

County Manager's FY 2019 Proposed Budget

OVERVIEW

County Board Work Session
Thursday, February 22, 2018 @ 4:00 p.m.





ARLINGTON
VIRGINIA

Economic Environment



\$20.5-Million Budget Gap

- Strong Headwinds in Office Market
- Growing Population
- Highly Competitive Labor Market, Particularly in Public Safety

Over the next few years, these same pressures will continue to make budget decisions difficult.

County Manager's Budget Priorities

- **Economic Development**

Increase funding for incentive commitments;
preserve core economic development functions

- **Workforce Investment**

Provide competitive compensation to maintain a
talented and effective team of public servants

- **Affordable Housing**

Continue shift to ongoing funding

- **Arlington Public Schools**

Maintain ongoing commitment and address
substantial enrollment growth



Solving the Budget Gap

**SPENDING
REDUCTIONS**

\$8.4 million

Targeting programs that outlived their usefulness, redundant services, efficiencies, changing market needs

**FEE & TAX
INCREASES**

\$6.6 million

Allocated to Board priorities

**FUNDING
REALIGNMENTS**

\$5.5 million

Changes to Budgeting Approach

- Shift in Year-End Funding Allocations
- Focus on Funding Housing Programs with More Ongoing Funds
- Budget Execution
- Cross Cutting Initiatives

FY 2019 County Board Guidance



- Balanced budget within existing real estate tax rate
- Maintain Affordable Housing Investment Fund (AHIF) funding (including more ongoing funding)
- Proposals for long-term efficiencies and improvements in service delivery
- Additional ongoing revenue for Schools based on Revenue Sharing Principles

FY 2019 Budget Planning to Proposed

October 2017

- Estimated County & School budget gap of **\$30 million**
- Forecast **3.2%** increase in real estate assessments
- Expenditure increases due to:
 - Normal increases in the cost of doing business
 - Metro/Debt
 - Compensation
 - School enrollment/capacity

January 2018

- Actual **1.9%** increase in real estate assessments
 - Residential **up 3.9%**
 - Commercial **down -0.2%**
- County & Schools budget gap grows by **\$9.6 million**

General Fund Budget Facts

TOTAL PROPOSED
\$1.274 billion

COUNTY OPERATING
\$775.9 million

1.8% increase over FY 2018
(Most recent CPI: 2.1%)

SCHOOLS TRANSFER
\$498 million

2.8% increase in ongoing funding
(\$13.4 million/year)

Economic Development

Investment in Economic Development

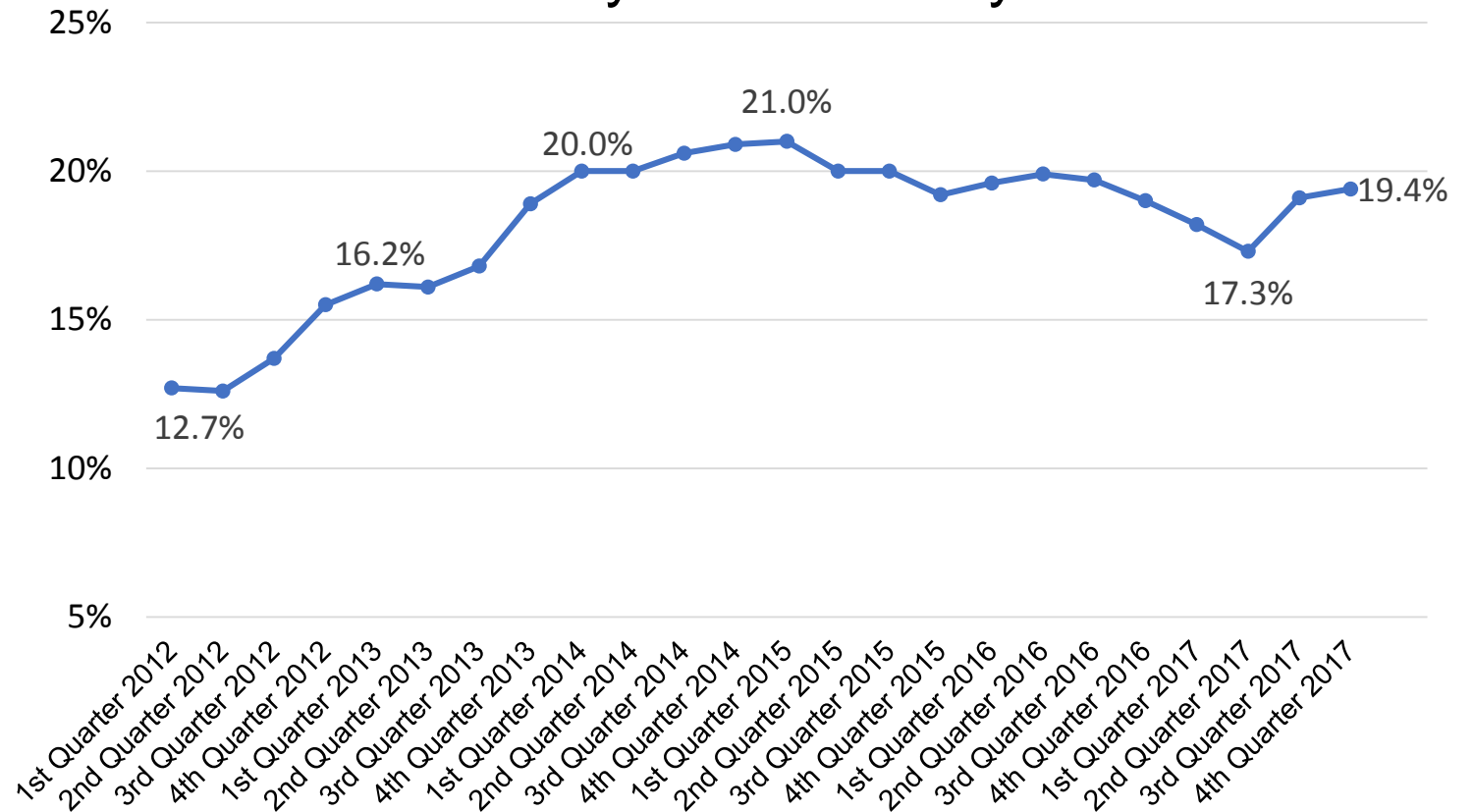
Ongoing: \$1.5 million

One-time: \$2.7 million

Total: \$4.2 million

FY 2019 funding meets current commitments

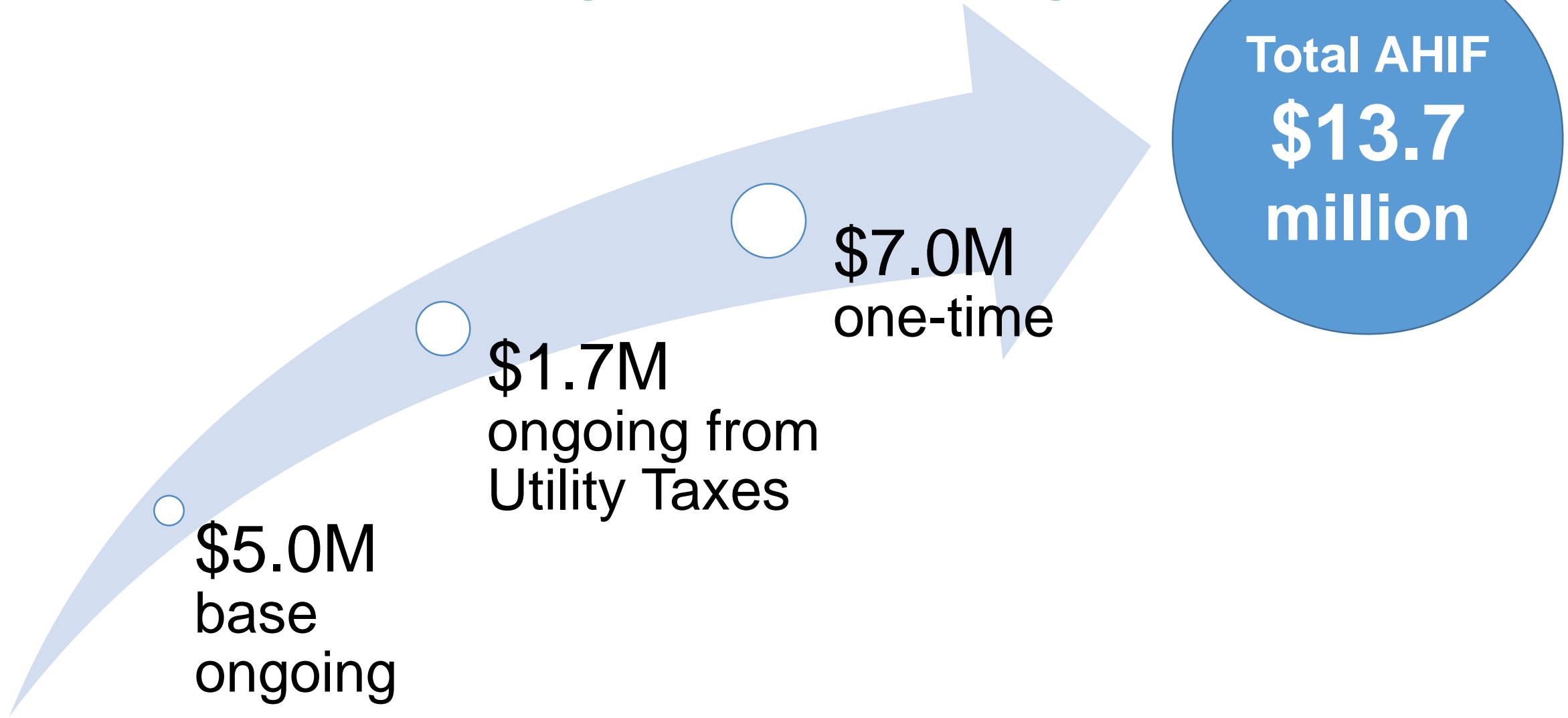
Countywide Vacancy Rate



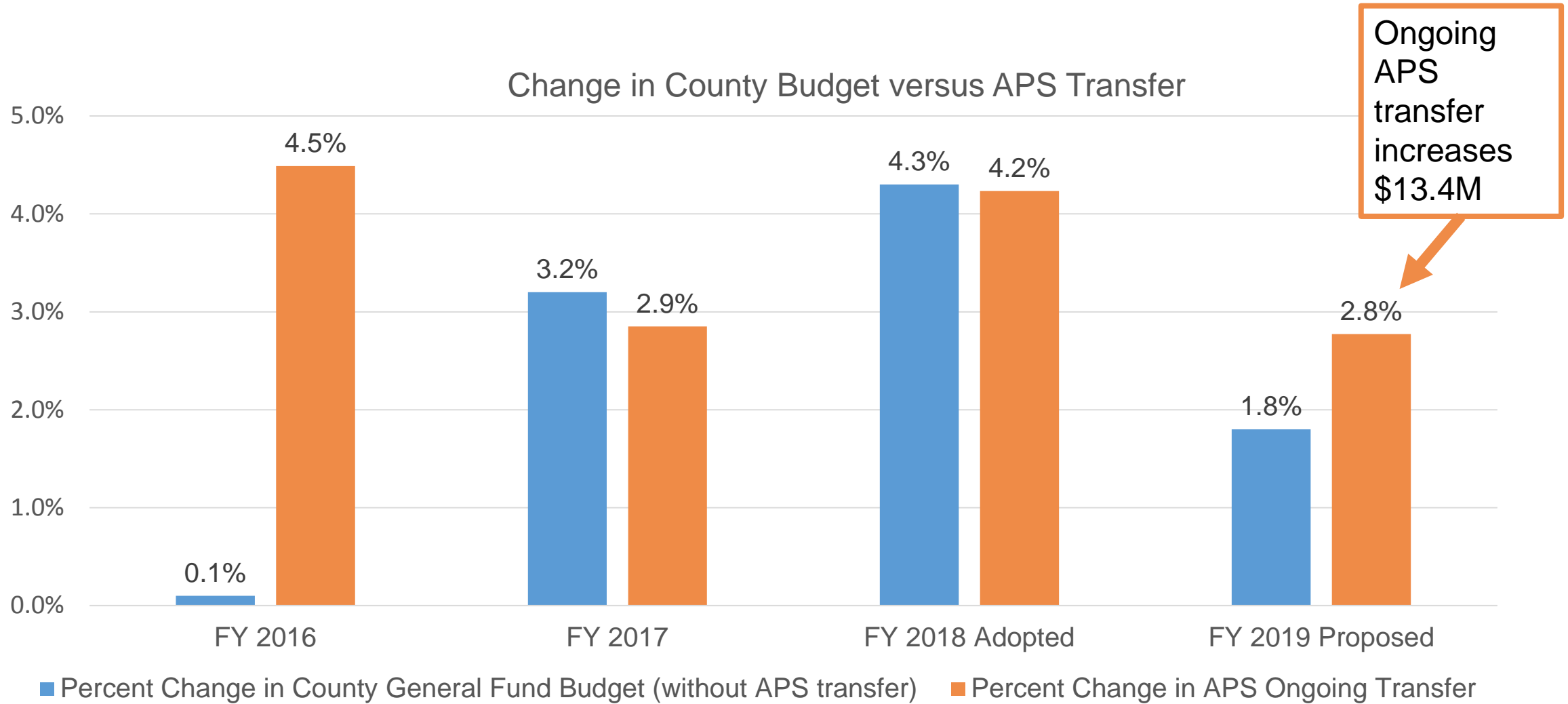
Employee Investment

- Merit-based compensation increases (3.25-3.50%)
- Public safety pay and work-hour adjustments
 - Base pay increases for a number of uniformed positions
 - Addition of several positions in Fire to move toward a shorter work week
- Restarting 5-year pay parity study (starting with Public Safety in FY 2019)
- Maintain current employer/employee split of healthcare costs
- Fully-funded pension and retiree healthcare
- Ellen M. Bozman Government Center (CHP) renovation

Affordable Housing: AHIF Funding



Arlington Public Schools



Philosophy in Approaching the FY 2019 Budget Gap

SPENDING REDUCTIONS

- Evaluate service delivery
- Focus on utilization, effectiveness and efficiencies
- Reallocate resources as appropriate
- Re-position programs for the future
- Focus on core County values

FEE & TAX INCREASES

FUNDING REALIGNMENTS

Budget Funding Realignment

- **Crystal City Tax Increment Financing District:** Reduce the increment set-aside for Crystal City from 30% to 25% (savings from reduction shared with Schools)
- **Street Sweeping:** Shift funding for street sweeping to the Stormwater Fund
- **Capital/Transportation:** Move support staff, as necessary, to the capital funds that they support
- **Updated Financial Forecasts/Estimates from Budget Planning**
 - Revised employee and retiree healthcare cost projections
 - Employee early-out incentive (which generates positive budget savings)
 - Reduced funding required to regional program based on updated County cost projections

Tax & Fee Adjustments



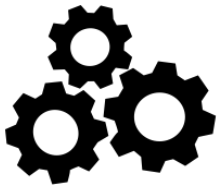
UTILITY TAXES

Commercial rates increase approximately 5%, residential rates increase to \$3/month per utility; revenues go to Affordable Housing and Schools



PARKING RATES, HOURS & FINES

Ⓢ Rates increase \$0.25/hr Ⓟ Hours extend to 8 p.m. 📄 Fines increase to \$40



DEPARTMENTAL FEES & COST RECOVERY

DPR, ACFD, DES, CPHD; Household Solid Waste up \$2/year (full cost recovery)

Budget Reductions

Total Reductions: \$8.4 million (ongoing)

- All County departments under the County Manager impacted
- 48 positions impacted (29 filled, 19 vacant)
- Courts & Constitutional Offices not impacted
- Several non-profit partners affected
- Full list of reductions and impacts available at budget.arlingtonva.us

Budget Reductions: Examining Service Delivery

	Budget Impact	Staff Impact
Eliminate ART routes 54 & 92 (DES) Routes average 3 passengers/hour	-\$356,771	none
Eliminate Carver Center Daytime Drop-In Hours (DPR) Average of 1-2 people/day	-\$41,172	-1.0 FTE
Eliminate Snow Blower Loaner Program (DPR)	-\$30,000	-0.5 FTE
Eliminate free monthly community shredding (DES)	-\$20,000	none
Scale back Lee Highway Planning process Total remaining one-time budget of \$250,000	-\$500,000 (one-time funding)	none

Budget Reductions: Examining Service Delivery

	Budget Impact	Staff Impact
Reduce ongoing Pay-As-You-Go (PAYG) funding Reduce ongoing funding and utilize one-time carryover and alternative funding sources to fund maintenance capital	-\$1,553,535	none
Eliminate Office of Community Health (DPR) Nutrition, healthy lifestyle support for DPR programs that can be provided or is already provided through other County programs	-\$483,238	-4.13 FTEs
Contract out Laboratory Services (DHS) Partially transitions DHS lab services to an outside contractor, similar to other jurisdictions	-\$449,359	-4.0 FTEs

Budget Reductions: Examining Service Delivery

**Budget
Impact**

**Staff
Impact**

Employment Services (DHS)

Reduction will result in increased caseloads and supervisory support

-\$825,584

-6.0 FTEs

Arlington Initiative to Rethink Energy (AIRE) (DES)

Eliminate funding for residential rebate program and consultants, and reduce budget for energy efficiency facility investments

-\$554,312

none

Pharmacy Services

Contract out DHS pharmacy services to private pharmacy at a lower cost

-\$176,353

-2.0 FTEs

Budget Reductions: Examining Service Delivery

	Budget Impact	Staff Impact
Custodial Pilot Program Reduce custodial services in non-public areas of Justice Center from 5 days/week to 3 days/week.	-\$90,000	none
“The Citizen” Newsletter Eliminate the printed newsletter that is mailed to all Arlington households and focus on digital communication tools	-\$82,088	none

Tax & Fee Advertisements: Feb. 24, 2018

- Real estate tax rate advertisement sets the highest rate the County Board can adopt
- County Manager proposes increasing the residential & commercial utility tax
- No changes to other taxes proposed (BID tax rates, personal property, BPOL, Stormwater)
- Fee Changes Proposed
 - Household Solid Waste Rate - Proposed increase of \$2.00 to \$316.16/year
 - Water/Sewer Rate - No change at \$13.62/ thousand gallons
 - Parking Meters rates increasing \$0.25/hour and extending hours for meters from 6:00 p.m. to 8:00 p.m.
 - Recovery of credit card convenience fees
 - Cost Recovery Fee Increases in Fire, Environmental Service (DES), and Community, Planning, & Housing (CPHD)
 - Parks & Recreation fee adjustments

Advertisement of Real Estate Tax Rate

Current Real Estate Tax Rate

\$1.006*

per \$100 in assessed value

**includes Stormwater*

Average Annual Homeowner Impact

of Fee and Tax Increases Under
County Manager's Proposal

\$297

(3.5% increase over FY 2018)

Real Estate Tax Rates: Peer Comparison



	CY 2017	CY 2018 Proposed	CY 2018 Advertised
Arlington	\$0.993	\$0.993	Expected Feb. 24
Alexandria	\$1.130	\$1.130	Expected Mar. 13
Fairfax	\$1.130	\$1.155	Expected Mar. 6
Loudoun	\$1.125	\$1.090	\$1.105

Tax & Fee Burden on Average Household

	CY 2015	CY 2016	CY 2017	CY 2018 at \$1.006	Percent Change '17 to '18	CY 2018 Plus 0.5 penny	Percent Change '17 to '18 plus 0.5 penny	CY 2018 Plus 1 penny	Percent Change '17 to '18 plus 1 penny
Real Estate Tax (includes sanitary district tax)	\$5,848	\$5,981	\$6,209	\$6,447	4%	\$6,479	4%	\$6,512	5%
Personal Property (taxpayer share only)*	908	950	968	1,024	6%	1,024		1,024	
Annual Decal Fee*	66	66	66	66	-	66		66	
Refuse Fee**	271	307	314	316	1%	316		316	
Water / Sewer Service**	796	796	817	817	-	817		817	
Residential Utility Tax**	72	72	72	72	-	72		72	
Total	\$7,961	\$8,172	\$8,446	\$8,743	4%	\$8,775	4%	\$8,807	4%
Increase in Tax & Fee Burden	\$216	\$212	\$274	\$297		\$329		\$361	

* Assumes two conventional vehicles per household, the approximate average number of vehicles owned per Arlington household. The personal property tax figures reflect the PPTRA subsidy for personal property tax relief. For CY 2018, it is projected that 28% of vehicle value between \$3,000 and \$20,000 will be exempt from taxation; values below \$3,000 are 100% exempt.

** Reflects the next fiscal year. Water/sewer rate reflects 60 thousand gallons of water consumption. Residential utility tax assumptions are based on the ceiling tax rates.

Looking Ahead

- Future budgets will require further review of community priorities to evaluate services and programs
- Areas of analysis will include:
 - Reducing or eliminating direct services to residents
 - Examining service levels
 - Continuing support to our non-profit partners
 - Levels of employee compensation and benefits
 - Changes to taxes and fees
 - Further collaboration with Schools

Timeline

February 24	Proposed Budget - County Manager's FY 2019 Proposed Budget submitted to the County Board
February–April	Budget Work Sessions - County Board holds a series of budget work sessions with County Departments, Constitutional Offices, and the School Board
March	Mid-year Review - County Manager submits FY 2018 mid-year review of expenditures and revenues to the County Board
April 3 7:00 p.m., County Board Room 2100 Clarendon Blvd.	Public Hearing - County Board hosted public hearing on proposed FY 2019 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees
April 5 7:00 p.m., County Board Room 2100 Clarendon Blvd.	Public Hearing - County Board hosts second public hearing on proposed FY 2019 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees
April 21	Budget Adopted County Board adopts FY 2019 Budget and Appropriations Resolutions for the County government, the public schools, and Pay-As-You-Go Capital. County Board adopts CY 2018 real estate tax rate and other FY 2019 taxes and fees
May 3	School Budget Adopted - School Board adopts FY 2019 school budget
July 1	FY 2019 begins

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