

## *Fiscal Year 2025 Proposed Budget Message*

### **To the County Board and the Arlington Community:**



With my Fiscal Year 2025 budget proposal, I have done my best to address the guidance provided by the County Board – especially mindful of the twin challenges we face with increased office market vacancies and increased stress on our social service network to provide housing and behavioral health resources.

Our community remains vibrant, but four years after the onset of the pandemic other challenges remain – the need to be resilient, focus on equity, maintain our outstanding workforce, and tackle the challenges of a world warming too quickly because of climate change.

This budget is balanced relying on anticipated revenues at the current tax rate. To do this, I have proposed close to \$10.1 million in reductions and efficiencies.

Consistent with the Board’s budget guidance, I am also proposing additional revenue above the level needed to balance the budget. My proposal includes a 1.5 cent increase in the tax rate (offset by the 1.7 cent reduction in the tax rate by moving to a stormwater utility). This proposed tax rate is \$0.005 less than allowed by the Board’s budget guidance, which called for keeping the average single family’s tax burden less than or equal to the average over the past three years. The average tax/fee burden for single family homeowners would increase by 4.7% with my proposal. This tax rate increase will provide ongoing funds to meet higher demands for housing, eviction prevention, human service programs, and the environment and provide more funding to meet the needs faced by Arlington Public Schools who are challenged by the reduction in State aid included in the Governor’s proposed budget.

### **By the Numbers**

Last month, real estate assessments were completed for Arlington residents and business owners. The total assessed value of all residential and commercial property in Arlington increased 2.5 percent for 2024, compared to 3.7 percent growth in 2023. New construction contributed to 1.7 percent of the 2.5 percent tax base increase – driven particularly by growth in the apartment sector.

Residential property values increased 3.2 percent while commercial property values grew 1.6 percent. The average single-family property value increased from \$798,500 to \$824,700.

The overall budget is \$1.62 billion, a 4.7 percent increase over the adopted FY 2024 budget. As noted above, this budget assumes a 1.5 cent tax rate increase, offset by the 1.7 cent reduction in the tax rate by moving to a stormwater utility.

With the assessment change and the proposed tax rates, the average residential tax/fee burden will increase \$500 or 4.7 percent. This includes a \$389 increase in real estate taxes, a \$122 increase in stormwater fees, a \$10 increase in household solid waste fees, \$38 increase in water/sewer rates, and a \$59 decrease in the personal property tax burden. If you are a renter, the average increase for apartment unit assessments is 6.6%. This translates to an average real estate tax burden increase of \$215. Apartment dwellers who own cars would see their average tax burden drop by about \$30 for each vehicle owned.

In addition to the tax rate and fee changes, this budget was balanced by one-time support for ongoing expenses – \$3.0 million compared to the \$6.5 million used in FY 2024 – as well as nearly \$10.1 million in budget reductions and operational efficiencies.

The proposed reductions fall mainly into two categories – reductions that will limit services in some less critical areas, and reductions that reflect changing demands and can be taken without impact on services. The proposed budget reduces close to 20 filled positions and about 13 vacant positions. Detailed descriptions of these cuts follow in a separate section.

### **Meeting Board Guidance**

In addition to direction related to budget reductions, prudent use of one-time funding, and the tax rate (discussed above), the County Board directed that the budget maintain our commitment to the principles of financial stability and the 2019 Equity Resolution, while meeting our collective bargaining agreements, presenting compensation proposals consistent with the County's Total Compensation Philosophy, and maintaining commitments to Arlington Public Schools. The [direction](#), also focused on climate change and housing needs (see below), and spotlighted:

**WMATA:** The ongoing general fund contribution for WMATA is \$49.8 million, a 5 percent increase over FY 2024 levels. WMATA's proposed budget, to meet a mandated three percent cap on jurisdictional subsidies, included drastic cuts to rail, bus, and paratransit service that would severely cripple the DC region if implemented. The region is close to finalizing a funding solution for WMATA that eliminates many of these service reductions. The current proposal includes \$130 million of additional funding from Virginia jurisdictions. Of this amount, \$65 million would potentially come from the Commonwealth (House and Senate versions of this legislation currently differ), and the remaining \$65 million from local jurisdictions. Arlington's share would be approximately \$17 million of the local jurisdictional funding.

The County is expected to meet its share of the additional funding with available state transit aid and gas tax balances. General Fund support will not change above the \$49.8 million. However, most of the funding solution for WMATA in FY 2025 is through one-time funding. As early as FY 2027, the County may be facing pressure to significantly increase ongoing general fund support as those one-time sources are exhausted.

**Food Security:** Arlington Food Assistance Center (AFAC) provides food to low-income Arlington residents so they can devote their limited financial resources to other obligations such as housing, utilities, medication, and other basic needs. DHS awarded AFAC a base contract amount of \$606,606 for FY 2024; however, going forward, the contract will be based on need in the community. The FY 2025 budget includes an additional \$317,859 to meet those needs for a total budget of \$0.92 million.

**Outcome Measures:** In response to County Board guidance, the proposed budget includes additional mission-aligned outcome measures. Departments received training to develop a common understanding of program mission statements and the importance of and difference between output and outcome measures.

The addition of outcome measures will continue in future years. Measures from fourteen departments are provided in a section following the County Manager's message and will be highlighted in budget work sessions. As this process continues, existing performance measures may be dropped, and others added. With these new measures we will need to collect data not previously tracked so the full utility of these measures may not be realized for a few years.

**Equity:** In Arlington, we want a community where all are valued, educated, healthy, and safe regardless of race. This focus means closing race-based outcome gaps so that race does not predict one's success while improving outcomes for everyone. We are race explicit, not race exclusive, so that as we address the greatest disparities by race, we inevitably improve outcomes for others.

Our work is grounded in the [equity resolution](#) adopted by the Board in 2019 and realized in the considerable time and effort devoted to Realizing Arlington's Commitment to Equity ([RACE](#)), the efforts of our [Office of Human Rights](#), support of [our Employee Resource Groups \(ERG\)](#), and initiatives led across departments to improve outcomes in our services and programs.

Over the past several years, our former Chief Race and Equity Officer, Samia Byrd, led the County and staff in a journey to normalize, organize, operationalize, and assess issues surrounding race in the work and interactions we do. With a firm foundation laid and as she moves into a different role with the County, our work continues and will be led by Amber Barnett as the Director of Race and Equity Programs. More specifically, we will continue to advance racial equity through RACE

with our Leading with RACE trainings and other learning opportunities, conversations such as the RACE Exchange, Racial Equity Core Team, Racial Equity Action Plans, Department Equity Teams, and the many other programs and initiatives underway.

### **Commitment to Employees**

Our employees are the foundation of all the great work that we do in the County. This budget continues our commitment to the collective bargaining agreements (CBA) in place and provides pay increases for non-bargaining employees. Both Police (ACOP) and Fire (IAFF), employees will receive step increases in line with the Collective Bargaining Agreements (CBA) while Service, Labor & Trades (SLT) employees will receive a 4.75% wage increase in line with their CBA. Employees outside bargaining units would receive 4.75% wage increases in FY 2025. We will continue to evaluate various job classifications and contribute to the increases in healthcare costs.

I am also proposing a new pay plan and a new retirement program for General Non-Bargaining employees. The new pay plan is more consistent with compensation best practices and our regional peers' programs. The pay plan will reduce the number of grades (or pay ranges) from 319 to 40, making it easier for employees to understand the pay structure and potential promotional opportunities, while also facilitating pay range comparisons to other jurisdictions.

The new retirement program is for general employees hired after January 1, 2025, who will not be covered by a collective bargaining agreement. The plan design will provide a meaningful benefit for employees who stay with the County for a full career, while providing greater value for those with shorter careers. More information on both proposals can be found in the Compensation Summary section of the Proposed Budget. The new retirement program would be proposed this summer and go into effect, if adopted, on January 1, 2025.

### **Targeted Investments**

New investments in the FY 2025 proposed budget focus on the most urgent needs in our community including youth and the environment.

**Youth & Teen Investment:** Building on the \$750,000 in one-time funding for teen mental health and substance use provided by the County Board in November 2023 and in collaboration with Arlington Public Schools, this budget includes an additional \$1.0 million to implement a multi-pronged pilot approach. This proposal builds on the investments made by the County and APS over the last few years and focuses on youth who are experiencing immediate substance use and mental health issues (Tier 2 / Tier 3) and require intervention services now to avoid further crisis. Supplementing these intervention services will be a prevention strategy including new and expanded middle and high school programs for out-of-school time including weekends, education, and engagement efforts. Additional details on this pilot can be found in a separate section of the Manager's Message.

**Housing:** As noted earlier, the FY 2025 proposed budget includes an increase in the tax rate to address critical needs in our community including funding important housing services – the housing grants program and the eviction prevention program – on an ongoing basis and expanding critical staffing to support these programs. The FY 2025 proposed budget also continues to meet the commitments for AHIF (the Affordable Housing Investment Fund) and the landmark preservation of the Barcroft Apartments, a housing complex which alone preserves 1,334 affordable housing units. Additional details on these housing priorities can be found in a separate section of the Manager's Message.

**Environmental Sustainability:** A priority of the Board and community has been investing in our natural resources for a more enjoyable and resilient physical environment. A significant investment is being proposed to support the sustainability and maintenance of our tree canopy to reduce maintenance intervals, mitigate risk, and improve the function of our urban forest. The \$982,000 proposed funding will allow for the pruning of an additional ~2800 trees per year, supporting a 5-year maintenance cycle instead of our current 17.7-year cycle.

Funding of \$300,000 will support early detection and rapid response efforts to address emerging invasive threats to the over 500 acres of Arlington County natural lands. This funding will expand DPR's existing invasives management program, which currently is projected to address 375 acres by 2030. The proposed additional resources will allow dedicated maintenance of the remaining larger parcels of natural land by 2032 (including over 60 acres at Bon Air, Bluemont Junction, Cherry Valley, Windy Run, Fort Scott and Madison Manor, and other sites).

There are also other capital investments proposed to support the County's environmental sustainability. For County buildings and facilities, the budget includes funding for renewable energy installation in County facilities (\$300k) to support potential upfront capital expenses for structural analysis, energy performance upgrades (\$475k) including energy efficiency and decarbonization measures at County facilities with a focus on energy and climate performance, and a window replacement project in Argus House to increase the building energy efficiency. In addition, the budget includes an increase in the number of electric vehicle chargers (\$250k) to support the conversion of the County fleet and electric vehicle chargers for public accessibility (\$500k).

Also, I have set aside another \$1 million to replenish our Climate Action Fund so that we can move ahead with investments in our facilities and provide funding for our community facing pilot programs.

**Office Market Vacancies:** The FY 2025 budget continues our focus on the Commercial Market Resiliency Initiative (CMRI) 2.0. Investments in staff over the past two years have increased our capacity to review and draft changes to our zoning ordinance and to continue efforts to change the urban dining and retail environment.

Dedicated staff in Arlington Economic Development and Community Planning Housing and Development continue to be available to consult with developers, and this budget continues to support changes needed in our zoning ordinance.

**Permitting & Development Services:** A significant amount of work has been done over the last 18 months among staff in CPHD and DES to calibrate cost recovery related to permitting activity costs. I am proposing a variety of fee changes in these two departments that include increasing, lowering, restructuring, and eliminating fees. With the help of a consultant, staff reviewed time and effort spent evaluating and processing permits for zoning and construction. To ensure that our fees are recovering the full cost of services, they need to be adjusted over a multi-year period to align cost recovery to those benefiting from the service. Additional details on this proposal can be found in a separate section of the Manager's Message.

**Customer Service Permit Center:** Effective July 1, 2024, the Permit Arlington Center will be open to support walk-in customers four days per week. This is an expansion of the current days and hours of two days per week, Tuesday, and Thursday from 9:00 am to 3:00 pm.

The Permit Arlington Center opened to the public in September 2022 to support customers in their submission of online permits and applications related to development and construction projects. It was established as an additional support to the Permit Arlington Online system, which is available 24 hours a day, seven days a week for customers to submit applications, supporting documents, and payments online through their computers and mobile devices. In addition, phone and e-mail support is available to customers Monday through Friday from 8:00 am to 4:30 pm.

Expanding the Center's days and hours will allow for customers who prefer to receive support in person to interact with staff directly in answering their technical questions and facilitate the submission of their applications and materials through the online permitting system; improving their experiences and interactions where there may be technology challenges or limited capacity to interact and engage with the online permitting system.

With the expansion of days, we will continue to collect and report out data on the types of inquiries and needs being met, along with the volume of service provided to walk-in customers through the Permit Center. The data will be used to determine any adjustments needed and opportunities to further consider the types, extent and level of service that can be fulfilled through the Permit Center.

**Transportation Safety and Compliance:** The Proposed Budget includes several positions (offset by revenue) to enhance safety and compliance along our roadways and pedestrian thoroughfares. Three positions are being added to augment capacity during day and evening shifts in the Police Department, adding a regularly staffed shift on Saturdays, and enhance service provision for specified low-level compliance



parking areas identified by the performance parking pilot program. This staffing adjustment will grant the ACPD increased flexibility in resource allocation. While collaborating with PSAs on parking meter enforcement, these Transportation Safety Specialists (TSS) will have advanced training, skills, and equipment, allowing them to offer support for law enforcement and County safety programs, including Vision Zero and the Parking for Performance Program.

**Public Safety:** In addition to the expansion of the TSS program, the FY 2025 budget makes investments in key areas of public safety. There is a continuation of recruitment funding for Police to help address the difficulties in recruitment (\$250,000 one-time). For the Fire Department, the new Office of Professional Standards for enhanced support of departmental investigations and accreditation initiatives is fully funded while there is an increase in funding for medical and wellness programs for firefighters.

Services are also being added to the jail including an expansion of the body worn camera program to include staff in the jail. Jail-contracted security, sublocade for MAT/MOUD inmates, and the Inmate Care program are also continued.

An additional DHS licensed therapist is funded for the jail-based team to address the increased number of clients in the jail; this team delivers behavioral health treatment services to people who are detained in the Arlington County Detention Facility in accordance with the Sheriff's Office policies. Services focus on both mental health and substance use needs, teaching skills to manage symptoms, and linking clients to community services.

Aiding in this effort for the jail population is additional funding and the conversion of a Public Defender paralegal to a mitigation/mental health attorney position. This attorney will not only staff Drug Treatment Court and the Behavioral Health Docket but also collaborate with County staff on critical diversion initiatives like bond diversion, be a liaison to Western State Hospital for clients being restored to competency, and work together with the County to improve services to vulnerable individuals involved in or at risk of being involved in our criminal court system.

### **Looking Ahead**

As I have mentioned many times, the presentation of the budget for an upcoming fiscal year is a point in time estimate of the impacts of almost four years of budget decisions. The proposal I am making now includes funds that were carried over from FY 2023. This carryover reflects that plans made for any fiscal year are good faith estimates of what might happen and that as actual costs are incurred, we will have funds left over given the imperative of never ending a year with a deficit. Likewise, we are in the middle of Fiscal Year 2024, and I will return late in March with an estimate of how our performance this year may provide additional funding for use as we prepare to adopt the FY 2025 budget. Finally, FY 2025 is a harbinger of things to

come. FY 2026 will see continued stress in our commercial real estate market, the need to begin negotiations again with our collective bargaining partners, a potential costly long-term fix to the funding issues facing Metro and other challenges noted below.

- Will the Northern Virginia Juvenile Detention Facility grow its programs?
- Will we continue to receive state grant funding for our important Safe Havens program?
- We will need to renegotiate our contract for ART bus service.
- The funding support we receive from Boeing to offset operational costs at the Long Bridge Aquatics and Fitness facility will likely end.
- We will have a full year impact of operating our ART Bus maintenance facility in Green Valley.
- Demand for housing support through grants and AHIF continues to grow.

**Future of Libraries – Visioning & Facilities:** Included in the FY 2024 budget was funding to engage with the community in longer-term strategic discussions about how to best provide library services in a changed and changing environment. In March 2020, JBG Smith committed to providing a new library space on the ground floor of their office building at 1901 S. Bell Street as part of the Crystal City Phased Development site plan. The original deal with JBG Smith consisted of three elements:

- 20-year lease rent free for up to 7,200 square feet of space on the ground floor of 1901 S. Bell St.
- 25 parking spaces for library employees and patron usage.
- \$1.25M contribution to support library operations at this location.

Due to current operating and capital budget considerations as well as limitations of the 1901 S. Bell Street location, JBG Smith has agreed to terminate the existing site plan conditions and instead will contribute \$6.3 million to the County by 2030 to support library operations elsewhere in Crystal City. Including the \$500,000 already received by the County from JBG Smith under the previous agreement, the County will have \$6.3 million by 2030. With funding limitations this year, the ability to open a new branch library which would require more than \$1 million in ongoing operating and staff costs is not practical.

This timeline will allow Arlington Public Library's upcoming Futures of Libraries conversation, planned for late Spring/early Summer 2024, to inform future services and offerings at a Crystal City library location.

### **Public Input during Budget Formulation**

Public engagement on the FY 2025 budget took place over a six-week period and included both in-person and online engagement opportunities. During this time, we heard from 3,463 community members—2,764 who weighed in online and 699 who



shared their feedback in-person at pop-ups throughout the County. As part of our outreach effort, we translated materials into multiple languages and 173 participants responded in Spanish. We also aimed to increase engagement among renters in Arlington County and saw an increase to 29% for those who identified as renters in the online form, up from 19% the previous year. The results of the budget engagement are available at [this link](#) and were considered as part of the budget formulation.

As always, I wanted to thank the hard work of County staff who assisted in preparation of this budget. The opportunity to state our values as a community, through our spending choices, is one of the most important roles we serve. We look forward to the discussion with the County Board and the community.

Respectfully submitted,

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