

County Manager's Proposed FY 2020 Budget

OVERVIEW

County Board Work Session
Thursday, February 21, 2019 @ 4:00 p.m.



Overview

- Improved budget outlook compared to Fall 2018
- Enhanced investment in priorities consistent with County Board guidance: Compensation, Housing, Infrastructure
- 1.5-cent real estate tax rate increase proposed for new school opening and public safety
- Strategic reductions and realignments
- Preparing for potential development needs

Improved Budget Outlook

Fall 2018

- Estimated County & Schools budget gap of up to **\$78 million**
- Forecast **2.0% increase** in real estate assessments
- Projected expenditure growth outpacing revenue growth due to:
 - Normal inflationary costs
 - Increased Metro and debt obligations
 - Maintaining competitive employee compensation
 - New school openings and rising enrollments

Now

- Actual **3.5% increase** in real estate assessments
 - Residential up **2.9%**
 - Commercial up **4.1%**
- Lower-than-anticipated healthcare and other employee costs
- Additional non-tax revenue (interest income & lease revenue)

Proposed FY 2020 Budget: By the Numbers

TOTAL BUDGET

\$1.34 billion

4.7% increase, \$59.9 million, from FY 2019 (ongoing and one-time)
3.6% increase, \$45.8 million, from FY 2019 (ongoing)



COUNTY OPERATING

\$810.1 million

4.5% increase, \$35.2 million, from FY 2019 (ongoing and one-time)
2.8% increase, \$21.0 million, from FY 2019 (ongoing)

SCHOOLS TRANSFER

\$525.6 million

4.9% increase, \$24.8 million, from FY 2019 (ongoing and one-time)
4.1% increase, \$20.6 million, from FY 2019 (ongoing)

A Strategic Approach

- **Spending reductions** in areas where service demands have declined, where there is another way to provide the service, or where the program is of lesser priority than new demands.
- **Additional investment** where the County has deferred investment in the past or faces new service delivery demands.
- **Alignment with County Board guidance** provided in November 2018 and honors the County's vision while providing financial sustainability
- **Proposed 1.5-cent real estate tax rate increase** focused on Arlington Public Schools new facility costs and increased pay for public safety personnel.
- **Optional additional reductions** for the County Board to consider to offset the proposed tax rate increase or reallocate to other priorities.

Proposed Spending Reductions

- \$5.2 million in proposed spending reductions
- Where service demands have declined, there is another way to provide the service, or the program is of lesser priority
- 29.5 positions impacted – 18.5 filled, 3 to retire in next year
- Also includes cost-saving measures that don't impact staff

*Full list of reductions in the base budget and additional reduction options will be available on Saturday, Feb. 23, at **budget.arlingtonva.us***

Priorities: County Workforce

- **Compensation**

- Public safety personnel merit-based pay increases – 5.5% (up to the range maximum)
- General employees merit-based pay increases – 3.25-3.50%
- Varying increases to top and bottom of County pay ranges

- **Healthcare**

- Premiums flat for Cigna plans, 3% increase for Kaiser
- Maintain current employer/employee split of healthcare costs

- **Continue compensation maintenance study begun in FY 2019**

- **Fully-funded pension and retiree healthcare**

- **Additional resources provided to Public Safety**

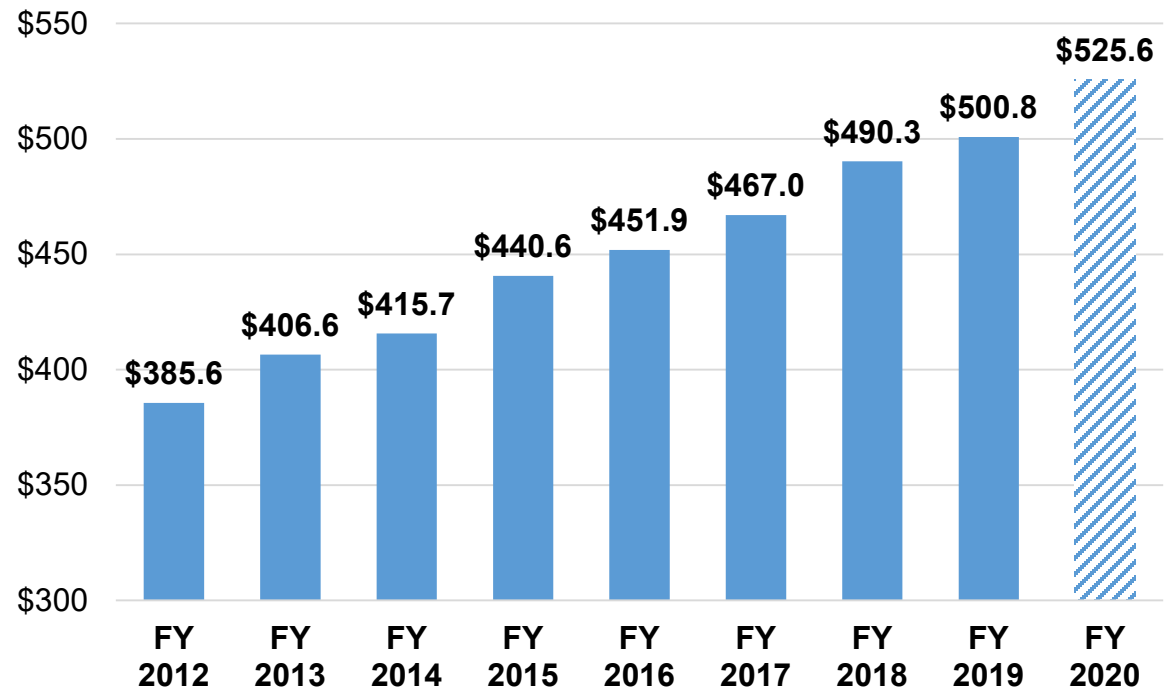
- Added resources to fund positions frozen in FY 2019 (Police & Sheriff)

Arlington Public Schools

- **Total Proposed County Transfer to Schools: \$525.6 million**
Up \$24.8 million (4.9%) over FY 2019
- **Proposed 1-cent tax rate increase dedicated to Schools**
If adopted, School Revenue Sharing would increase from 46.6% to 46.8%
- **County support for additional school staffing (5.55 FTEs)**
School Resource Officers and nurses
- Additional funding for APS Aquatics (\$108K) & new DPR fees for pool use (\$130K-\$150K)

Annual County Transfer to Schools

(ongoing & one-time; \$ millions)



Priorities: Housing Affordability

- **Housing Grants Program now fully funded with ongoing funds**
 - \$9.3 million in total funding for FY 2020
 - “Ongoing” funding increased \$0.8 million – now 100% funded with ongoing funds
 - Rental caps increased for first time since 2010 to address rising rents (\$0.5 million)
- **Affordable Housing Investment Fund supported by more ongoing funds**
 - \$14.5 million in total funding (same General Fund support as FY 2019)
 - “Ongoing” funding now 60% of total (previously 50%)
 - Goal to move to 100% ongoing funding
- **Digital Equity Network leveraging ConnectArlington** - \$250K for lateral connections

Priorities: Infrastructure Maintenance

- **Continued investment in County infrastructure maintenance**
 - \$15.5 million in total funding for capital maintenance (up from \$5.5 million in FY 2019)
 - Continues efforts to maintain infrastructure “state of good repair”
 - Includes additional funds for energy efficiency projects (\$125,000)
 - Added one-time funding to address the West Glebe Road bridge project (\$1.6 million in one-time monies)

Planning & Development

- **Increased development and permitting capacity + \$1M contingent**
 - Meet the increased demand and pipeline of development projects with an additional Principal Planner for Current Planning, Zoning Plan Reviewer, and Fire Protection Engineer
 - Expand capacity to maintain and expand affordable housing with an additional Principal Planner for Housing
 - Maintain contingent resources to be responsive to other needs
- **Small business support position**
- **Incentives funded to meet our commitments**

Real Estate Tax Rate Proposal In County Manager's Budget

- Increase the tax rate **\$0.015** (per \$100 in assessed value)
- Would raise **\$11.7 million** in ongoing funding for FY 2020
- “One penny” to Schools = \$7.8 million
- “Half penny” to County = \$3.9 million
 - New school resource officers and nurses for new school facilities
 - Increased pay for public safety and general employees
- Average homeowner pays additional \$277 per year
(includes effect of tax rate change as well as average increase in property assessments)

Tax & Fee Burden on Average Household

	CY 2016	CY 2017	CY 2018	CY 2019	CY 2019 Plus 1 penny	Percent Change '18 to '19 plus 1 penny	CY 2019 Plus 1.5 penny	Percent Change '18 to '19 plus 1.5 penny	CY 2019 Plus 2 pennies	Percent Change '18 to '19 plus 2 pennies	CY 2019 Plus 3 pennies	Percent Change '18 to '19 plus 3 pennies
Real Estate Tax (includes sanitary district tax)	\$5,981	\$6,209	\$6,447	\$6,626	\$6,691	4%	\$6,724	4%	\$6,757	5%	\$6,823	6%
Personal Property*	950	968	1,024	994	994	-3%	994	-3%	994	-3%	994	-3%
Vehicle License Fee*	66	66	66	66	66		66		66		66	
Refuse Fee**	307	314	316	306	306	-3%	306	-3%	306	-3%	306	-3%
Water / Sewer Service**	796	817	817	828	828		828		828		828	
Residential Utility Tax**	72	72	72	72	72		72		72		72	
Total	\$8,172	\$8,446	\$8,742	\$8,892	\$8,957	2.5%	\$8,990	2.8%	\$9,023	3.2%	\$9,089	4.0%
					Change from CY 2018 - Real Estate		\$244		\$310		\$376	
					Change from CY 2018 - Total		\$215		\$281		\$347	
							\$277		\$310		\$376	
							\$248		\$281		\$347	

Real Estate Tax Rates: Peer Comparison

	CY 2018	CY 2019 Proposed	CY 2019 Advertised
Arlington	\$0.993	\$1.008	Expected Feb. 23
Alexandria	\$1.130	\$1.130	Expected Mar. 14
Fairfax	\$1.150	\$1.150	Expected Mar. 5
Loudoun	\$1.085	\$1.045	\$1.055

Rates shown reflect base tax rates.

Reserves & Financial Policies

- County Board took action in November's close-out to increase funding for reserves from 5.0% to 5.5%.
- Proposed budget includes change in financial policies to make this 5.5% reserve level the new floor for funding levels.
- In March, the County Manager will bring forward recommendations for future increases to the reserves.

Tax & Fee Advertisements: Feb. 23, 2019

- Real estate tax rate advertisement sets the highest rate the County Board can adopt
- County Manager proposes 1.5-cent increase in CY 2019 real estate tax rate
- No changes to Personal Property, BPOL or Stormwater tax rates
- Fee Changes Proposed
 - Household Solid Waste Rate - Proposed decrease of \$10.16, from \$316.16/year to \$306/year
 - Water/Sewer Rate – Increase \$0.18 to \$13.62/ thousand gallons
 - Inflationary Increases in Environmental Service (DES) and Community, Planning, & Housing (CPHD) Development Services Fees
 - New Special GLUP Study Fee and Conceptual Plan Review Fee in CPHD
 - New Department of Human Services fees for medication training and fingerprinting for licensed family child care criminal history checks
 - Parks & Recreation fee adjustments
 - Implementation of a lifetime dog license fee (\$30)

Looking Ahead

- Future budget pressures still exist:
 - School enrollment increases
 - New facilities opening
 - Uncertain interest rate & economic environment
- We had good fortune this year – need to continue to make strategic investments
- Amazon revenues – not significant until FY 2022, and slowly

February 23	Proposed Budget - County Manager's Proposed FY 2020 Budget submitted to the County Board
February 28	Schools Budget Proposed
February–April	Budget Work Sessions - County Board holds a series of budget work sessions with County Departments, Constitutional Offices, and the School Board
March	Mid-year Review - County Manager submits FY 2019 mid-year review of expenditures and revenues to the County Board
April 2 7:00 p.m., County Board Room 2100 Clarendon Blvd.	Public Hearing - County Board hosted public hearing on Proposed FY 2020 Budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees
April 4 7:00 p.m., County Board Room 2100 Clarendon Blvd.	Public Hearing - County Board hosts second public hearing on proposed FY 2020 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees
April 23	County Budget Adoption - County Board adopts FY 2020 Budget and Appropriations Resolutions for the County government, the public schools, and Pay-As-You-Go Capital. County Board adopts CY 2019 real estate tax rate and other FY 2020 taxes and fees
May 9	Schools Budget Adoption - School Board adopts FY 2020 school budget
July 1	FY 2020 begins

County Manager's Proposed FY 2020 Budget

OVERVIEW

County Board Work Session
Thursday, February 21, 2019 @ 4:00 p.m.

