

NON-DEPARTMENTAL BUDGET SUMMARY

Non-departmental accounts include County-wide costs for insurance premiums and claims (including workers' compensation), fringe benefits for retirees (health and life insurance premiums), miscellaneous expenses, County building rent, overhead charges to certain County agencies, and contingents held for future County Board actions, such as the General Contingent and Affordable Housing Investment Fund.

NON-DEPARTMENTAL FINANCIAL SUMMARY

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
Insurance	\$5,574,037	\$4,341,185	\$4,341,185	-
Retiree Benefits/Health Plan Adjustment	16,059,021	20,400,000	18,473,000	-9%
Miscellaneous	48,589,628	25,149,160	23,208,602	-8%
Contingents [1]	474,694	19,883,412	22,204,968	12%
Total Expenditures	\$70,697,380	\$69,773,757	\$68,227,755	-2%

[1] The Contingent budget includes \$455,962 in Federal HOME funding that is dedicated to AHIF but budgeted in the Housing and Community Development fund beginning in FY 2019.

INSURANCE COSTS

The County's risk financing program is comprised of commercially purchased insurance coverage and retained risks paid for through a program of self-insurance. The liability program is self-insured up to \$1 million per occurrence. The program includes general liability, police legal liability, public officials' liability, and automobile liability. The County has a commercially purchased excess liability policy with limits of \$10 million per occurrence with no annual aggregate. The County has exposure for property losses to a current deductible of \$50,000. Losses above the deductible level are covered by a commercially purchased policy.

The County also maintains a Self-Insurance Reserve (\$5,000,000) and a General Fund Operating Reserve funded at five percent of General Fund expenditures. Insurance is purchased primarily for property, general liability, and automobile liability exposures subject to prudent deductible/retention levels. Insurance is provided for real and personal property, crime, garage keepers, professional liability, and constitutional office coverage. Retained exposures include general liability, automobile damage, and related liability up to specific retention levels.

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
Insurance Cost	\$5,574,037	\$4,341,185	\$4,341,185	-
Total Expenditures	\$5,574,037	\$4,341,185	\$4,341,185	-

RETIREE BENEFITS and HEALTH PLAN ADJUSTMENT

This account includes the employer's share of retirees' health and life insurance premiums and adjustments related to the employer's share of health plan expenses for general employees.

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
Retirees' Health & Life Insurance	\$11,244,488	\$12,900,000	\$12,400,000	-4%
Other Post Employment Benefits (OPEB - trust)	6,850,000	7,500,000	7,000,000	-7%
Health Plan Adjustment	(2,035,467)	-	(927,000)	-
Total Expenditures	\$16,059,021	\$20,400,000	\$18,473,000	-9%

- ↓ OPEB funding levels are based on the most recent actuarial study and ensure that the County is fully meeting its annual required contribution to the fund. The total funding for OPEB (current costs plus future liability) is \$19.4 million in FY 2019.
- The total County employee healthcare cost increase is projected to be 5 percent from FY 2018 to FY 2019 based on the most current estimate available. Based on earlier information available, funding for a 7.5 percent increase in healthcare was budgeted in the departments' FY 2019 proposed budgets. The savings from the 2.5 percent reduction is currently set-aside in Non-Departmental. The budgeted savings of \$927,000 will be spread to each of the departments in the General Fund for the final FY 2019 budget appropriation in April.

MISCELLANEOUS EXPENSES

These County expenses include: rent, overhead charge-backs to some County agencies, the cost of the County's annual external audit and other consulting fees, national and state association memberships (National League of Cities, National Association of Counties, Virginia Municipal League, and Virginia Association of Counties), and other miscellaneous expenses not allocated to County departments.

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
Facility Rent and Operating Charges	\$12,947,726	\$12,791,319	\$12,124,852	-5%
Intra-County Charges	(128,347)	(133,460)	(277,460)	108%
Consultants	1,330,720	1,597,088	555,088	-65%
Contracted Services	507,423	478,000	478,000	-
Memberships	139,226	142,008	157,523	11%
Special Events & Unclassified Services	159,876	408,500	148,000	-64%
Employer of Choice	814,515	978,700	1,189,536	22%
Housing Projects	27,492,761	-	-	-
Hiring Slowdown / Early Retirement	-	(719,756)	(752,950)	5%
Fuel & Utility Savings	-	(500,000)	(750,000)	50%
Miscellaneous	66,559	65,000	65,000	-
Short-term Financing	5,259,169	7,641,761	7,871,013	3%
IDA Debt Service on Ballston Skating Facility	-	2,400,000	2,400,000	-
Total Expenditures	\$48,589,628	\$25,149,160	\$23,208,602	-8%

- ↓ The rent costs and operating expenses in various County facilities decreased \$666,467 based upon projected costs in FY 2019 primarily driven by the renegotiated lease terms for 2100 Clarendon Boulevard.
- ↑ Intra-County charges increase due to adding a rent chargeback for the Transportation Capital Fund (\$144,000).
- ↓ Consultant expenses decrease due to transferring funding for the open data initiative to the Department of Technology Services (\$192,000) and the removal of the following one-time items: funding for non-profits providing services for undocumented Arlingtonians, mixed status Arlington families, and refugees (\$100,000); funding for consultant services to pursue improvements and expansion of child care services in the County (\$50,000); funding for the Lee Highway planning process (\$500,000); and funding for the County's litigation hold software (\$200,000).
- ↑ Membership expenses increase based upon projected costs for County memberships in FY 2019.
- ↓ Special events and unclassified services decrease due to the transfer of Lee Highway Alliance funding (\$60,500) and Columbia Pike Revitalization Organization (CPRO) funding (\$150,000) to Arlington Economic Development, and the transfer of \$50,000 in CPRO funding to the Department of Environmental Services to create a permanent position to support the cleanliness operation along Columbia Pike.
- ↑ Employer of Choice program increases due to funding an increase of the Living Wage from \$14.50/hr to \$15.00/hr (\$100,000), adding a one percent increase to the minimum and maximum of each grade/ range (\$380,000), and increasing location pay from \$80/ month to \$110 / month for Sheriff and Police uniform positions (\$110,836). These increases are partially offset by the removal of funding for the FY 2018 increase in the County transit subsidy by \$50 per month (\$200,000) and the removal of the FY 2018 addition of a dependent care flexible spending account (FSA) match of \$500 per employee per year (\$180,000), as the budget for both of these items has been spread to each Department in the General Fund.
- ↑ Increase in Early Retirement is the result of the County Manager's early retirement package provided to employees in January of CY 2018.
- ↑ An additional adjustment to the County's utility and fuel budget based on projected consumption and fuel pricing.
- ↑ Short-term financing increases to fund capital projects approved in the Adopted FY 2017-2026 Capital Improvement Plan. The debt service budget for short-term financing pays for various public safety and enterprise technology projects that have reached the end-of-life and must be refreshed. Several large investments in both public safety and enterprise technology (i.e. Endpoint Replacement, Network Equipment Refresh, Fire Station Alerting System, and Fire Breathing Apparatus) are required due to assets having reached critical replacement points (\$229,252).
 - The Ballston Skating Facility, the practice facility for the National Hockey League's Washington Capitals ice hockey team, which opened in November 2006, was financed with Industrial Development Authority (IDA) taxable revenue bonds. It is projected that lease payments to the IDA from the Capitals will be sufficient to pay the debt service on the bonds.

CONTINGENTS

The non-departmental accounts also hold the County Board's contingents. These contingents are appropriated funds established to cover unforeseen expense items, new projects initiated after a fiscal year has begun (General Contingent), or for a particular purpose (Affordable Housing Investment Fund).

The budget includes a \$250,000 General Fund General Contingent, and a combined total of \$13,719,786 in the Affordable Housing Investment Fund (AHIF), equivalent to the amount of AHIF funding included in the FY 2018 Proposed Budget. AHIF ongoing funding was increased by \$1,708,800 in the FY 2019 Proposed Budget, funded by an increase proposed in the Residential and Commercial Utility tax rates, bringing the total base ongoing funding for AHIF to \$5,465,626. This is augmented by total one-time funding of \$7,025,628, of which \$5,237,951 was added by the County Board during FY 2017 close-out, and a portion of recordation tax revenue, earmarked by the County Board when the recordation tax rate increased from \$0.05 to \$0.0833 in FY 2005. After setting aside the incremental recordation tax funds for previously approved, ongoing affordable housing programs, \$1,228,532 in additional recordation tax funding is available in FY 2019.

Over the last few years the County Board has set aside monies in an economic and revenue stabilization contingent. This existing practice from recent years was formally adopted by the County Board in a revised set of financial and debt management policies in FY 2014 and updated during the FY 2017 budget process. The updated policies include a requirement to maintain a Budget, Economic and Revenue Stabilization Contingent with a minimum balance of \$4,000,000 to address unexpected events, such as major weather events or a local/regional emergency requiring immediate incurrence of cost in response; revenue declines and local or regional economic stress. These funds are one-time monies so any funds expended need to be replenished in the following fiscal years per the fiscal policies adopted by the County Board.

The Economic Development Contingent increases due to the projected funding required in FY 2019 for previously approved economic incentives agreements. Economic incentives are used to attract businesses to Arlington to help reduce the office vacancy rate and spur investment in the Arlington community. The total funding of \$4,235,182 includes \$2,735,182 in one-time funds and \$1,500,000 in ongoing funding.

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
General Contingent	-	\$250,000	\$250,000	-
Affordable Housing Investment Fund (AHIF)[1]	-	13,867,832	12,491,254	-10%
AHIF - Incremental Recordation Tax	-	1,148,580	1,228,532	7%
Economic & Revenue Stabilization Contingent	-	4,000,000	4,000,000	-
Economic Development Contingent	\$474,694	617,000	4,235,182	586%
Total Expenditures	\$474,694	\$19,883,412	\$22,204,968	12%

[1] Federal HOME funding is budgeted in the Housing and Community Development fund beginning in FY 2019. In FY 2019, \$455,962 of the total \$13,719,786 in AHIF funding is budgeted in the Community Development Fund.