



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of October 15, 2016

DATE: October 14, 2016

SUBJECT: Presentation of the FY 2018 Financial Forecast

C. M. RECOMMENDATION:

Receive the County Manager's Budget Forecast for Fiscal Year 2018.

ISSUES: Providing guidance to the Manager in developing a spending plan for Fiscal Year 2018.

SUMMARY: Revenues are projected to grow moderately in FY 2018, with the baseline scenario assuming overall growth of 2.0%. Assuming continuation of current service levels and no program expansions, ongoing County expenditures are projected to grow 2.9%, resulting in a modest gap between revenues and expenditures of \$5.4 million.

In addition to looking at the upcoming year, the County has prepared a multi-year forecast to analyze future revenue and expenditure trends and identify future budget pressures. Two growth projections are presented – a moderate revenue growth (baseline) scenario and a low growth scenario. The baseline scenario anticipates expenditures exceeding revenues by \$5.4 million in FY 2018 while the worst case, low growth scenario anticipates a budget gap of \$20.8 million.

It should be noted these projections are preliminary as additional key data and assumptions will be finalized in the coming months and before the Manager presents his proposed budget in February. These include final actuarial reports for the County's retirement and retiree benefit contributions, Metro's budget, state and federal budget actions, and Schools budget estimates, among others.

Metro faces significant pressure in closing its budget gap as a result of declining ridership, lower fare revenues, and contractual increases in wages and benefits. Contributions from local jurisdictions will likely increase more than in recent years but the impact will not be known until well after the Manager's Proposed Budget. Impacts of any changes to the state's FY 2018 budget

County Manager:

MJS / MJC

County Attorney:

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Staff: Maria Meredith, Acting Director & CFO, Department of Management and Finance
Richard Stephenson, Budget Director, Department of Management and Finance

will not be known until the Governor releases his revised budget in December. Finally, it should be noted that these projections do not yet reflect updated estimates for Arlington Public Schools; updated estimates will be available before the County Board acts on its budget guidance to the County Manager in November.

DISCUSSION: While both forecast scenarios present budget deficits on an annual basis, in reality, the County will not experience any budget deficits, as the budget is balanced on an annual basis through a combination of revenue enhancements, budget realignments, and sometimes expenditure budget cuts.

- **Baseline Scenario:** Revenue growth does not keep pace with expenditure growth resulting in annual deficits of \$5.4 million in FY 2018 and \$16.2 million in FY 2019.
- **Lower Growth Scenario:** Revenue growth is slower in this scenario while some expenditures are higher – including the County’s contribution to Metro operations. These factors result in annual deficits of \$20.8 million in FY 2018 and \$39.2 million in FY 2019.

Revenue Projections

The two scenarios differ primarily in their assumptions for revenue growth.

Because real estate tax revenue makes up nearly 60% of General Fund revenue, the changes in real estate assessments have been modeled at a detailed level for each scenario. The table on the below shows the assumptions for assessment growth by category and fiscal year. The baseline scenario is the expected level of growth while the low growth scenario assumes a greater loss of office tenants based on leases that are expiring over the projection time period as well as slower growth in other categories of commercial real estate and in residential.

<i>BASELINE REAL ESTATE ASSESSMENT ASSUMPTIONS</i>	<i>CY 2016 Actuals</i>	<i>CY 2017</i>	<i>CY 2018</i>	<i>CY 2019</i>	<i>CY 2020</i>	<i>CY 2021</i>	<i>CY 2022</i>	<i>CY 2023</i>
<i>Office</i>	2.0%	0.5%	0.5%	1.0%	1.0%	2.0%	2.0%	2.5%
<i>Multi-Family</i>	5.9%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<i>Other Commercial</i>	-1.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<i>Single Family</i>	3.3%	2.0%	2.0%	2.5%	2.5%	3.0%	3.0%	3.0%
<i>Condo</i>	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%
<i>Total Assessments change</i>	2.8%	2.1%	2.1%	2.3%	2.3%	2.7%	2.7%	2.8%

LOW GROWTH REAL ESTATE ASSESSMENT ASSUMPTIONS	<i>CY 2016 Actuals</i>	<i>CY 2017</i>	<i>CY 2018</i>	<i>CY 2019</i>	<i>CY 2020</i>	<i>CY 2021</i>	<i>CY 2022</i>	<i>CY 2023</i>
<i>Office</i>	2.0%	-3.0%	-2.0%	-1.0%	0.0%	0.0%	1.0%	1.0%
<i>Multi-Family</i>	5.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<i>Other Commercial</i>	-1.3%	0.0%	0.0%	1.0%	1.0%	2.0%	2.0%	2.0%
<i>Single Family</i>	3.3%	0.5%	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%
<i>Condo</i>	1.5%	-0.5%	0.0%	0.5%	1.0%	1.0%	1.0%	1.0%
<i>Total Assessments change</i>	2.8%	-0.1%	0.4%	1.0%	1.2%	1.3%	1.5%	1.5%

For the office submarket in the baseline scenario, growth is expected to be slow but increasing over time given the current vacancy rates and the anticipated absorption of new tenants resulting from the County’s Economic Development efforts. While in the low growth scenario, net absorption of office space is expected to be lower resulting from either additional loss of tenants or lower number of new tenants.

For multi-family (apartments), growth is expected to continue but slow as the available apartment inventory has been increasing which has led to greater rent concessions. Other Commercial includes hotels and general commercial properties (retail, gas stations, and other uses); growth is expected to be modest but consistent in the baseline scenario and flat to slightly increasing in the low growth scenario.

Growth for single-family detached and attached homes is expected to be somewhat lower than in recent years based on trends in sales prices while condominium growth is expected to be positive but lower than detached and attached housing.

Growth estimates for other taxes are primarily based on recent trends:

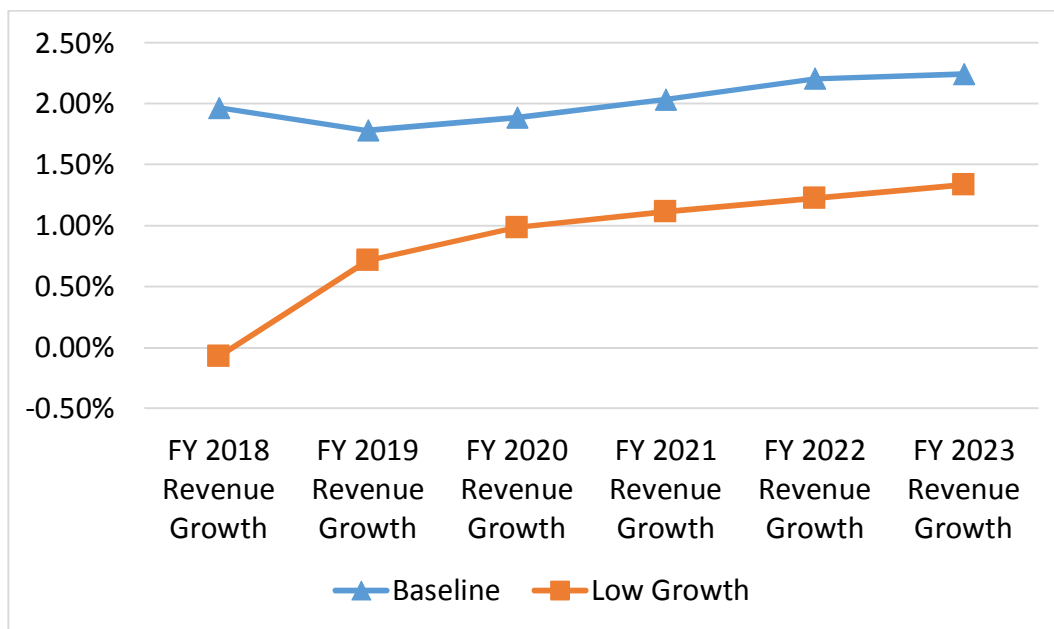
- Personal property: Expected to continue growing slowly as it has in the past couple years. Automobile sales have stabilized following a period of increases after the fiscal crisis; business tangibles tax has shown a trend of slow growth.
- Business, Professional and Occupational License (BPOL): A significant budget increase is expected over FY 2017 projections based on the restoration of an adjustment assumed in the current fiscal year for anticipated BPOL payroll apportionment litigation. In addition, slight growth in the tax base is assumed.
- Sales & Meals: Sales is flat in FY 2018 consistent with recent trends while meals tax is expected to grow at rates similar to the past couple years.
- Transient and Occupancy (TOT): Growth is expected to continue but slow as occupancy and rates have been consistently high and no additional inventory is expected.
- Other Taxes: Overall, the forecast for other taxes is that they remain relatively flat in line with the past two years’ actuals.

Assumptions for growth in non-tax revenue are for slower growth in both scenarios. Non-tax revenues make up only 8% of total General Fund revenue but have shown a pattern of variability over the past few years.

<i>NON-TAX REVENUE ASSUMPTIONS</i>	<i>FY 2017 Adopted Budget</i>	<i>FY 2018 to FY 2020</i>	<i>FY 2021 to FY 2023</i>
<i>Baseline</i>	7%	1.5%	2.0%
<i>Low Growth</i>	7%	1.0%	1.5%

State and federal revenues are assumed to remain flat in both scenarios in all years although the County and Schools could see a reduction in state revenue given the Commonwealth’s current budget projections. Staff will continue to monitor the state budget and inform the Board of any anticipated changes.

The impact of all of these revenue assumptions is reflected in the total revenue change chart below:



Expense Projections

The County provides a wide range of services to residents, businesses and visitors located in the County. The County provides basic public works services including water distribution, wastewater treatment, street maintenance, and storm sewer management. The County also provides a full array of public safety services, comprehensive and integrated human services, and extensive education and leisure services. Consistent with this diversity of services, there are a number of expense pressures ranging from demands on the transportation system to the cost of social services provided.

Expenditure increases primarily stem from normal compensation adjustments, the County's share of increased Metro costs, debt service, and normal inflationary cost increases. Inflation, as measured by the consumer price index, is currently one percent nationally and just over one percent regionally. No services are adjusted for increased service demand or need.

The County's base budget projection for FY 2018 does not include the replacement of one-time funding that the Board approved in FY 2017 for AHIF (\$9.4 million), Housing Grants (\$3.1 million), and maintenance capital (\$1.7 million).

Specific County cost pressures include:

Employee Compensation & Healthcare: The County has 3,430 full-time equivalent funded positions approved in the FY 2017 General Fund budget. These positions account for 55% of the County's general fund operating budget. Key to maintaining the County's competitive position, the FY 2018 budget forecast includes compensation adjustments and employer share of projected increases in health care. Health care rates are expected to increase 7.5%, consistent with the past three years. Going forward, rates will likely continue to outpace inflation although future rate changes could be impacted by recommendations of the compensation/benefits study. Health care cost increases are projected to be \$11.0 million for a total employee compensation cost of \$409.2 million in FY 2018.

Costs for Continuing Services: The ongoing operating expenses line encompasses a wide variety of County expenditures from park maintenance and library materials to purchasing salt for snow events and buying new vehicles. During the budget process each year, increases to these operating budget lines is limited to those that are expected to have contractual cost increases.

- Base contract increases: An annual increase of 1.5% has been applied to these budgeted items – which make up 6% of the total General Fund budget – for FY 2018 – FY 2021 increasing to 2% for FY 2022 and FY 2023. This is in line with recent trends in CPI.
- Auto fund increases: The Auto Fund charges departments for the maintenance and replacement of vehicles on an annual basis; it is expected that these costs will continue to increase at a rate of 3% annually.
- Rent increases: Rent for non-County owned spaces has typically increased at a rate of 4% to 5%. As existing and future lease agreements are negotiated, these estimates will be updated.

Metro: The County's contribution to Metro is expected to increase by \$4.0 to \$6.0 million for a total of \$34.3 to \$36.3 million due to the significant pressure WMATA faces in balancing its FY 2018 operating budget. Early indicators show that a WMATA funding gap of \$200 - \$275 million could be possible as a result of declining ridership, lower fare revenues, and contractual increases in wages and benefits.

WMATA's operating budget is primarily funded by only two sources, fare revenues and jurisdictional subsidies. Fare revenues continue to decline due to a combination of several factors impacting ridership including lower gas prices, regional trends in telework, new

alternatives such as Uber, Car2go and Lyft, and the impacts of Safetrack and deteriorating rail reliability discouraging use of the Metrorail system. As fares have become a smaller percentage of the budget, jurisdictional subsidies have increased significantly to offset these declines.

To balance the WMATA budget, a number of preliminary options are on the table to include management reductions, fare increases, service adjustments, a shift of some maintenance expenditures to capital, and a more manageable increase in jurisdictional subsidies. All of these discussions and decisions will begin after the General Manager proposes his budget in November 2016, with an expected budget adoption no earlier than April 2017. Under this timeline, the County does not have sufficient information to fully know Arlington's FY 2018 Metro subsidy during its own budget preparation. Staff must make an assumption on the mix of actions the WMATA board and our jurisdictional partners will take to resolve the budget gap, and estimate the likely final level of jurisdictional subsidy increase that is reached. The \$4 - \$6 million estimated increases in the County's budget assume a final overall jurisdictional subsidy increase at WMATA of \$80 - \$120 million with the remaining WMATA budget gap resolved through a mix of the other options mentioned earlier.

Other Non-Personnel Cost Adjustments:

- Debt Service: Based on the County's recently adopted Capital Improvement Plan, debt service (including Master Lease) is estimated to be 3% higher than in FY 2017, for a total of \$70.8 million.
- PAYG & AHIF Funding: In recent years, both PAYG and AHIF have been funded with a combination of ongoing and one-time funds. Funding decreased from FY 2017 to FY 2018 based on the removal of one-time funds approved in the FY 2017 adopted budget for a total reduction of \$4.6 million in funding for PAYG and \$9.4 million for AHIF. AHIF has then been increased slightly to account for an increase in recordation tax revenue that are, by County Board policy, dedicated to AHIF.
- Operating Impact from CIP:
 - The operating impacts resulting from projects funded in the CIP are included in this line including parks and community conservation projects as well as transportation projects. Budget impacts from these new programs are estimates and continue to be refined; additional information will be provided as part of the proposed budget.
 - The only significant new facility that is opening and has a full-year impact on FY 2018 is the new Arlington Transit (ART) light maintenance bus facility (approximately \$200,000 of new operating expenses).

Schools Transfer: The adopted FY 2017 budget included a transfer of ongoing funds to Schools equivalent to 46.6 percent of local tax revenue (excluding the Crystal City & Columbia Pike tax increment fund). The FY 2018 baseline forecast assumes the same transfer percentage (46.6%), resulting in a transfer to Schools totaling \$474.8 million in ongoing funding, an increase of \$10.2 million or 2.2% over FY 2017. As mentioned earlier, the APS forecast for FY 2018 will be available in early November, and will reflect their best information on projected enrollment increases and other budget factors.

The table on the following page compares revenue and expenditure projections for FY 2017 and the baseline scenario for FY 2018. The FY 2017 adopted budget includes fund balance

carryover; excluding this, ongoing revenue is projected to increase by 2.0% and ongoing expenditures for County operations (excluding School transfer) are projected to increase 2.9%.

At this time staff is projecting that total tax revenue will increase 2.2%, resulting in a \$5.4 million budget gap for the County. If total tax revenue increases at the lower end of the forecast (-0.2%), the projected revenue/expense gap would increase to approximately \$20.8 million.

	FY 2017 Adopted	FY 2018 Baseline Forecast	% Change	\$ Change
<u>Revenue</u>				
Local Taxes	\$997.0	\$1,018.8	2.2%	\$21.8
Non-tax Revenue	176.7	178.0	0.7%	1.3
Ongoing Revenues	1,173.7	1,196.8	2.0%	\$23.1
Fund Balance Carryover(1)	24.0	3.0	(87.5%)	(21.0)
Total Revenue	\$1,197.7	\$1,199.8	0.2%	\$2.1
<u>Expenditures</u>				
Personnel	398.1	409.2	2.8%	11.0
Ongoing Operating Expenses	168.2	171.7	2.1%	3.5
One-time Operating Expenses	7.2	-	(100%)	(7.2)
Metro	30.3	34.3	13.2%	4.0
Debt Service (including Master Lease)	68.7	70.8	3.0%	2.1
PAYG (2)	11.6	6.9	(40.3%)	(4.6)
AHIF (2)	13.7	4.5	(67.4%)	(9.4)
Contingents/Regional/Other	31.7	31.1	(2.0%)	(0.6)
Total County Operations	\$729.6	\$728.5	(0.2%)	(\$1.1)
Schools Transfer (ongoing)	\$464.5	\$474.8	2.2%	\$10.2
Schools Transfer (one-time)	2.5	-	(100.0%)	(2.5)
Transfers to Other Funds	1.1	1.1	-	-
Operating Impact from CIP	-	0.8	-	0.8
Total Expenditures	\$1,197.7	\$1,205.2	0.6%	\$7.5
Revenue/Expense Difference	-	(\$5.4)	-	(\$5.4)
(1) Fund Balance Carryover in FY 2018 is comprised of the Economic and Revenue Stabilization Contingent which is included in the Contingents/Regional/Other expense line and is carried over from one year to the next.				
(2) Reduction due to one-time funding in FY 2016 that is not included in FY 2017 for PAYG (\$4.6 million) and AHIF (\$9.4 million).				

Note: Totals may not add due to rounding

Multi-Year Financial Forecast													
Baseline													
	Adopted	Budget Planning		Forecast		Forecast		Forecast		Forecast		Forecast	
REVENUE	FY 2017	FY 2018	% chg	FY 2019	% chg	FY 2020	% chg	FY 2021	% chg	FY 2022	% chg	FY 2023	% chg
Real Estate	692,936,155	705,013,780	1.7%	720,579,343	2.2%	737,060,535	2.3%	755,360,433	2.5%	775,549,548	2.7%	796,664,429	2.7%
Less Crystal City TIF Real Estate	(4,812,420)	(5,307,730)	10.3%	(5,857,420)	10.4%	(6,509,020)	11.1%	(7,265,960)	11.6%	(8,135,510)	12.0%	(9,222,250)	13.4%
Less Columbia Pike TIF Real Estate	(952,180)	(878,190)	-7.8%	(1,176,240)	33.9%	(1,486,220)	26.4%	(1,808,600)	21.7%	(2,143,860)	18.5%	(2,492,540)	16.3%
Personal Property	112,052,147	114,293,000	2.0%	116,579,000	2.0%	118,911,000	2.0%	121,289,000	2.0%	123,715,000	2.0%	126,189,000	2.0%
BPOL	57,020,000	63,007,000	10.5%	63,637,000	1.0%	64,592,000	1.5%	65,561,000	1.5%	66,872,000	2.0%	68,209,000	2.0%
Sales	40,200,000	40,200,000	0.0%	40,401,000	0.5%	40,805,000	1.0%	41,213,000	1.0%	41,831,000	1.5%	42,668,000	2.0%
Meals	38,500,000	39,270,000	2.0%	40,252,000	2.5%	41,460,000	3.0%	42,704,000	3.0%	43,985,000	3.0%	45,305,000	3.0%
TOT	25,000,000	25,750,000	3.0%	26,523,000	3.0%	27,319,000	3.0%	28,139,000	3.0%	28,983,000	3.0%	29,852,000	3.0%
Other Taxes	37,075,000	37,446,000	1.0%	37,820,000	1.0%	38,198,000	1.0%	38,580,000	1.0%	39,159,000	1.5%	39,746,000	1.5%
SUBTOTAL: TAXES	997,018,702	1,018,793,860	2.2%	1,038,757,683	2.0%	1,060,350,295	2.1%	1,083,771,873	2.2%	1,109,815,178	2.4%	1,136,918,639	2.4%
State	72,877,877	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%
Federal	14,455,320	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%
Other Revenue	89,308,868	90,649,000	1.5%	92,009,000	1.5%	93,389,000	1.5%	95,257,000	2.0%	97,162,000	2.0%	99,105,000	2.0%
SUBTOTAL: OTHER	176,642,065	177,982,000	0.8%	179,342,000	0.8%	180,722,000	0.8%	182,590,000	1.0%	184,495,000	1.0%	186,438,000	1.1%
CARRYOVER FUNDS	24,044,470	3,000,000	-87.5%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%
TOTAL REVENUE	1,197,705,237	1,199,775,860	0.2%	1,221,099,683	1.8%	1,244,072,295	1.9%	1,269,361,873	2.0%	1,297,310,178	2.2%	1,326,356,639	2.2%
EXPENDITURES	Adopted	Budget Planning		Forecast		Forecast		Forecast		Forecast		Forecast	
	FY 2017	FY 2018	% chg	FY 2019	% chg	FY 2020	% chg	FY 2021	% chg	FY 2022	% chg	FY 2023	% chg
Salaries	264,460,630	272,455,401	3.0%	280,180,000	2.8%	288,123,000	2.8%	296,291,000	2.8%	304,691,000	2.8%	313,329,000	2.8%
Benefits	133,676,976	136,719,410	2.3%	139,843,209	2.3%	143,050,924	2.3%	146,345,191	2.3%	149,728,744	2.3%	153,204,409	2.3%
SUBTOTAL: PERSONNEL	398,137,606	409,174,811	2.8%	420,023,209	2.7%	431,173,924	2.7%	442,636,191	2.7%	454,419,744	2.7%	466,533,409	2.7%
Ongoing Operating Expenses	168,221,898	171,717,687	2.1%	175,798,881	2.4%	180,012,293	2.4%	184,269,909	2.4%	187,925,262	2.0%	191,482,003	1.9%
One-time Operating Expenses	7,165,939	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Metro	30,343,315	34,343,000	13.2%	36,060,000	5.0%	37,502,000	4.0%	38,627,000	3.0%	39,786,000	3.0%	40,980,000	3.0%
Contingents (General & Stabilization)	3,250,000	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%
Ongoing AHIF	4,355,957	4,475,884	2.8%	4,475,884	0.0%	4,475,884	0.0%	4,475,884	0.0%	4,475,884	0.0%	4,475,884	0.0%
One-time AHIF	9,363,829	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Regionals	8,090,741	7,465,126	-7.7%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%
Ongoing Capital	7,054,646	6,936,646	-1.7%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%
One-time Capital	4,561,300	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Debt	61,267,819	63,113,628	3.0%	67,934,848	7.6%	75,195,150	10.7%	82,213,315	9.3%	85,790,341	4.4%	88,848,475	3.6%
Debt Service for Master Lease	7,419,185	7,641,761	3.0%	7,871,013	3.0%	8,107,144	3.0%	8,350,358	3.0%	8,600,869	3.0%	8,858,895	3.0%
OPEB	20,400,000	20,400,000	0.0%	21,012,000	3.0%	21,642,360	3.0%	22,291,631	3.0%	22,960,380	3.0%	23,649,191	3.0%
SUBTOTAL: NONPERSONNEL	331,494,629	319,343,732	-3.7%	330,804,398	3.6%	344,586,603	4.2%	357,879,869	3.9%	367,190,507	2.6%	375,946,220	2.4%
Schools Ongoing (based on 46.6% of tax revenue)	464,510,831	474,757,939	2.2%	484,061,080	2.0%	494,123,238	2.1%	505,037,693	2.2%	517,173,873	2.4%	529,804,086	2.4%
Schools One-time	2,453,402	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Transfers to Other Funds	1,108,769	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%
Operating Impact from CIP	-	790,000	-	1,254,000	58.7%	4,591,000	266.1%	5,430,000	18.3%	5,933,000	9.3%	6,578,000	10.9%
TOTAL EXPENSES	1,197,705,237	1,205,175,250	0.6%	1,237,251,456	2.7%	1,275,583,533	3.1%	1,312,092,523	2.9%	1,345,825,893	2.6%	1,379,970,484	2.5%
Shortfall/Surplus \$ (millions)	Adopted	Budget Planning		Forecast		Forecast		Forecast		Forecast		Forecast	
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
Revenue	1,197,705,237	1,199,775,860		1,221,099,683		1,244,072,295		1,269,361,873		1,297,310,178		1,326,356,639	
Expenditures	1,197,705,237	1,205,175,250		1,237,251,456		1,275,583,533		1,312,092,523		1,345,825,893		1,379,970,484	
Annual Deficit/Surplus*	-	(5,399,390)		(16,151,774)		(31,511,238)		(42,730,649)		(48,515,715)		(53,613,846)	

*Arlington County is required to adopt a balanced budget each year. Deficits that appear in out-years will be reduced by the actions taken to balance the prior year

Multi-Year Financial Forecast
Low Growth

REVENUE	Adopted FY 2017	Budget Planning FY 2018	% chg	Forecast FY 2019	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg
Real Estate	692,936,155	683,157,477	-1.4%	687,706,931	0.7%	695,099,288	1.1%	703,806,723	1.3%	713,600,267	1.4%	724,197,647	1.5%
Less Crystal City TIF Real Estate	(4,812,420)	(3,778,090)	-21.5%	(3,601,620)	-4.7%	(3,688,970)	2.4%	(3,951,890)	7.1%	(4,304,790)	8.9%	(4,661,220)	8.3%
Less Columbia Pike TIF Real Estate	(952,180)	(663,250)	-30.3%	(807,980)	21.8%	(955,600)	18.3%	(1,106,170)	15.8%	(1,259,760)	13.9%	(1,416,420)	12.4%
Personal Property	112,052,147	113,733,000	1.5%	115,439,000	1.5%	117,171,000	1.5%	118,929,000	1.5%	120,713,000	1.5%	122,524,000	1.5%
BPOL	57,200,000	61,582,000	8.0%	61,890,000	0.5%	62,509,000	1.0%	63,134,000	1.0%	63,765,000	1.0%	64,721,000	1.5%
Sales	40,200,000	39,798,000	-1.0%	39,798,000	0.0%	39,798,000	0.0%	39,997,000	0.5%	39,997,000	0.5%	40,197,000	0.5%
Meals	38,500,000	38,885,000	1.0%	39,274,000	1.0%	39,667,000	1.0%	40,064,000	1.0%	40,665,000	1.5%	41,275,000	1.5%
TOT	25,000,000	25,500,000	2.0%	26,010,000	2.0%	26,660,000	2.5%	27,327,000	2.5%	28,010,000	2.5%	28,850,000	3.0%
Other Taxes	37,075,000	37,075,000	0.0%	37,075,000	0.0%	37,260,000	0.5%	37,446,000	0.5%	37,633,000	0.5%	38,009,000	1.0%
SUBTOTAL: TAXES	997,018,702	995,289,137	-0.2%	1,002,783,331	0.8%	1,013,519,718	1.1%	1,025,446,663	1.2%	1,038,818,717	1.3%	1,053,696,007	1.4%
State	72,877,877	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%	72,878,000	0.0%
Federal	14,455,320	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%	14,455,000	0.0%
Other Revenue	89,308,868	90,202,000	1.0%	91,104,000	1.0%	92,015,000	1.0%	93,395,000	1.5%	94,796,000	1.5%	96,218,000	1.5%
SUBTOTAL: OTHER	176,642,065	177,535,000	0.5%	178,437,000	0.5%	179,348,000	0.5%	180,728,000	0.8%	182,129,000	0.8%	183,551,000	0.8%
CARRYOVER FUNDS	24,044,470	3,000,000	-87.5%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%	3,000,000	0.0%
TOTAL REVENUE	1,197,705,237	1,175,824,137	-1.8%	1,184,220,331	0.7%	1,195,867,718	1.0%	1,209,174,663	1.1%	1,223,947,717	1.2%	1,240,247,007	1.3%

EXPENDITURES	Adopted FY 2017	Budget Planning FY 2018	% chg	Forecast FY 2019	% chg	Forecast FY 2020	% chg	Forecast FY 2021	% chg	Forecast FY 2022	% chg	Forecast FY 2023	% chg
Salaries	264,460,630	272,455,401	3.0%	280,180,000	2.8%	288,123,000	2.8%	296,291,000	2.8%	304,691,000	2.8%	313,329,000	2.8%
Benefits	133,676,976	136,719,410	2.3%	139,843,209	2.3%	143,050,924	2.3%	146,345,191	2.3%	149,728,744	2.3%	153,204,409	2.3%
SUBTOTAL: PERSONNEL	398,137,606	409,174,811	2.8%	420,023,209	2.7%	431,173,924	2.7%	442,636,191	2.7%	454,419,744	2.7%	466,533,409	2.7%
Ongoing Operating Expenses	168,221,898	171,717,687	2.1%	175,798,881	2.4%	180,012,293	2.4%	184,269,909	2.4%	187,925,262	2.0%	191,482,003	1.9%
One-time Operating Expenses	7,165,939	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Metro	30,343,315	36,343,000	19.8%	39,250,000	8.0%	41,605,000	6.0%	43,685,000	5.0%	45,869,000	5.0%	48,162,000	5.0%
Contingents (General & Stabilization)	3,250,000	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%	3,250,000	0.0%
Ongoing AHIF	4,355,957	4,435,909	1.8%	4,435,909	0.0%	4,435,909	0.0%	4,435,909	0.0%	4,435,909	0.0%	4,435,909	0.0%
One-time AHIF	9,363,829	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Regionals	8,090,741	7,465,126	-7.7%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%	7,465,126	0.0%
Ongoing Capital	7,054,646	6,936,646	-1.7%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%	6,936,646	0.0%
One-time Capital	4,561,300	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Debt	61,267,819	63,113,628	3.0%	67,934,848	7.6%	75,195,150	10.7%	82,213,315	9.3%	85,790,341	4.4%	88,848,475	3.6%
Debt Service for Master Lease	7,419,185	7,641,761	3.0%	7,871,013	3.0%	8,107,144	3.0%	8,350,358	3.0%	8,600,869	3.0%	8,858,895	3.0%
OPEB	20,400,000	20,400,000	0.0%	21,012,000	3.0%	21,642,360	3.0%	22,291,631	3.0%	22,960,380	3.0%	23,649,191	3.0%
SUBTOTAL: NONPERSONNEL	331,494,629	321,303,757	-3.1%	333,954,423	3.9%	348,649,628	4.4%	362,897,894	4.1%	373,233,532	2.8%	383,088,245	2.6%
Schools Ongoing (based on 46.6% of tax revenue)	464,510,831	463,804,738	-0.2%	467,297,032	0.8%	472,300,189	1.1%	477,858,145	1.2%	484,089,522	1.3%	491,022,339	1.4%
Schools One-time	2,453,402	-	-100.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Transfers to Other Funds	1,108,769	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%	1,108,769	0.0%
Operating Impact from CIP	-	1,224,000	-	1,254,000	2.5%	4,591,000	266.1%	5,430,000	18.3%	5,933,000	9.3%	6,578,000	10.9%
TOTAL EXPENSES	1,197,705,237	1,196,616,074	-0.1%	1,223,637,433	2.3%	1,257,823,509	2.8%	1,289,931,000	2.6%	1,318,784,567	2.2%	1,348,330,763	2.2%

Shortfall/Surplus \$ (millions)	Adopted FY 2017	Budget Planning FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023
Revenue	1,197,705,237	1,175,824,137	1,184,220,331	1,195,867,718	1,209,174,663	1,223,947,717	1,240,247,007
Expenditures	1,197,705,237	1,196,616,074	1,223,637,433	1,257,823,509	1,289,931,000	1,318,784,567	1,348,330,763
Annual Deficit/Surplus*	-	(20,791,937)	(39,417,103)	(61,955,791)	(80,756,337)	(94,836,851)	(108,083,756)

*Arlington County is required to adopt a balanced budget each year. Deficits that appear in out-years will be reduced by the actions taken to balance the prior year