

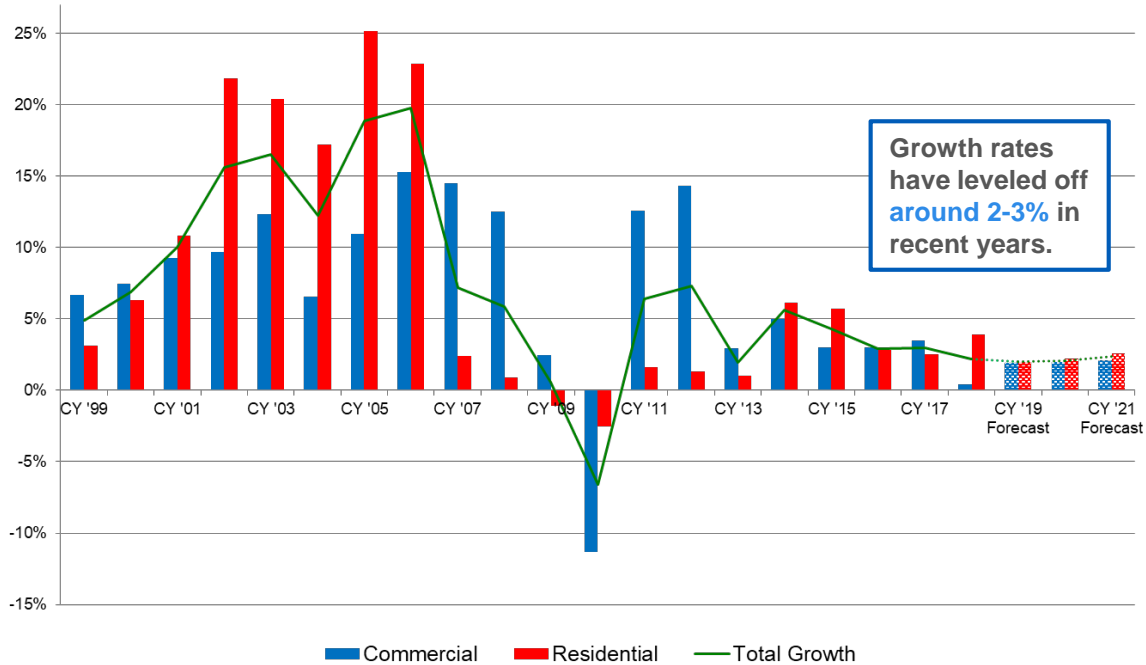
County Manager's FY 2020 Early Budget Outlook

County Board Recessed Meeting
Tuesday, September 25, 2018 @ 3:00 P.M.



Positive But Slowing Revenue Growth

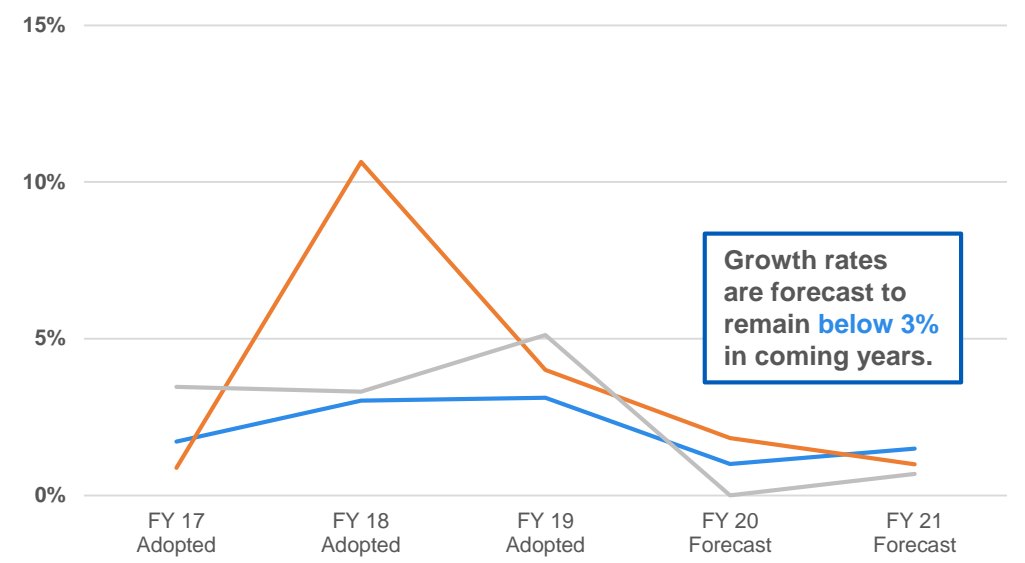
REAL ESTATE REVENUE GROWTH



Commercial Residential Total Growth

Real estate taxes provide 58% of total County revenue

GROWTH OF OTHER REVENUE SOURCES



Personal Property 9% of total County revenue
 Business, Professional and Occupational License (BPOL) 5% of total County revenue
 Other Taxes

Continuing Expenditure Pressures

KEY PRESSURES

Rising Metro Costs

County has committed to a **3% annual increase** in operating subsidy

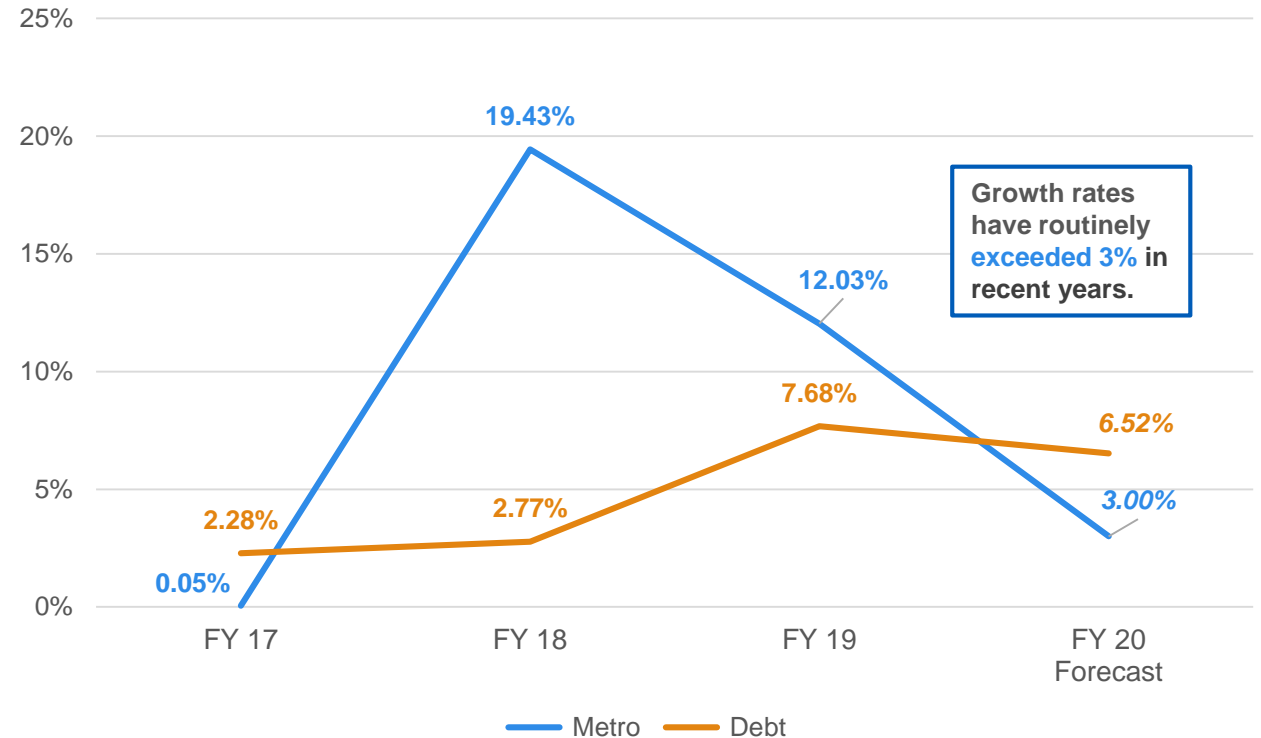
Paying Off Debt

~10% of annual budget goes to paying off public bonds used to build or maintain public infrastructure

Workforce Investment

Maintaining competitive pay for County employees, especially public safety

ANNUAL EXPENDITURE GROWTH



FY 2020 Outlook: \$20-35 Million Gap

1.5%
Revenue
Growth



3.1%
Base Expenditure
Growth

PLUS...

Affordable Housing
\$7.6 million

Economic Incentives
\$1.9 million

Medicaid Expansion
\$1.3 million

Public Safety Pay
\$4.6 million

State of Good Repair
\$7.9 million

Metro Operations
Additional subsidy TBD

Does not include APS funding need (estimated at \$43 million) or additional Metro subsidy beyond 3% annual agreement.

Making Tough Choices: FY 2019

TOTAL FY 2019 GAP
\$20.5 million

Last year...
\$8.4 million
in spending reductions

**SPENDING
REDUCTIONS**



**TAX & FEE
INCREASES**



Last year...
\$6.6 million
in utility tax and
user fee increases

PLUS...

\$5.5 million
in funding realignments

Making Tough Choices: FY 2020

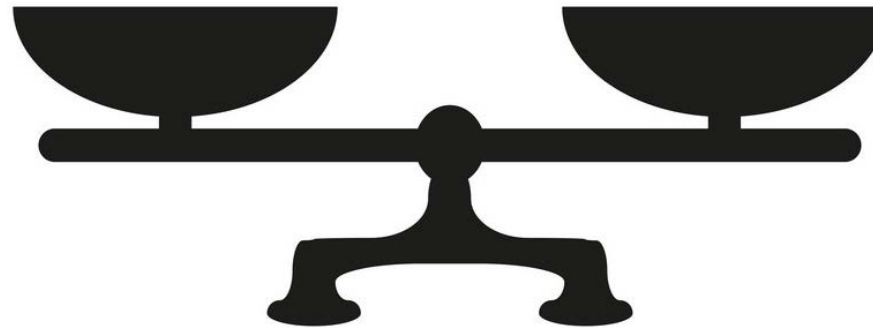
ESTIMATED FY 2020 GAP

\$20-35 million

*Greater impacts
on programs and
services likely*

**SPENDING
REDUCTIONS**

**TAX & FEE
INCREASES**



*May require
consideration of a
real estate tax rate
increase*

Plus... A lack of flexibility
for funding realignments, efficiencies and fee increases

Real Estate Taxes

Arlington's Current Rate

\$0.993*

per \$100 in assessed value

**\$1.006 with stormwater tax included*

CY 2018 RATES for neighboring jurisdictions

Alexandria	\$1.130
Fairfax	\$1.150
Loudoun	\$1.085

Each additional “penny” on the tax rate:

- Yields **\$7.6 million** in revenue
- Adds **\$63/year** to the average tax bill

Decision Making Considerations

- Prior-year fund balance (“closeout”) best for non-recurring budget stresses
- Closeout can provide some flexibility for FY 2020 budget decisions
- Reserves still need to be increased, according to ratings agencies
- Unofficial hiring slowdown already impacting services

Timeline

October 2018	Virtual Town Hall with the County Manager (Oct. 17)
November 2018	FY 2018 Closeout Funding Adoption, FY 2020 Budget Guidance Approval
February 2019	Proposed Budget Presentation County Manager presents FY 2020 Proposed Budget to the County Board
February–April 2019	Board Work Sessions County Board holds a series of work sessions with County departments, Constitutional Offices and the School Board. Work session schedule to be announced in January.
March–April 2019	Public Hearings County Board hosts public hearings on proposed FY 2020 budget, including County expenses and real estate tax, personal property tax rates, and other taxes and fees
April 2019	Final Board Mark-Up & Board Adoption
July 1, 2019	FY 2020 Begins

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