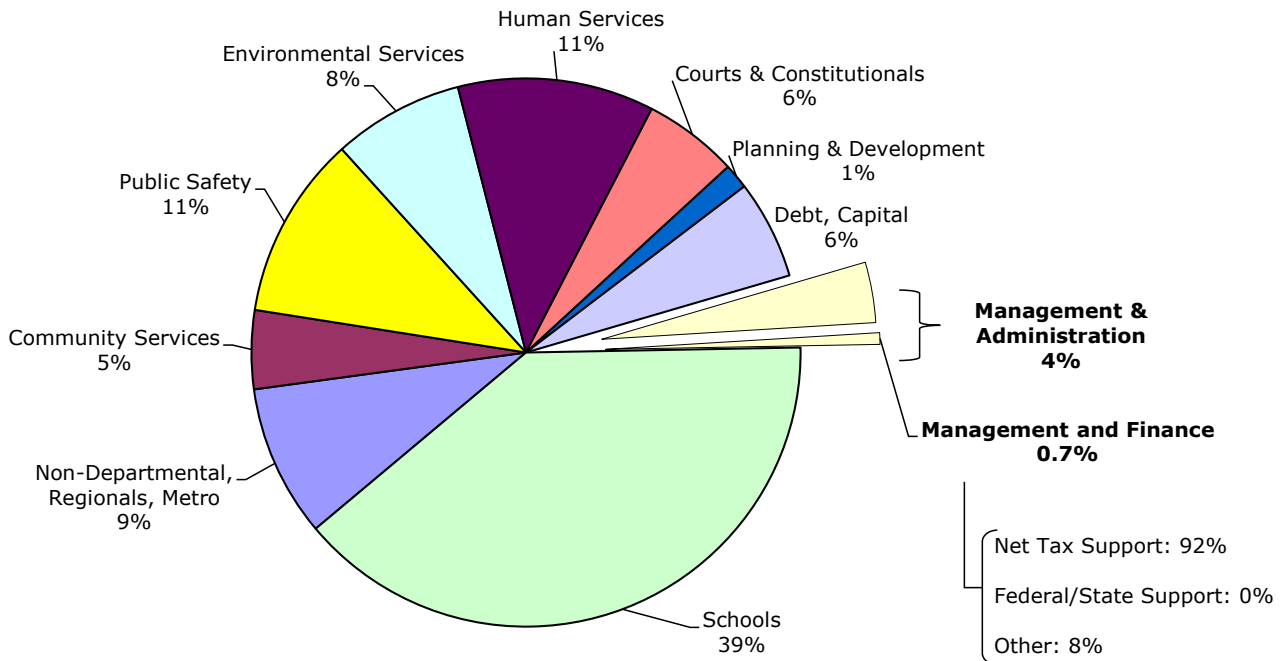


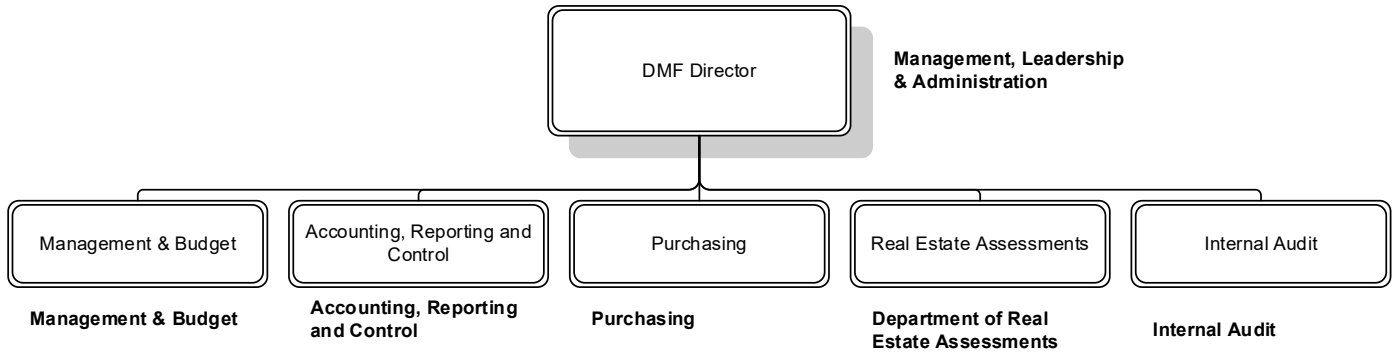
Our Mission: To ensure the prudent use of County resources

The Department of Management and Finance (DMF) provides sound, accurate, and timely financial analysis to ensure the prudent use of County resources and enable the delivery of high-quality services. Specific services include financial management, innovative problem-solving and policy support, annual real property assessments, project finance assistance, economic analysis, purchasing, internal auditing, accounting, and providing financial information for the County Board, the public, the County Manager, and County departments.

FY 2023 Proposed Budget - General Fund Expenditures



LINES OF BUSINESS



SIGNIFICANT BUDGET CHANGES

The FY 2023 proposed expenditure budget for the Department of Management and Finance is \$10,035,769, a 14 percent increase from the FY 2022 adopted budget. The FY 2023 proposed budget reflects:

- ↑ Personnel increases due to the addition of a Commercial Real Estate Appraiser position (\$125,194, 1.0 FTE), an Accounts Payable/Accounting position (\$98,681, 1.0 FTE), addition of three permanent positions authorized for Prevailing and Living Wage Administration support at FY 2021 close-out (\$263,250, 3.0 FTEs), employee salary increases, slightly higher retirement contributions based on current actuarial projections, and adjustments to salaries resulting from Administrative and Real Estate Appraisers’ job family studies (\$76,524).
- ↑ Non-personnel increases due to the addition of one-time funding for records digitization and indexing of the Department of Real Estate Assessments’ documents (\$140,000) and contractual increases (\$20,219), offset by the adjustments to the annual expense for maintenance and replacement of County vehicles (\$514).
- ↑ Fee revenues increase due to higher projections in Signature Theatre revenue (\$74,000), restored to a pre-pandemic level.
- ↑ Transfers from other funds increases due to administrative fees to the Business Improvement Districts for the County-wide administrative support (\$1,992).
- As a part of the FY 2022 adopted budget, the County Board approved use of American Rescue Plan Act (ARPA) funding to restore programs and positions that had been proposed as cuts. The FY 2023 proposed budget continues ARPA funding for restoration of these reductions including:
 - Senior Financial Analyst – Internal Audit (\$74,913, 0.5 FTE)
 - Internal Audit contractor support (\$68,500, one-time)
- As a part of FY 2021 close-out, the County Board approved additional allocations of the remaining ARPA funding for programs based on the Guiding Principles presented by the County Manager in September; the Board directed the County Manager to include funding for these programs in the FY 2023 proposed budget including:
 - Disparity Study (\$500,000 one-time). This funding is budgeted in the County’s Non-Departmental account.

DEPARTMENT FINANCIAL SUMMARY

| | FY 2021 Actual | FY 2022 Adopted | FY 2023 Proposed | % Change '22 to '23 |
|------------------------------|--------------------|--------------------|---------------------|------------------------|
| Personnel | \$7,610,588 | \$7,878,516 | \$8,932,881 | 13% |
| Non-Personnel | 898,695 | 943,183 | 1,102,888 | 17% |
| Total Expenditures | 8,509,283 | 8,821,699 | 10,035,769 | 14% |
| Fees | 58,548 | 268,000 | 342,000 | 28% |
| Transfers From Other Funds | 407,894 | 415,016 | 417,008 | - |
| Total Revenues | 466,442 | 683,016 | 759,008 | 11% |
| Net Tax Support | \$8,042,841 | \$8,138,683 | \$9,276,761 | 14% |
| Permanent FTEs | 59.50 | 60.50 | 65.50 | |
| Temporary FTEs | - | - | - | |
| Total Authorized FTEs | 59.50 | 60.50 | 65.50 | |

Expenses by Lines of Business

| | FY 2021 Actual Expense | FY 2022 Adopted Expense | FY 2023 Proposed Expense | % Change '22 to '23 | FY 2023 Proposed Revenue | FY 2023 Net Tax Support |
|---------------------------------|------------------------------|-------------------------------|--------------------------------|------------------------|--------------------------------|-------------------------------|
| Management and Budget | \$2,650,825 | \$2,814,333 | \$2,852,185 | 1% | \$752,008 | \$2,100,177 |
| Accounting, Reporting & Control | 1,576,727 | 1,387,870 | 1,980,667 | 43% | 7,000 | 1,973,667 |
| Internal Audit | 278,269 | 452,748 | 437,097 | -3% | - | 437,097 |
| Purchasing | 1,191,020 | 1,258,824 | 1,350,053 | 7% | - | 1,350,053 |
| Real Estate Assessments | 2,812,442 | 2,907,924 | 3,415,767 | 17% | - | 3,415,767 |
| Total | \$8,509,283 | \$8,821,699 | \$10,035,769 | 14% | \$759,008 | \$9,276,761 |

Authorized FTEs by Line of Business

| | FY 2022 FTEs Adopted | FY 2023 Permanent FTEs Proposed | FY 2023 Temporary FTEs Proposed | FY 2023 Total FTEs Proposed |
|---------------------------------|-------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Management and Budget | 17.00 | 16.00 | - | 16.00 |
| Accounting, Reporting & Control | 9.00 | 14.00 | - | 14.00 |
| Internal Audit | 1.50 | 1.50 | - | 1.50 |
| Purchasing | 10.00 | 10.00 | - | 10.00 |
| Real Estate Assessments | 23.00 | 24.00 | - | 24.00 |
| Total FTEs | 60.50 | 65.50 | - | 65.50 |

PROGRAM MISSION

To ensure the prudent use of County resources, provide a comprehensive planning process for the use of County resources, and ensure the proper execution of the plan.

Management

- Provide the leadership, support, and tools necessary to build a solid fiscal foundation for the County government.
- Serve as the financial steward of the County by encouraging the most efficient and effective use of County funds.
- Provide financial, economic, and policy analysis and recommendations to County stakeholders.
- Provide debt management services including coordinating the sale of County bonds, managing the County’s Short-term Financing program, and developing the County’s Capital Improvement Program.
- Serve as liaison to the Industrial Development Authority (IDA).

Budget

- Formulate and execute the County’s operating and capital budgets.
- Monitor and forecast County expenditures and revenues.
- Serve as the County-wide resource on performance measurement and as a liaison to the Fiscal Affairs Advisory Commission.

PERFORMANCE MEASURES

| Critical Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Maintain Triple-triple A bond rating | Yes | Yes | Yes | Yes | Yes | Yes |
| Percent variance between actual tax revenue and third quarter projection | 0.53% | 0.68% | N/A | 1.04% | 1.00% | 1.00% |

| Supporting Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Government Finance Officers Association (GFOA) Distinguished Budget Award received (yes/no) | Yes | Yes | Yes | Yes | Yes | Yes |

- Variance between actual tax revenue and third quarter projections were not formally made in FY 2020 due to onset of the pandemic and its’ impact to spring FY 2020 revenue collection and estimates.

PROGRAM MISSION

To ensure the County’s fiscal integrity by providing effective financial controls and financial services.

- Provide financial controls to ensure that County funds are used appropriately.
- Oversee the County’s accounts payable process.
- Prepare the Annual Comprehensive Financial Report (ACFR).
- Provide financial information to County stakeholders.
- Liase with external Auditors on independent financial and compliance auditing services.

PERFORMANCE MEASURES

| Critical Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Annual Consolidated Financial Plan (ACFR) received the Government Finance Officers Association (GFOA) "Certificate of Achievement for Excellence" | Yes | Yes | Yes | Yes | Yes | Yes |
| ACFR received "unqualified" opinion from external auditors | Yes | Yes | Yes | Yes | Yes | Yes |

| Supporting Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Auditor of Public Accounts Transmittal and ACFR prepared by state deadline | Yes | Yes | Yes | Yes | Yes | Yes |

PROGRAM MISSION

To strengthen County operations and minimize risk and fraud through systematic evaluation of operations and internal controls.

- Assist senior management and departments to effectively and efficiently implement County programs in compliance with financial, accounting, and other County policies by conducting objective internal audits and reviews.
- Test internal controls to provide reasonable assurance that resources are safeguarded against waste and abuse.
- Develop an annual work plan based on a County-wide risk assessment.
- In conjunction with the County Manager’s Office and other departments, manage the Financial Fraud, Waste, and Abuse hotline for employees and the public.

PERFORMANCE MEASURES

| Critical Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|----------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Number of audits completed | 9 | 7 | 3 | 3 | 8 | 8 |

- A reduction in the number of audits completed in FY 2020 and FY 2021 was due to a staffing vacancy and reduced budget for consulting services. In FY 2021, five audits were planned; however, one audit was delayed and one was postponed to FY 2022 due to staffing.
- The FY 2022 estimate is based on the expected completion of eight audits as reflected in the “FY 2022 Internal Audit Work Plan.”

PROGRAM MISSION

To provide and administer procurement solutions that support the community through County operations.

- Procure goods and services at reasonable costs through fair and impartial purchasing actions, while allowing all qualified sellers access to County business.
- Assist in solicitation strategies and contract development.
- Participate in regional cooperative purchasing efforts to achieve cost reductions through volume buying.
- Dispose of surplus property and equipment.

PERFORMANCE MEASURES

| Critical Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Number of protests of purchasing actions upheld by a final authority (court) | 0 | 0 | 0 | 0 | 0 | 0 |

| Supporting Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Estimate | FY 2023 Estimate |
|---------------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Emergency procurements processed | 25 | 7 | 87 | 23 | 15 | 15 |
| Formal bids and contracts processed | 66 | 93 | 103 | 69 | 75 | 85 |
| Informal bids and contracts processed | 312 | 339 | 201 | 188 | 250 | 250 |
| Sole source procurements processed | 62 | 68 | 48 | 44 | 42 | 42 |

- Emergency Procurements: FY 2020 was an outlier due to the COVID-19 pandemic. A smaller number of COVID-19 emergency purchases were also authorized in FY 2021 and FY 2022. Overall, the County is trending towards historically normal volumes of emergency procurements.
- Formal Bids and Contract: Managing formal solicitations takes up the majority of staff time in the Purchasing Division. The volume of these solicitations has been gradually increasing again after a slow year in FY 2021 due to the pandemic. The dip in FY 2021 was primarily attributable to a temporary slowdown of the capital improvement program due to revenue constraints. The forecasted increase in FY 2022 and FY 2023 can be credited to a gradual return to a more fully funded CIP (Capital Improvement Plan).
- Informal Bids and Contracts: The County’s volume of informal solicitations decreased in FY 2020 and FY 2021, in part due to departments’ inability to have contractors on site for small dollar purchases such as training and other in-person services. Purchasing anticipates an increase in informal purchases in FY 2022 and FY 2023 due to a Virginia Code change which increased the small purchase threshold from \$100,000 to \$200,000 in FY 2021.

- Sole Source Procurements: A contract may be awarded without competitive bidding or competitive negotiations when the Purchasing Agent determines that only one source is practicably available. In the interest of maximizing competitive procurements, the Purchasing Division has been actively working with Departments to reduce the overall number of sole source contracts awarded in recent years. These efforts are reflected in the FY 2020 and FY 2021 Actuals. This number is anticipated to decline slightly in FY 2022 and FY 2023 as the Purchasing Division continues to make more progress in this area.

DEPARTMENT OF REAL ESTATE ASSESSMENTS

PROGRAM MISSION

To provide for the fair assessment of Arlington property.

- Appraise all real property in Arlington County (except for state assessed public service corporation property, railroad, and pipeline property).
- Notify property owners of assessments.
- Conduct administrative review of assessments.
- Maintain records of property ownership.
- Defend assessments before the Board of Equalization and provide assistance to the County Attorney for legal defense of assessments.

PERFORMANCE MEASURES

| Critical Measures | CY 2018 Actual | CY 2019 Actual | CY 2020 Actual | CY 2021 Actual | CY 2022 Estimate | CY 2023 Estimate |
|----------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Assessment/sale ratio | 94% | 90% | 94% | 95% | 94% | 94% |
| Coefficient of dispersion | 0.08 | 0.07 | 0.08 | 0.08 | 0.08 | 0.08 |
| Price related differential (PRD) | 1 | 1 | 1 | 1 | 1 | 1 |

- Real estate assessments are performed on a calendar-year basis; therefore, all statistics are collected by calendar year.
- The assessment/sale ratio is the ratio of the assessed value to the sale price of a property, a data point collected and published by the Commonwealth of Virginia.
- The coefficient of dispersion is a ratio used to measure how sale prices for property during a given period vary from assessed values. A low coefficient of dispersion indicates that properties are fairly assessed — that the average assessed value deviates very little from the average market value of properties.
- The price related differential (PRD) measures the regressivity or progressivity of assessments. Assessments are considered regressive if high-value properties are under appraised relative to low-value properties. The most desirable PRD would be 1.

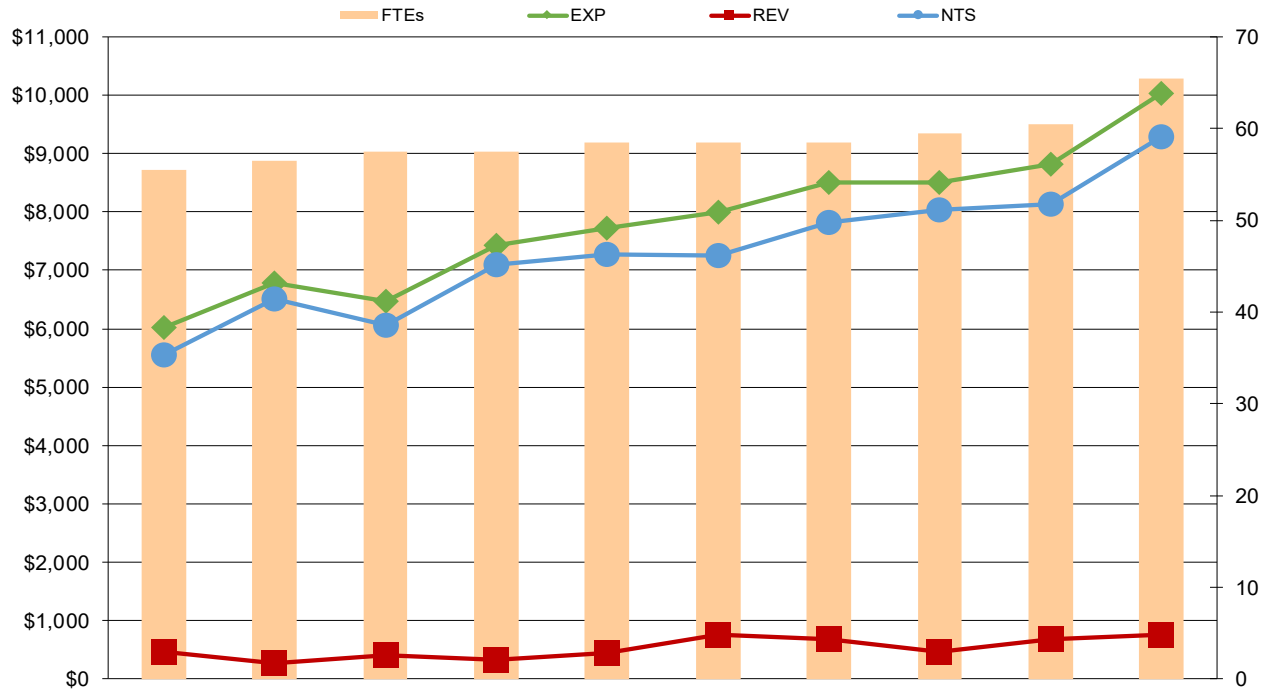
| Supporting Measures | CY 2018 Actual | CY 2019 Actual | CY 2020 Actual | CY 2021 Actual | CY 2022 Estimate | CY 2023 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Deeds and wills reviewed by Real Estate staff | 5,675 | 5,351 | 5,831 | 6,237 | 6,000 | 6,000 |
| Number of Board of Equalization (BOE) appeals | 237 | 287 | 275 | 332 | 330 | 330 |
| Number of parcels appraised | 66,292 | 66,425 | 66,395 | 66,424 | 66,500 | 66,500 |
| Number of parcels inspected | 3,629 | 2,849 | 577 | 2,075 | 2,100 | 2,100 |
| Number of parcels reviewed | 614 | 462 | 506 | 533 | 533 | 533 |
| Real property tax base (in billions) | \$75.00 | \$77.60 | \$81.10 | \$83.04 | \$85.00 | \$86.00 |

- The number of deeds and wills reviewed by Real Estate staff is based on activity in the market.

DEPARTMENT OF REAL ESTATE ASSESSMENTS

- In CY 2019, the drop in parcels inspected and reviewed was due to staff turnover, new mobile assessor software trainings, and an increased focus on researching condominium renovated parcels and land studies.
- The decrease in number of parcels inspected in CY 2020 occurred with the onset of the COVID-19 pandemic and implementation of safety restrictions for staff and property owners. Inspections increased in CY 2021 and expected to maintain this trend in CY 2022 as vaccines increase and/or safety precautions are in place. The number of parcels inspected reflects “Physical Inspections” meaning an Appraiser was physically at the property. Instead of physical inspections during the pandemic, virtual inspections were conducted utilizing permits, plans, updated fly over and satellite imagery, MLS photos and including drive by inspections, which enabled Real Estate staff to safely collect data and update records without physically measuring the property. The efficiencies gained in this process increased the number of parcels inspected, the number of permits completed, and supplemental assessments issued.

EXPENDITURE, REVENUE, NET TAX SUPPORT AND FULL-TIME EQUIVALENT TRENDS



| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|-----------------|
| \$ in 000s | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Adopted Budget | Proposed Budget |
| EXP | \$6,018 | \$6,781 | \$6,480 | \$7,428 | \$7,725 | \$8,005 | \$8,507 | \$8,509 | \$8,822 | \$10,036 |
| REV | \$474 | \$273 | \$419 | \$326 | \$443 | \$757 | \$686 | \$466 | \$683 | \$759 |
| NTS | \$5,544 | \$6,508 | \$6,061 | \$7,102 | \$7,282 | \$7,248 | \$7,821 | \$8,043 | \$8,139 | \$9,277 |
| FTEs | 55.50 | 56.50 | 57.50 | 57.50 | 58.50 | 58.50 | 58.50 | 59.50 | 60.50 | 65.50 |

| Fiscal Year | Description | FTEs |
|-------------|---|--------------------|
| FY 2014 | <ul style="list-style-type: none"> ▪ The County Board added one-time funding for a Capital Projects Coordinator in the Management and Budget Division (\$131,645). ▪ Eliminated 0.5 of 1.0 FTE Assistant Director, Real Estate Assessment (\$80,241) as part of the County-wide budget reductions. ▪ Non-personnel expenses increased due to the addition of one-time funding for internal audit services and adjustments to the annual expense for the maintenance and replacement of County vehicles (\$254,730). | 1.00 (0.50) |
| FY 2015 | <ul style="list-style-type: none"> ▪ Removed FY 2014 one-time funding for the Capital Project Coordinator (\$131,645). ▪ Removed FY 2014 one-time funding for internal audit (\$250,000) and adjustments to the annual expense for maintenance and replacement of County vehicles (\$337). ▪ Added a Procurement Officer position in the Purchasing Division (\$120,000). ▪ <i>The County Board added one-time funding for internal audit as part of FY 2014 closeout (\$200,000).</i> ▪ <i>During FY 2015, reallocated a 0.5 FTE position from the Real Estate Assessment line of business to serve as a budget and financial analyst in the Management and Budget line of business.</i> | 1.00 |
| FY 2016 | <ul style="list-style-type: none"> ▪ Converted temporary Internal Audit Position to permanent (\$50,912). ▪ Converted previously authorized overstrength employee to permanent Financial Analyst to continue capital project monitoring in support of the County's growing CIP (\$55,212). ▪ Converted previously authorized limited term full-time employee to permanent Financial Analyst to continue capital project financial monitoring. The salary for this position remains fully charged to Pay-As-You-Go Fund and does not change the authorized FTE count. ▪ Reallocated funds and personnel within the department to create the Internal Audit line of business and added \$200,000 in ongoing non-personnel funding to support the internal audit operations. ▪ <i>Reclassified 2.0 limited term full-time employees to 2.0 permanent full-time County funded positions in the Department of Real Estate Assessments Line of Business.</i> | 0.50 0.50 |
| FY 2017 | <ul style="list-style-type: none"> ▪ No significant changes. | |
| FY 2018 | <ul style="list-style-type: none"> ▪ Added a purchasing position to support the increasing demands of capital projects (no general fund support – salary charged to capital projects). ▪ Fee revenue increases for the addition of administrative fees and annual property tax payment related to the Arlington/Alexandria Waste-to-Energy Plant (\$94,000). | 1.00 |

| Fiscal Year | Description | FTEs |
|-------------|--|---------------------------|
| FY 2019 | <ul style="list-style-type: none"> ▪ The County Board adopted a one-time tax rate increase for the Ballston Business Improvement District which increased the Transfers from Other Funds revenue derived from administrative fees (\$5,176). ▪ Transfers from other funds increased due to the County increasing administrative fees to the Business Improvement Districts (\$75,218) from one percent to two percent for County-wide administrative support. ▪ Elimination of a vacant limited-term Staff Support Technician (\$90,076). ▪ The adopted budget reflects the transfer in of resources from DTS to support the PRISM Enterprise System through the addition of an IT analyst position in DMF (\$144,488). ▪ <i>Reclassified 1.0 limited term full-time employee to 1.0 permanent full-time County funded positions in the Management and Budget Line of Business.</i> | <p>(1.00)</p> <p>1.00</p> |
| FY 2020 | <ul style="list-style-type: none"> ▪ Reduced wireless service charges as part of a County-wide review of wireless service providers (\$1,729). ▪ Reduced consultant funding used to help implement county-wide auditing (\$50,000). ▪ Increased projection for the real estate taxes paid by the operator of the Alexandria Waste to Energy plant (\$10,000). | |
| FY 2021 | <ul style="list-style-type: none"> ▪ Added a Procurement Officer position in the Purchasing Division (\$124,615). ▪ Added non-personnel funding due to increases for the contractual maintenance and licensure of the budgeting software (\$61,010) and the real estate mobile assessor software (\$9,650). ▪ Increased fee revenue due to higher projections in the County’s Purchase Card rebates based on the reconciliation of prior year actual revenue (\$20,000). ▪ Transfers from other funds increased due to administrative fees to the Business Improvement Districts for the County-wide administrative support (\$43,268). | <p>1.00</p> |
| FY 2022 | <ul style="list-style-type: none"> ▪ The County Board added funding for a one percent merit pay adjustment, a five percent increase in the range, and an increase to the one-time bonus for staff from \$500 to approximately \$900. ▪ The County Board added a 1.0 FTE Prevailing Wage Administration position. ▪ The County Board added American Rescue Plan funding for an Internal Audit FTE (\$89,957) and Internal Audit contractor support (\$68,500 non-personnel), which had been proposed as reductions. ▪ Added funding for an annual e-Procurement software license (\$12,786). ▪ Decreased Signature Theatre revenue based on the impact of current COVID-19 conditions into FY 2022 (\$74,000). | <p>1.00</p> |

| Fiscal Year | Description | FTEs |
|--------------------|--|-------------|
| | <ul style="list-style-type: none"> ▪ Decreased administrative fees to the Business Improvement Districts for the County-wide administrative support (\$2,233). ▪ <i>In FY 2021 closeout, funding was added for a one percent merit pay adjustment (\$34,426) and a one-time bonus for staff of \$450 (\$30,758).</i> ▪ <i>In FY 2021 close-out, the County Board approved the creation of three permanent full-time positions, two Prevailing Wage Analysts (2.0 FTEs) and an Administrative Specialist (1.0 FTE) to support Prevailing Wage and Living Wage Administration activities and processes.</i> | 3.00 |