



Fiscal Affairs Advisory Commission
Report to the County Board

FY 2019 Proposed Budget

Budget Area:	Community Planning, Housing and Development (CPHD)
FAAC Reviewers:	Kevin Yam, John Schoeneker
Date of FAAC Action:	March 1, 2018
Presenter:	Tenley Peterson, FAAC Chair

FAAC Opinion

CPHD

The proposed FY 2019 CPHD budget of \$11.4MM represents a 2% decrease (\$287K) from the FY18 adopted budget. The department is experiencing a net 2.5 reduction in permanent FTEs. The change in personnel includes the elimination of (i) two principal planning positions (\$360K budget reduction); (ii) a planning administrative assistant (\$82K); and (iii) a half-time Code Enforcement Supervisor position (\$68K). Additionally, a Joint Facilities Advisory Committee (JFAC) support position was transferred from the County Manager's Office to the Planning Division (\$116K). Other proposed reductions to the budget include a \$35K reduction in consultant funding for department training programs and a \$40K reduction in consultant funding for the Neighborhood College program. These proposed budget reductions are offset by employee salary increases, an increase in the County's cost for employee health insurance, and retirement contributions based on actuarial projections.

It is FAAC's opinion that the County Manager's proposed budget for CPHD is based on sound fiscal principles. CPHD will continue to be able to do its job effectively with this budget. As mentioned during other department reviews, we support the county's efforts to transfer staff whose positions are being eliminated to vacancies in the county.

AHIF

The proposed FY19 non-departmental budget includes a \$13.7MM contribution to the Affordable Housing Investment Fund (AHIF). This represents an 8.6% decrease (\$1.3MM) from the \$15.0MM FY18 AHIF allocation. In response to guidance from the County Board, the County Manager's proposed FY19 budget includes a \$1.7MM increase in ongoing funds. (This is consistent with FAAC's longtime encouragement to replace recurring one-time funding with ongoing when funding needs that are actually ongoing.) However, the proposed allocation does still rely on \$7.0MM in one-time funds, which is 51% of the proposed FY19 AHIF contribution.

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CPHD Development Fund

The proposed FY19 CPHD Development Fund budget of \$21.7MM represents a 7.5% increase (\$1.5MM) from the FY18 adopted budget. This budget includes implementation expenditures for One Stop Arlington, an initiative that focuses on streamlining business processes and providing better customer service. One Stop Arlington projects include the replacement of the enterprise-wide permitting system, business process re-engineering, website improvements, creation of a customer service center, and enhanced case management. The FY19 budget includes a proposed 2.5% Employment Cost Index increase to all existing fees (\$309K) and increasing the Automation Enhancement Surcharge from 5% to 10% (\$316K) upon successful implementation of Phase I of One-Stop Arlington. The budget also includes a 15% (\$830K) increase in the utilization of the CPHD fund balance, which results in a projected zero capital reserve balance at the end of FY19.

FAAC Recommendation #1			
The FAAC recommends that the County Board adopt the County Manager's FY19 proposed budget for CPHD.			
Vote	Yes: 10	No: 3	Abstain: 0
Comments	<p>Supporters of this recommendation believe the County Manager has put forth a prudent budget proposal, which includes a 2.5 FTE net reduction in staffing.</p> <p>Dissenters of this recommendation would like to see further cuts in the CPHD budget.</p>		

FAAC Recommendation #2			
The FAAC recommends that the County Board consider whether a decrease in funds is in the long term strategic interest of the Lee Highway Planning Process.			
Vote	Yes: 8	No: 3	Abstain: 2
Comments	<p>Supporters of this recommendation believe that a plan to guide the ongoing redevelopment/transformation of Lee Highway is an important priority for the county. A successful and thoughtful plan for the Lee Highway corridor will guide hundreds of millions of investment dollars into one of the key non-metro commercial corridors of the county, and will yield dividends in excess of required planning costs.</p> <p>CPHD staff indicated the proposed \$500,000 reduction to the Lee Highway Planning Process budget will require a more focused and reduced scope in FY19 and will likely lengthen the overall planning</p>		

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	<p>process for the corridor. One of FAAC’s key priorities is spending tax dollars strategically, so we encourage the County Board to seek additional information from staff about the needs of this project. For example, will a reduction in the upfront scope, and a lengthening of the overall planning process, ultimately lead to a plan that costs more to produce and is not as effective as it could be? Have similar planning processes at the proposed funding level produced the results desired for Lee Highway, or have they been inadequate? FAAC did not have sufficient information to opine further.</p> <p>Dissenters of this recommendation believe either: (i) the reduced \$250,000 budget is adequate to produce an effective Lee Highway Plan; or (ii) don’t believe a Lee Highway Plan is needed at all.</p>
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FAAC Recommendation #3			
<p>The FAAC recommends that the County Board re-affirm its commitment to the Affordable Housing Master Plan by striving to: (i) secure at least \$13.7MM in annual AHIF funding on a go-forward basis; (ii) allocate additional ongoing funds to AHIF to reduce reliance on one-time funding; and (iii) maximize the impact of limited AHIF funds by focusing on opportunities that serve residents at 60% AMI or below and maximize density wherever possible.</p>			
Vote	Yes: 9	No: 3	Abstain: 1
Comments	<p>Supporters of this recommendation note that even with a \$13.7 million annual commitment to AHIF, the county will still fall short of the stated production goals outlined in the Affordable Housing Master Plan.</p> <p>By focusing on projects that serve residents at 60% AMI or below, funds address the most acute affordable housing needs in the county and also provide the county an opportunity to leverage federal tax credits available through the LIHTC program.</p> <p>Density can be used as a tool to create additional affordable units wherever appropriate and possible.</p> <p>Dissenters of this recommendation believe (i) the County’s affordable housing goals are increasing the overall cost of living in Arlington County for those that don’t qualify for affordable housing; and (ii) do not want density to impact the character of existing communities.</p>		

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FAAC Recommendation #4			
The FAAC recommends that the County Board restrict AHIF funding to efforts that might reasonably result in providing more affordable housing, and discontinue unrestricted AHIF funding of ancillary efforts, funding such efforts through the General Fund if necessary.			
Vote	Yes: 8	No: 0	Abstain: 5
Comments	<p>Supporters of this recommendation objected to the allocation of funds earmarked for AHIF to certain Housing and Community Development Fund programs. These funds are described as AHIF Housing Services and total \$200,000, as summarized in the online version of the proposed budget on webpages 847-848. The supporters of this recommendation would prefer to see all AHIF funds applied exclusively to efforts related to the creation/preservation of affordable housing, and not related or ancillary services.</p> <p>FAAC members abstaining from this vote did not have the information required to fully understand if there are specific legal/financial/ /regulatory reasons for this \$200,000 to be designated as “AHIF Housing Services” rather than something else (e.g., General Fund).</p>		

Future Considerations

One Stop Arlington represents a significant multi-year, multi-million-dollar investment in support of the County Manager’s stated priorities of economic development, service delivery, and strategic planning. FAAC encourages the County Board to dedicate the appropriate resources to this initiative to ensure a successful implementation. FAAC recommends focusing on: (i) remaining implementation costs and availability of funds to complete the project (the CPHD Development Fund Capital Reserve is projected to be zero by the end of FY19); (ii) ongoing operational costs related to the new One Stop Arlington model (CPHD staff indicated the proposed increase in fees were needed to at least partially support the increased operational costs going forward); (iii) how to objectively measure and quantify improvements in the Manager’s stated goals of service delivery, economic development, and strategic planning relative to the current operating model in place; and (iv) competitiveness of Arlington’s proposed fee structure to support this initiative going forward.