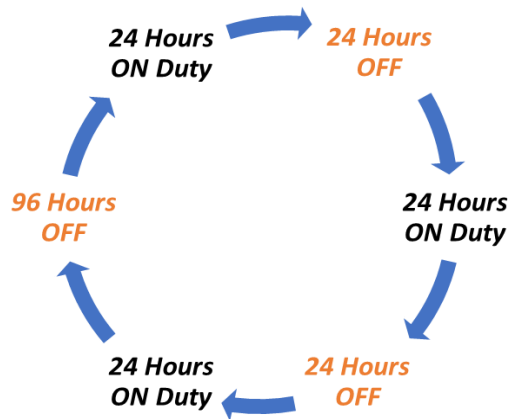


Figure 1: 56 Hour Workweek

While the Arlington shift results in an average of ten work days per month, it is useful to note the accumulation of hours over a year for different work schedules:

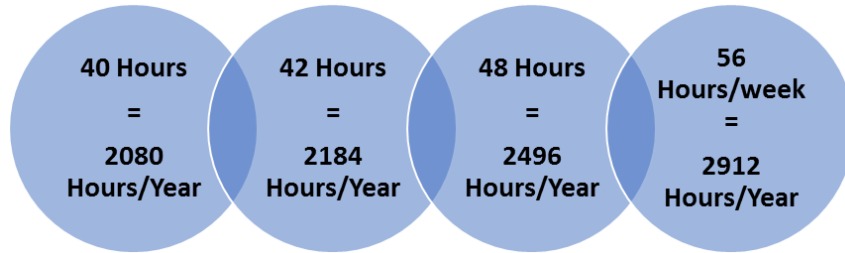


Figure 2: Impact of Weekly Work Hours:

Regional Partners Shift Schedule

While the 56-hour week was once the norm in the fire and EMS service, in recent years, other jurisdictions in our region have moved to reduce the scheduled hours worked. The workweek in fire and EMS departments elsewhere in our region are as follows:

Jurisdictional Benchmarks	
Loudoun County District of Columbia Prince Georges County Anne Arundel County	42 Hours
Prince William County Montgomery County	48 Hours
Fairfax County Alexandria Airports	56 Hours

In systems that work a 42-hour week there are four shifts to staff operations and the scheduling cycle is much simpler. Personnel work one 24-hour shift followed by three days, or 72 hours, off.

In Prince William County, most personnel who work a 48-hour workweek are on 12-hour shifts that are daytime only. There are a small number of personnel assigned to a 24-hour shift. In Prince William and Montgomery County, where Fire personnel also work a 48-hour week on a 24-hour shift, there are, like Arlington, three shifts. Both Prince William and Montgomery utilize the Kelly Day.

History and Background of the ACFD Workgroup

In the summer of 2016 the Fire, Human Resources and Management and Finance Departments created a workgroup to examine compensation and work-life balance issues among Operations (shift) employees in the ACFD. Workgroup representation from ACFD included management, leadership from the International Association of Fire Fighters Local 2800 and other members of the department. The group examined considerable data to analyze the attrition problem as well as conditions offered

by other jurisdictions competing for the same employees. This led to the conclusion that Arlington could substantially improve its attractiveness as an employer and improve job satisfaction by reducing the number of hours worked by shift employees. While the workgroup recommended a reduction to 42-hours, the County Manager is not recommending that solution now. That is a subject for a future discussion should the 50-hour schedule be approved and favorably evaluated.

In practical terms, high attrition also influences job satisfaction. When there are a high number of vacancies, the department must rely on overtime to meet minimum staffing needs. While this can have a significant impact on the budget it also frequently leads to mandatory overtime, (i.e., personnel unable to go home at the end of a shift because staffing minimums cannot be met.) Because high turnover creates vacancies, hiring challenges associated with the department's ability to train those that are recruited cannot be fixed in a short period of time. Entry level training takes six months and there is a limited organizational capacity to train large or frequent classes of new recruits thus continuing an overreliance on overtime to the detriment of the budget and morale.

The workgroup concluded that a reduction in hours worked could have a positive effect on compensation (fewer hours worked has the effect of raising the hourly rate), job satisfaction and competitiveness, all of which could lead to lower attrition.

Not to be lost in the analysis is the well-being of employees. Fire and EMS employees who work long hours are more susceptible to illness and injury. Sleep deprivation is a constant concern as it relates to performance as well as employee health and longevity. Fire and EMS departments that work less hours typically see fewer injuries, less cost associated with injuries and less use of sick leave. Fewer hours worked results in more recovery time.

Additional Actions and Recruitment

ACFD is not remaining static in its recruitment efforts. Competition will remain as jurisdictions vie for the same candidates in a strong employment market. Some fire departments like Loudoun and Prince William are growing because of declining volunteer participation and the need to add career personnel to meet service demands. Other jurisdictions are seeing large numbers of retirements caused in part by their own growth out of the legacy volunteer systems a generation ago. To attract the best qualified applicants ACFD is committed to new and different ways to recruit and train that can maximize its resources, keep up with acceptable attrition and distinguish Arlington as an attractive employer.

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CHILD CARE INITIATIVE

The County is aggressively moving forward with its Child Care Initiative (CCI), a multi-year effort to develop an inclusive, integrated child care system that effectively serves all Arlington County families, with a priority focus on vulnerable populations. Led by the Department of Human Services (DHS), the CCI includes broad participation from the child care provider community, non-profits, and multiple County departments.

DHS kicked off the CCI by conducting a Risk and Reach Study, to better understand the County's early childhood population and the provider community. This included demographic and other analysis of who and where children are, the risks the early childhood population faces, and how they are currently being served. The data and stakeholder input provided the foundation for the draft CCI Action Plan that addresses the following priority areas:

- **Accessibility** – Evaluation and implementation of tools to improve access to child care, including affordability and other barriers
- **Availability** – Analysis of tools that could increase the number and utilization of child care slots, including zoning and permitting process reviews and child care employment barriers.
- **Quality** – Evaluation and implementation of strategies to ensure the quality and safety of child care in Arlington, including review of existing regulations and training and accreditation opportunities.

The draft CCI Action Plan will be finalized with the County Manager and the County Board later this spring, including a prioritization of Action Plan steps that will necessarily need to occur over a multi-year period. Additional resources may be needed for implementation. Additional information on the Child Care Initiative can be found [here](#).

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*ENHANCING CIVIC PRESENCE & CUSTOMER SERVICE
IN THE WORKPLACE OF THE FUTURE
Courthouse Plaza Renovation Project*

The Ellen M. Bozman Government Center (CHP) is the County's central office location. It functions as the center for most County government activities, including County Board deliberations, hosts public meetings to discuss County operations and policy, and is the place where residents and industry come to conduct business with the County. This government center was constructed in 1988 and much of the public spaces and employee work areas have become outdated or ill-equipped to effectively and efficiently conduct the public's business in the early years of the 21st century.

Arlington County's employees are central to the delivery of high-quality programs and services to our residents and businesses. In order to meet the future needs of the public, as well as the employees who work in the Courthouse Plaza government building, significant investments are planned for the building. These investments are funded from the renegotiation of the office lease with the property owner (JBG Smith). This funding, which is a combination of renovation credits provided by the owner (tenant improvement allowances) and rent savings negotiated by the County, will enable the County to pursue a significant renovation of our workplace. A steering committee of County leaders has been leading the planning effort since the beginning of 2017 to ensure the completed project is a source of pride for residents and staff.

In order to meet the needs of the community and County employees, three primary goals were established for the renovation project:

- create a civic presence that affirms and celebrates our Arlington County identity
- provide standardized collaborative and flexible spaces for use by staff and public
- streamline customer service

These primary goals, guided by the County's Vision, have been articulated in a Vision for our Arlington County Workforce which will guide our efforts to successfully conclude the renovation: *The Arlington County workplace emphasizes our focus on customers; promotes diversity, inclusion and civility; fosters safety for employees and visitors; and encourages innovation and collaboration.*

Through the design and construction processes, a number of benefits will accrue to County staff and the public:

- A welcoming lobby that showcases civic presence and improved navigation;
- Improving customer service by the consolidation of customer-facing activities in easily accessible spaces;
- Enhancing building security to ensure the safety of staff and the public;
- Diverse and flexible workspaces that accommodate a variety of work styles;
- Equitable workspace standards and furnishings based on the types of work performed;
- Increased mobility enabling employees to work from anywhere;
- "Hoteling" and gathering areas for visitors to CHP;
- Standardized communications technology in meeting rooms;
- Increased access to natural light through new design and floor layout; and
- Reduction in paper storage and increased use of electronic records management

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TAX & FEE COMPENDIUM

Arlington County provides services benefitting the entire community, individual residents, and businesses – all of which are funded through a variety of revenue streams including taxes, fees, rents, grants, and Federal and State aid.

In the FY 2016 Adopted Budget Guidance to the County Manager, the County Board directed the Manager to provide a compilation of tax and fee tools that the Board has at its disposal, either on its own authority or as governed by the Commonwealth.

In response to the County Board’s direction, the Department of Management and Finance worked with each department to obtain detailed information on the fees charged and managed by the department. The compilation of taxes and fees, (available [in more detail online](#)) includes information on fees in both the General Fund and the Development Fund. This continues to be a work in progress as we refine the information received.

Local Taxes

In the FY 2019 Proposed Budget, local taxes total \$1.1 billion, 84% of the General Fund budget. More detail on each of these local taxes can be found in the Revenue section. Because Virginia is a Dillon law state, on many of the taxes, the State dictates what taxes can be charged and the tax rates. Arlington County has rates set either at the maximum rate or at rates that help us maintain our economic competitiveness in the region.

The only local tax that the County has not adopted, but legally could, is the Admissions tax. This is a tax on admissions paid for particular events including admissions on events sponsored by public and private educational institutions, admissions charged for sporting events, etc. Very few jurisdictions across the Commonwealth charge this tax and receipts are negligible for those that do. Staff believes this would generate minimal revenue for the County and could be administratively burdensome.

Fees

The fees listed in the compilation of taxes and fees ([found online](#)) include funds collected for Licenses, Permits, General Fees, Fines, Rent, and Fees for Charges for Services. Fees more often relate directly to payment for a service or product. The County uses fees to help fund services that meet particular criteria:

1. Fall within statutory or regulatory restrictions;
2. Contribute to providing efficient services; and
3. Either provide some individual benefit or promote common community values including safety (i.e., building and fire permits).

County fees are set based on many factors including the level of individual benefit, the cost of the service being provided, and the fee levels in comparable jurisdictions. Fees charged for services bear a reasonable relationship to the service for which the fee is imposed. Each department conducts an annual review of their fee levels and proposes changes when appropriate during the annual budget process.

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ONE-TIME FUNDING PROPOSALS

Approximately \$12.0 million in one-time funding is available from the following sources:

- Carry-over of FY 2017 Close-out Funding: \$5.2 million allocated by the County Board for the affordable housing investment fund
- Real Estate Assessments: \$0.3 million from supplemental real estate assessments due to new construction that was completed during CY 2017.
- Crystal City TIF Adjustment: \$0.5 million from the proposed reduction of the Crystal City TIF allocation from a 30 percent increment to a 25 percent increment (portion allocated to APS).
- One-time FY 2018 Funding: \$2.5 million from FY 2018 unanticipated revenues and savings measures, including FEMA reimbursements related to winter storm Jonas, eliminating the ConnectArlington Connection Grants, reducing funding for the Lee Highway Planning Study, and savings identified in the Housing Grants program in FY 2018.
- FY 2019 One-time Saving Measures: \$3.5 million in FY 2019 one-time savings anticipated from the County Manager's early retirement package provided to employees in January of CY 2018, holding a County Attorney III position vacant for one year, one-time ART contractual services savings, and a transfer of unallocated Auto Fund balances to the General Fund.

The proposed budget includes the following recommendations:

- Affordable Housing: \$7.7 million - this includes funding for housing grants of \$0.7 million and funding for AHIF of \$7.0 million.
- Economic Development: \$2.7 million for previously approved economic incentive agreements used to attract businesses to Arlington to help reduce the office vacancy rate and spur investment in the Arlington community.
- Life Safety Needs: \$0.5 million to continue critical security system upgrades at the Justice Center
- Schools: \$0.4 million - this reflects Schools' share of the one-time funding from reducing the TIF percentage and supplemental real estate assessments due to new construction that was completed during CY 2017.
- Maintenance Capital: \$0.2 million for Pay-As-You-Go capital
- Miscellaneous: \$0.4 million in funding for miscellaneous needs, including a Fair Housing Study conducted every two years, a resident satisfaction survey, and consultant funding to complete the update of the Community Energy Plan and residential permit parking study.

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