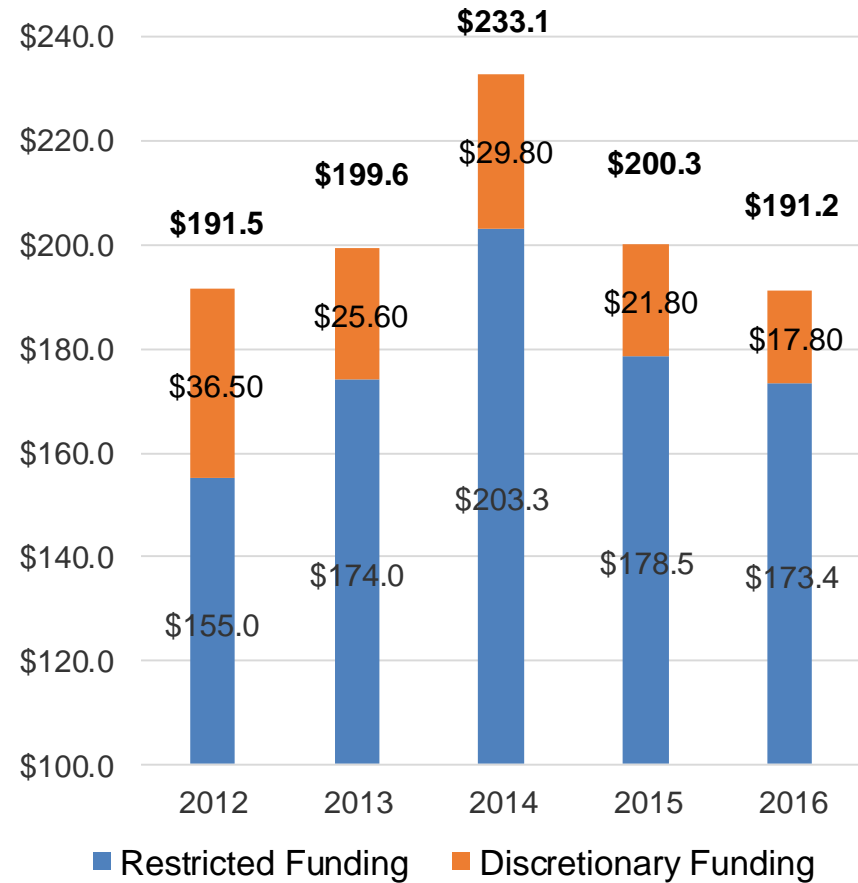


FY 2016 Year-end Summary

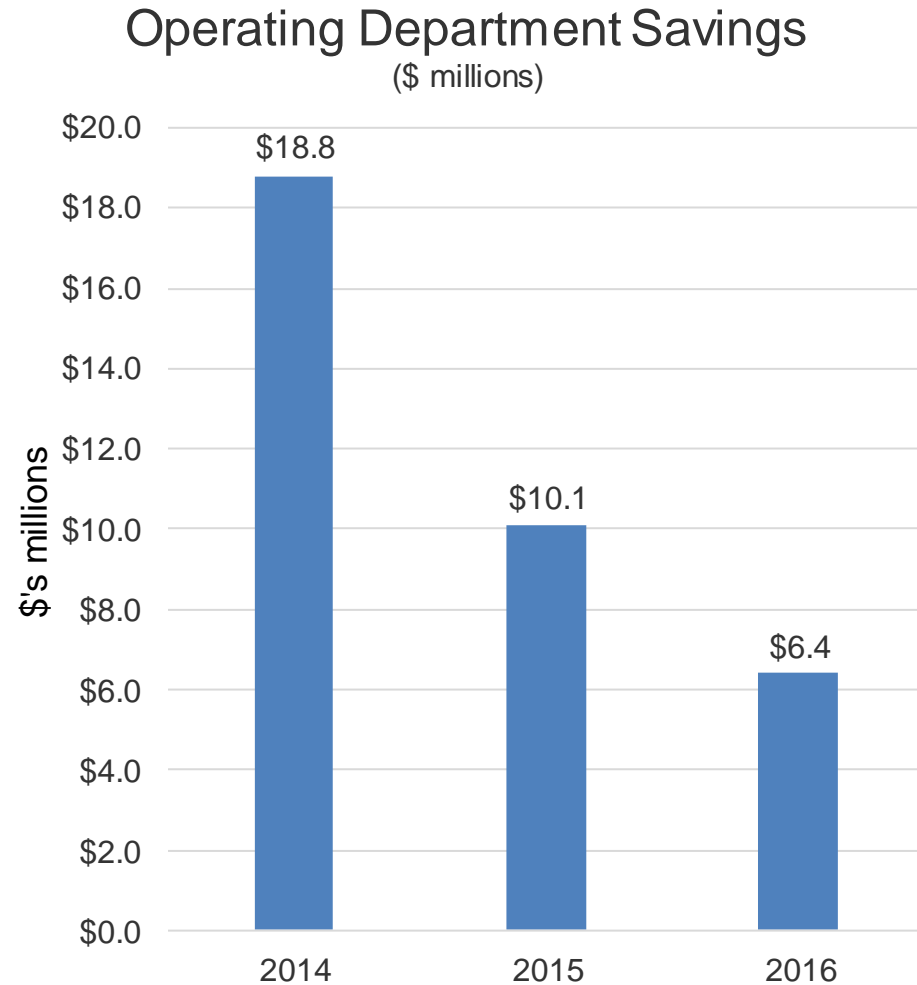
October 18, 2016

- Year Ended With a Balanced Budget
- Fund Balance Continues to Decline from FY 2014
 - Majority of funding is restricted (91% in FY 2016)

Year-End Fund Balance

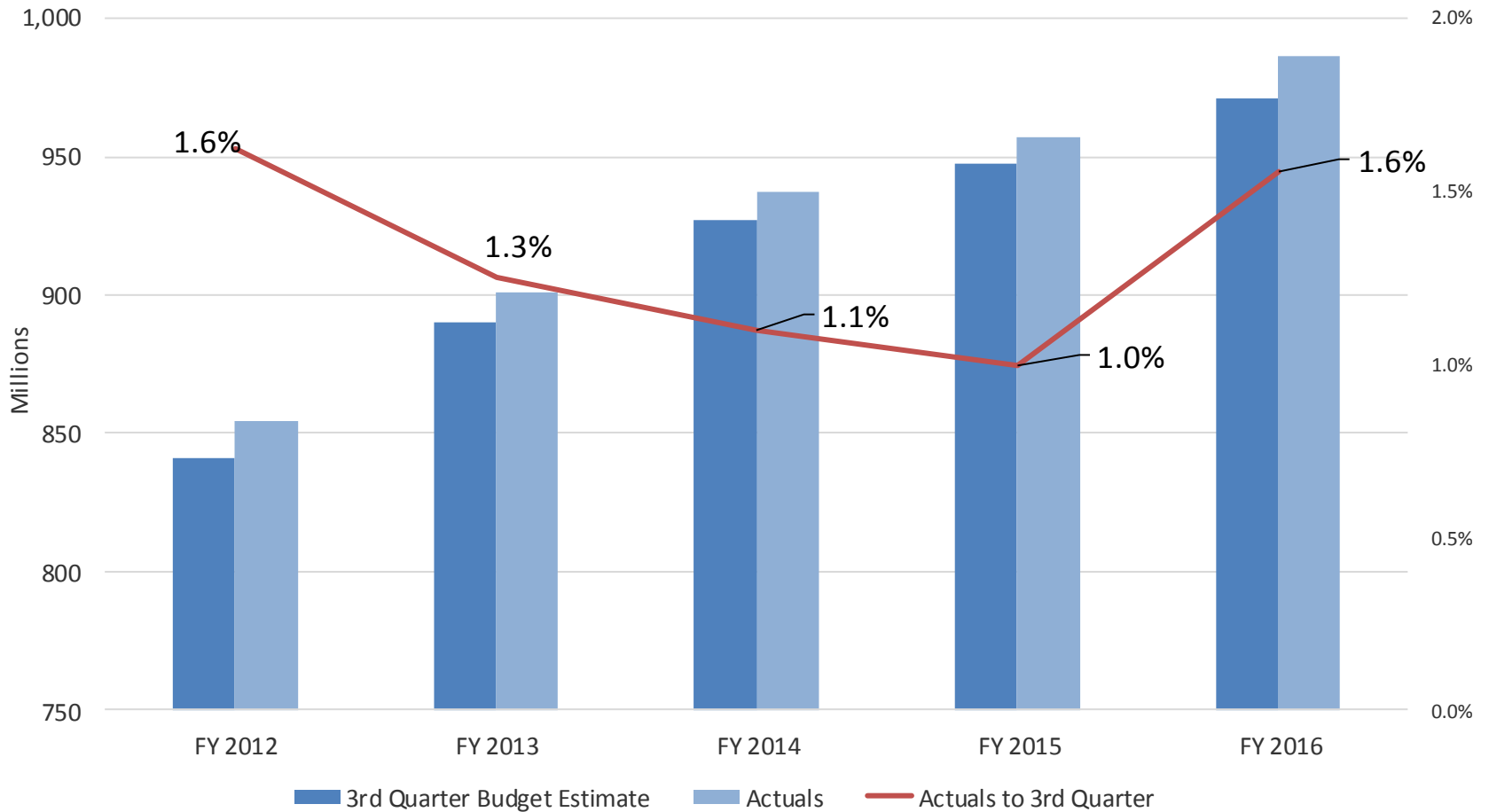


- Amounts of department and program savings vary from year to year (1.0% - 3.5%)
- Examples of variable factors
 - Winter Weather
 - Hiring Slowdowns
 - Program Utilization (e.g. DPR programs)
 - Program Service Demands



FY 2016 Year End Tax Revenue

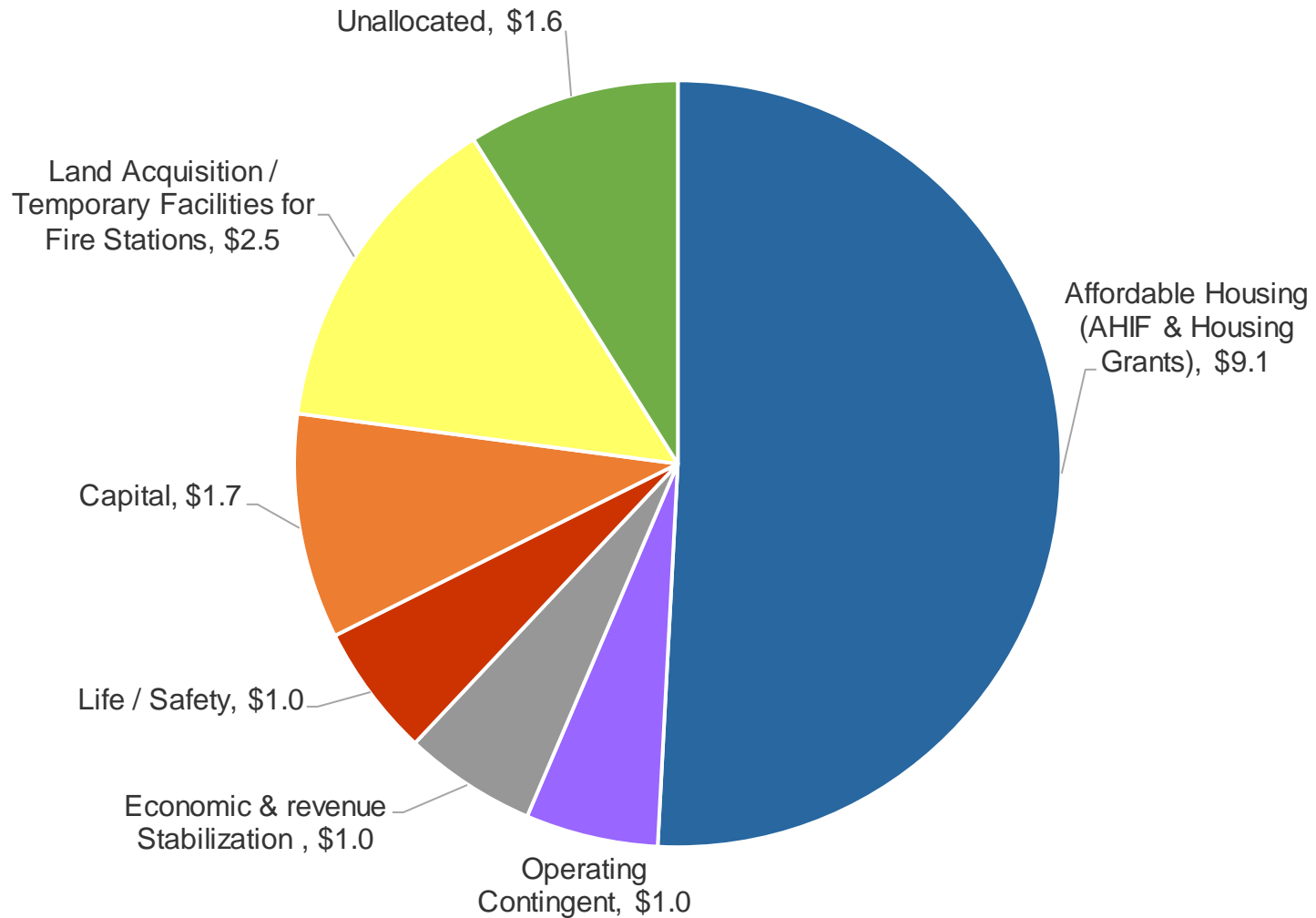
On average, actual tax revenue has been 1.3% higher than 3rd Quarter projections.



Allocations of Fund Balance (\$191.2 million):

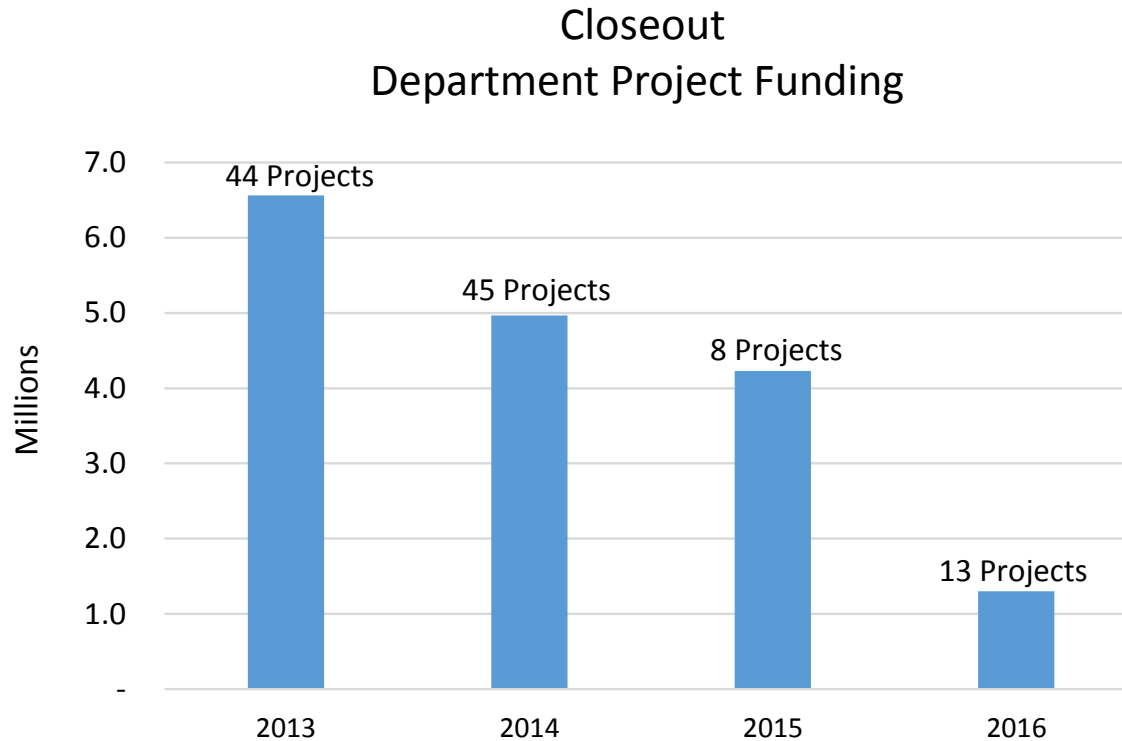
- Over 91% (\$173.5 million) of fund balance restricted or already allocated per current Board policy or prior Board action
 - Funding to reserves (\$67.9 million)
 - Required to maintain the County’s triple AAA
 - Continue commitment to Schools (\$25.2 million)
 - Affordable Housing Investment Fund (\$53.5 million)
 - \$27.5 million Allocated to projects
 - \$26.0 million Unallocated
 - Legally restricted funds (\$8.2 million)
 - Projects the County Board has already taken action on (\$18.7 million)

Remaining Funding Recommendations: \$17.8 million (\$ millions)



County Manager's Recommendations (\$17.8 million)

- Affordable Housing
 - Housing Grants: \$2.1 million
 - Continue the multi-year effort to include additional ongoing funds for this program
 - AHIF: \$7.0 million
- Critical Life Safety Needs: \$0.95 million
 - Police equipment for first responders, replacement of generators at key 24x7 facilities, and one-time funding needed for the Northern Virginia Emergency Response System (NVERS)
- Land Acquisition & Possible Temporary Facility Costs: \$2.5 million
 - Fire Stations 8 (Lee Highway) & 10 (Wilson School)
- Economic & Revenue Stabilization Contingent: \$1.0 million
- Capital Projects: \$1.7 million
- Operating Contingent: \$1.0 million
- Unallocated for consideration in the FY 2018 budget: \$1.6 million



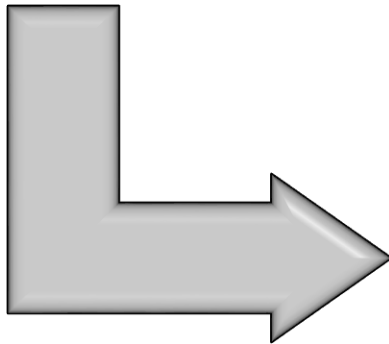
Note: Does not include projects funded in Non-Departmental, such as planning projects

AHIF Pipeline

FY 2017:

\$37.7M projected
unallocated &
\$36.2M - \$39.5M in
projects

- Buckingham Village 3 Debt Service / AHIF Housing Services: \$2.0M
- Westover (County Board approval in Sept. 2016): \$11.0M
- Culpepper: \$9.9M
- Berkeley: \$4.5M
- Other potential acquisitions: \$8.7M to \$11.6M



FY 2018:

\$16.0M to \$19.4M
projected
unallocated &
\$53.5M to \$59.0M
in projects

- Central United Methodist: \$3.0M to \$3.5M
- Berkeley: \$19.0 to \$19.5M
- Trenton Street Apartments: \$9.5M to \$10.5M
- Queen's Court/WRAPS: \$22.0M to \$25.5M

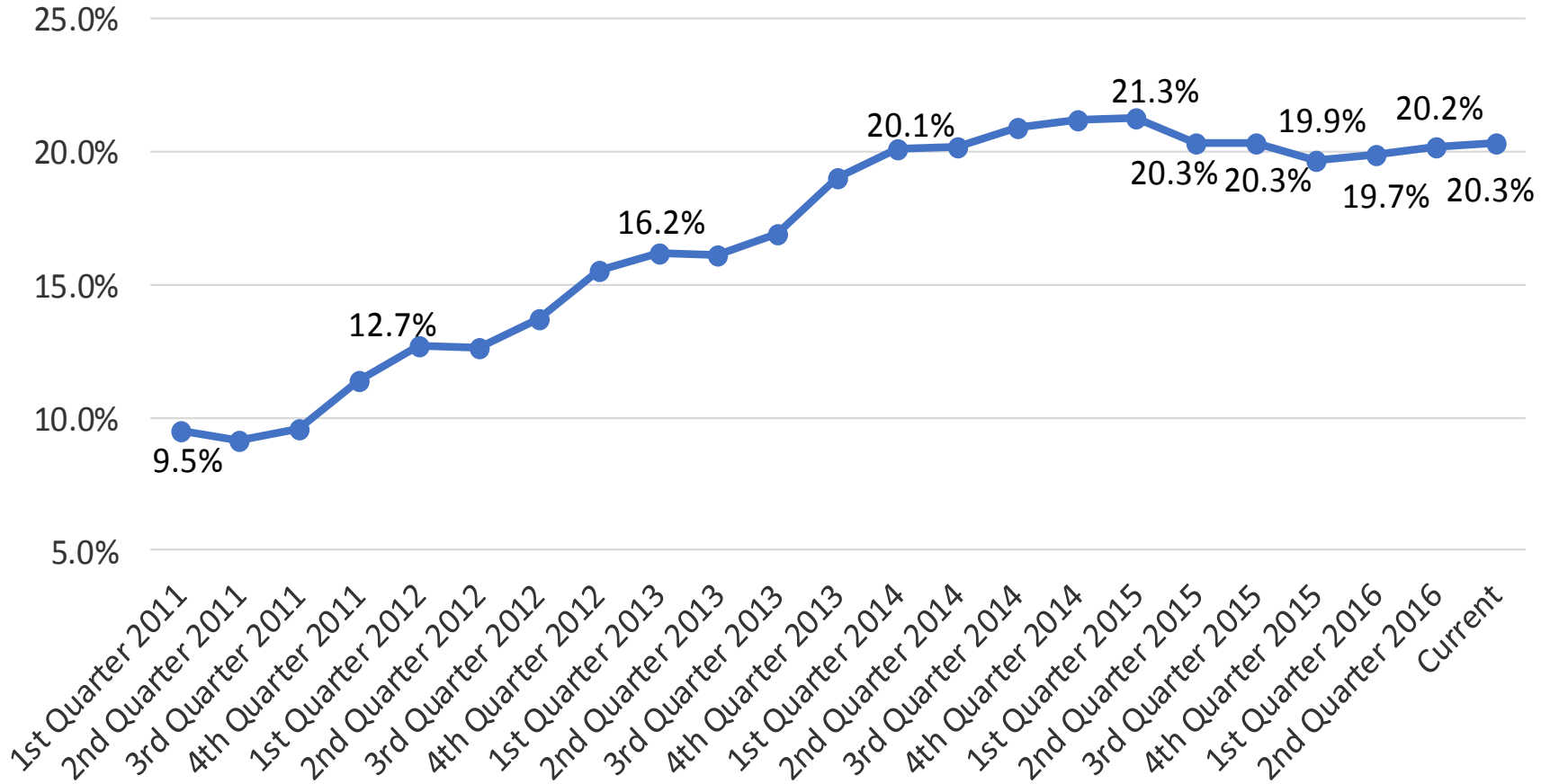
FY 2016 Close-out

FY 2018 Budget Forecast Overview

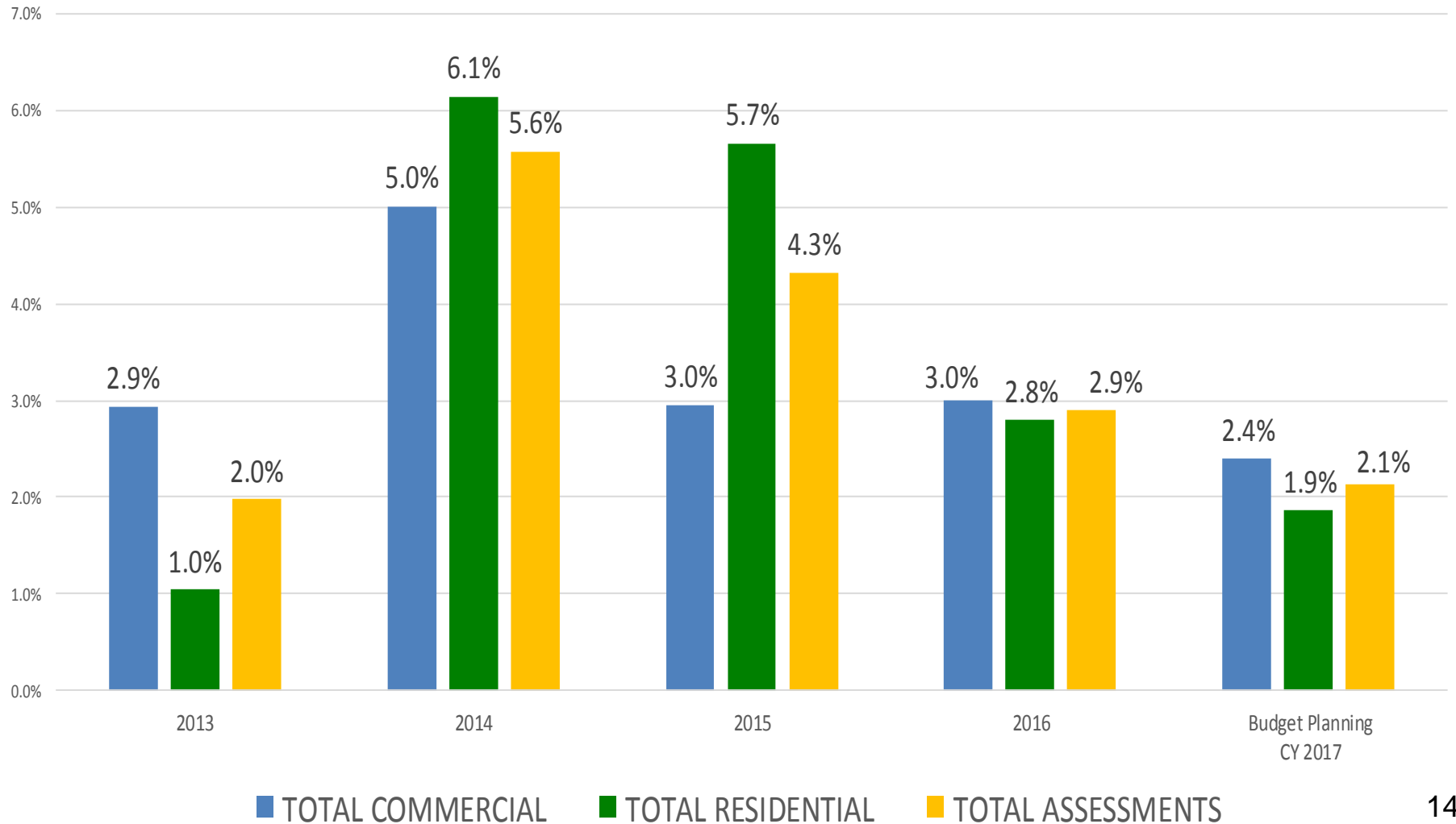
October 18, 2016

- Arlington Continues to Grow
 - Population
 - Service Demands
 - Real Estate Assessment Base / New Construction
 - School Population
- Real Estate Trends
 - Residential – slightly positive – 2016 sales & prices up
 - Apartments – slower growth in rents, some concessions
 - Commercial Office – continues to be under pressure - vacancy rate still key concern

Countywide Commercial Vacancy Rate

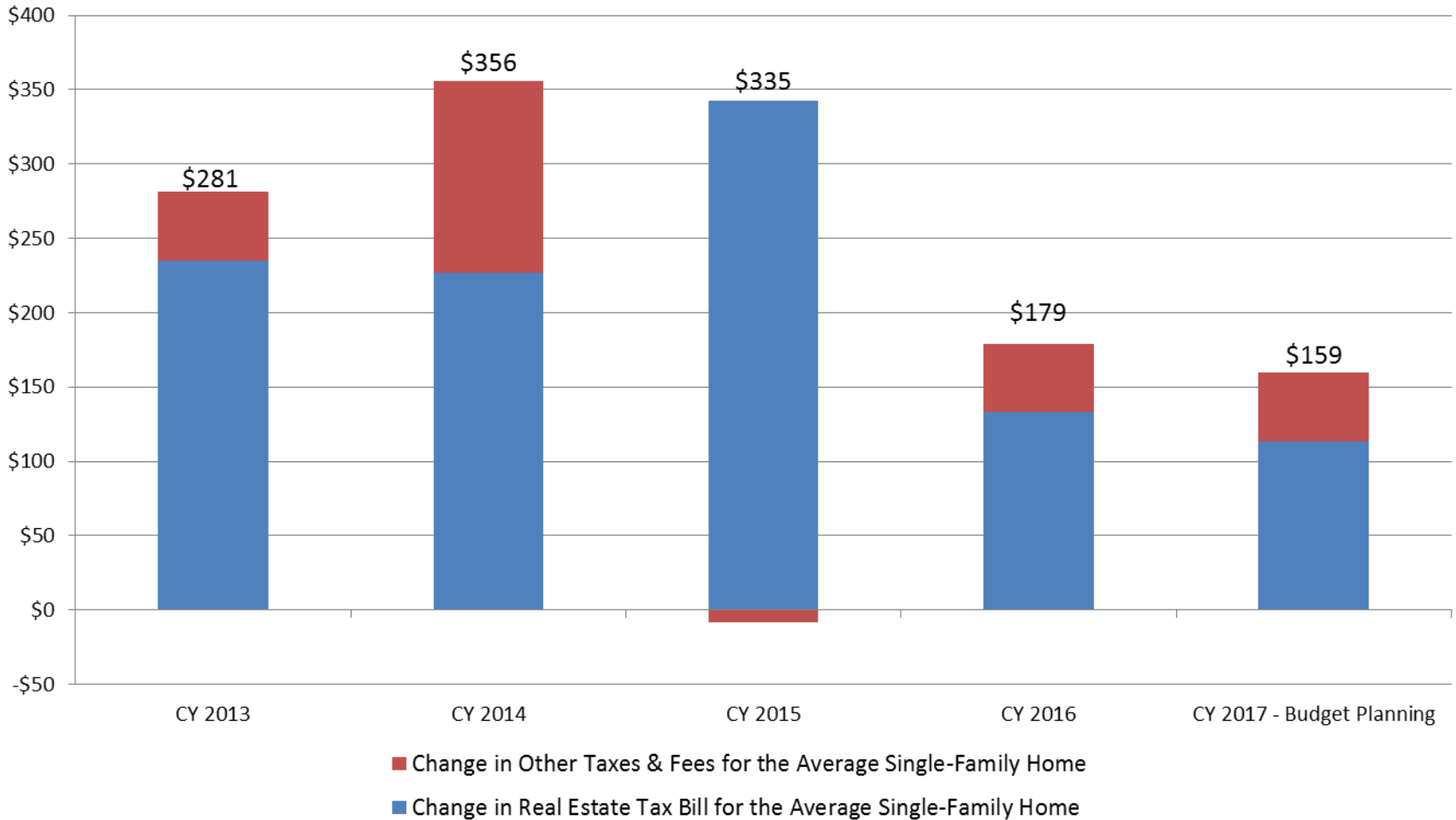


Growth in Assessments



- Other taxes showing slow but positive growth
 - Personal Property & Business Tangibles: increasing
 - Business, Profession & Occupational License (BPOL): increasing
 - Sales, Meals, & Transient Occupancy Tax: flat to slow growth
 - Other local taxes: up 1%
- Minimal growth in fee revenue
- State & Federal flat
 - Concerns about the impact of potential state cuts

Changes in Annual Local Taxes and Fees for the Average Single-Family Home



Preliminary Continuing Services Budget Development Assumptions

- Metro: 13.2% (+\$4.0 million)
- Debt: 3% (+\$2.1 million)
- Contractual Cost Increases (e.g. multi-year contract agreements): 1.5% (+1.1 million)
- Healthcare (rates +7.5%): +\$1.2 million
- Retirement: flat
- Other Post Employment Benefits (OPEB): flat

- Employee Compensation
 - Pay Changes: \$7.5 million

- **Schools Budget Gap: Unknown at this time**
 - Continuing enrollment increases
 - Capacity needs
 - Normal inflationary pressures of compensation, healthcare, retirement, OPEB, etc.
- **County Budget Gap: \$5.4 million**
 - Retirement Costs & Retiree Healthcare (OPEB) could change
 - Metro pressures – uncertainty until the WMATA budget is adopted in April 2017
 - State budget uncertainty
- **One-Time Funding for a Variety of Programs Included in the FY 2017 Budget**

Metro Budget Pressures

- WMATA funding gap of \$200 - \$275 million - declining ridership, lower fare revenues, and contractual increases in wages and benefits.
- 2 Primary funding sources for WMATA's operating budget: fare revenues & jurisdictional subsidies
- Timing: General Manager proposes his budget in November 2016, with an expected budget adoption no earlier than April 2017.
- Impact to Arlington County:
 - \$4 - \$6 million estimated increase
 - Will be an estimate until the WMATA budget is adopted – unsure of action that will be taken by WMATA Board and jurisdictional partners.

- Sharing Local Tax Revenue (46.6%)
- FY 2018 Ongoing Revenue Transfer: \$474.8 million (up from \$464.5 million in FY 2017)
 - Increase of \$10.2 million over FY 2017
 - Funding gap still remains (projected based on Schools forecast)
- Additional Support (approx. \$7-\$8 million) Through:
 - School Resource Officers
 - School Health Nurses & Services
 - Crossing Guards
 - DHS Programs Helping Children & Families
 - Fields, & Maintaining Safe Routes to Schools



County Manager to Receive Board Guidance