

Fiscal Year 2021 Proposed Budget Message

To the County Board and the Arlington community:



My proposed budget for FY 2021 marks the anticipated transition from a period of relatively lean years to one of stronger growth. The past few years required difficult decisions that reduced programs and eliminated jobs—all in an effort to meet key priorities:

- addressing enrollment pressures at Arlington Public Schools;
- funding Metro’s operating and capital needs;
- investing in affordable housing and our safety net services;
- meeting compensation needs for our employees (particularly in public safety) in a tough recruiting environment; and
- investing in our infrastructure and core services.

Our focus on economic development, coupled with the investments in the core priorities I outlined above, has begun to pay off. Total real estate tax assessments increased by 4.6 percent, the highest in six years, and while all property types experienced growth, commercial assessments increased by 4.9 percent. Consistent with the County Board’s direction, my proposed budget includes no change in the tax rate.

The challenge before us is where to invest this “initial dividend.” My proposed budget first prioritizes those foundational areas that have made our community strong and resilient over the past decades and will do so in the future: Metro, our employees, APS, and housing. My next set of priorities has been to shore up those services and infrastructure where we have gaps either due to growing demands or historical budget reductions.

Innovation

With our economic development success comes challenges. Arlington is impacted by external forces that are changing our community—rapid technological innovation, climate change and increasing severity of weather events, pressure on our limited natural resources, labor market competition, security concerns, and social inequities. As Arlington always does, we are planning for the future in each of

these areas, whether through implementation of the Community Energy Plan, an urgent and refocused analysis of our stormwater infrastructure, an upcoming update to the Urban Forest and Natural Resources Management Plans, or continuous analysis of labor markets and compensation needs.

None of our challenges will be solved in a single budget year or a capital improvement plan. However, as we work on plans, life happens. If we are to succeed, we need to be flexible in piloting new ideas and changing our culture to be more innovative. As I have noted, "innovation means removing the barriers to our thinking that keep us from seeing solutions." With innovation comes risk, and I appreciate the Board's strong support, as we can and will make mistakes while trying new ways of doing things. I'm pleased with the innovative work we've done, and we will continue to pursue a change in the way some parts of our workforce think—moving away from caution and skepticism towards asking "is it possible?"

A few examples of our work to date include the Hands 2 Hearts program, Operation Safe Station, pet therapy for inmates, Small Business and Supplier Diversity Training, and the County's Digital Inclusion pilot project at Arlington Mill Residences. You can see a full list of our innovative work in the [2019 Annual Report](#).

I've included \$200,000 in my proposed budget to begin more focused organizational conversations on how to nurture a more innovative culture. These funds, coupled with my direction to departments to look at reprioritizing funding in existing budgets, are also available to pursue pilot projects. I'm hopeful that we will have a series of quick wins this year right in our backyard at the Bozman Government Center, with the possibility of an EV charging station, smart streetlights, and other solar-powered infrastructure. My budget is also proposing some new approaches to old problems:

- Creating a new class of employees for the Police Department: Traffic Control Officers
- Declaring Election Day 2020 a holiday
- Establishing new recruitment approaches for our Emergency Communications Center
- Piloting a Young Adult Foster Care Subsidy program in the Department of Human Services
- Funding flood sensors and real-time weather analysis for our stormwater program

These are just some examples, and I encourage you to review each departmental write up for more details. This work has been ongoing and will continue into the future.

Resiliency

Resiliency—the capacity to recover quickly from difficulties—comes in many forms. Our partnership with Dominion Energy Virginia to purchase power from a solar farm

in southern Virginia takes us beyond the County's adopted Community Energy Plan (CEP) goal of having at least 50 percent of the electricity for County operations coming from renewable sources by 2022. I have proposed a Community Resiliency Advocate position in our Emergency Management Division to help build, strengthen, and sustain community resiliency by assessing community needs and identifying community partners to deliver programming. To increase resilience in response to intense rain events and flooding, we are taking a comprehensive approach to mitigating flood risks. Design work is already underway for significant investments in critical areas that have experienced flooding and are identified in the Stormwater Master Plan. In addition, we are reviewing innovative approaches to flood risk mitigation. This work is fully explained separately in this document.

Equity

Before discussing specific budget details, I want to highlight the conversation we have just begun on equity. With the Board's adoption of its equity resolution this past September to guide our work and the helpful recommendations of Destination2027, the conversation about equity (who benefits, who is burdened, who is missing, and how do we know) is now a part of many of our policy, planning, and budget conversations. It has been challenging, as we have so much groundwork to do before we jump to action. Some of our immediate steps include talented members of our management team (along with colleagues from Arlington Public Schools) participating in the Metropolitan Washington Council of Governments' racial equity cohort. They are learning and teaching our senior leadership and workforce the racial history of our community and helping normalize these difficult conversations. As we have learned from other jurisdictions across the country who have done this work, the first step is to create a common understanding of history and definitions of racial equity. I have included funding in the budget for a second cohort and for training across all the levels of the organization. While at some point in the future more staffing may be required, it is incumbent on each and every County employee to be trained and to think about what equity means. As we lay this important foundation, we will look for opportunities to make changes and take steps forward. One example is included in my proposed budget:

- The elimination of library fines to make our libraries more accessible. This change will make the library's collections more accessible to all library users, particularly black and Hispanic populations in the County which data shows are disproportionately impacted by overdue fines and stop using the library as a result.

Now, moving on to my **core budget priorities**.

Housing Affordability: My base budget includes an additional \$9.1 million for affordable housing. This is a two-pronged approach, with the first being focused on

investments in programs that provide direct and immediate support to those most in need:

- \$0.8 million for housing grants to meet projected demands under existing eligibility criteria (estimated at a 1.4 percent participant growth rate in FY 2021) and to ensure that the grant support we provide to families keeps pace with market rental rates, while maintaining full program funding through ongoing funding.
- \$0.4 million for increased permanent supportive housing caseloads, which have increased 46 percent over the past five years.
- For both programs, I am proposing the staffing infrastructure to manage the increased caseload.

Recognizing that not all Arlington residents meet the criteria of our existing housing support programs, the budget also funds a Young Adult Foster Care Subsidy pilot program to provide housing support for young people who are aging out of the foster care system (ages 18–24) and a case manager to support those youth (\$343,659).

The second part of this approach is creating additional supply by enhancing our existing program and fostering new innovative financial and land use tools. Much of this will be focused on tools to create supply for those at 30 percent or less of area median income. Some of our initial ideas are included later in this document. I have also included additional staffing and consulting resources for the Housing Arlington initiative—our long-term work to review land use and financial tools to grow housing supply and pursue different housing forms in selected portions of the County.

As directed by the Board, I have included options for up to \$9.1 million in additional funding for housing affordability initiatives. I am proposing an additional \$2.7 million above the FY 2020 adopted level for the Affordable Housing Investment Fund (AHIF), raising the total funding to \$18.7 million. Consistent with the Board's direction, I have also included options to increase the level of funding for affordable housing initiatives by \$9 million above the FY 2020 level. See the Housing section of my message for more details on those options.

In addition, since the County Board adopted its budget direction three months ago, an additional \$21.6 million has been added to AHIF through site plan contributions for the Met Park and Crystal Houses site plan. The County has also acquired a 0.9-acre site (Crystal House 5) that will be the future home of new committed affordable housing. This unprecedented series of additions will be capped by a Request for Proposals to bring a new project online with one of the most significant barriers to additional housing (new property) already solved.

Metro: My proposed budget includes funding the County's share of Metro's operating budget and our share of Phase 2 of the Silver Line, tentatively scheduled to begin service sometime in 2021. The investment in Metro in FY 2021 totals \$49.3

million, a four percent increase over last year. We will continue to face challenges with Metro funding in FY 2022 – particularly with uncertainties about how much state aid funding we will receive to offset the Metro operating budget's impact on Arlington.

Investment in Our Workforce: In keeping with my approach as Manager since 2016, investment in our workforce is one of my top priorities, particularly since we are in a virtual full-employment economy and a region where we have many competitors for talent. Consistent with the Total Compensation Philosophy, my proposed budget includes merit-based compensation increases for all employees who are not at the maximum of their range; this includes targeted increases for public safety, especially focused on entry pay and on moving existing public safety employees through the career pay scale more quickly. We are also continuing our job studies, which look at the competitiveness of job classifications in the region and adjust the entry and maximum pay as appropriate. I am also proposing increasing the pay range for all employees by five percent. This means that entry salaries and pay maximums will increase five percent, helping us remain competitive while rewarding long-tenured employees.

Current and future employees are also looking for work-life balance. To address recruitment and retention issues, my proposed budget increases family leave from four to six weeks, increases the County's match for dependent care accounts, and enhances the initial vacation accrual rate for new employees. I've also increased the transit subsidy to the maximum level. I have included the third year of a four-year effort to hire additional Fire Department staff to implement a shorter weekly work schedule.

In addition, I am proposing an increase to County Board salaries. Over the next three years, I intend to propose increases to meet the authorized salary levels for the Board as adopted in 2019. This proposal is based on my strong belief that all our elected officials are chosen to serve the community every minute of every day. This proposal is consistent with the adopted philosophy of the Board to compensate all employees through analysis of comparable markets. While the additional funding to do this in FY 2021 (\$58,480) is, in comparison to other proposals, relatively modest, I understand this may be seen by some as too much.

Arlington Public Schools: Consistent with the Board's direction, the proposed budget also provides a record level of funding to Arlington Public Schools. To support the per pupil costs of \$19,921 (the highest in the region), the transfer from the County to APS goes from \$532.3 million to \$550.0 million.

Further County-funded efforts to support schools—through nurses, crossing guards, school resource officers, DPR camps (taking on capacity as there are less summer school offerings) and nature programs for students, mental health support services, and much more—have also increased a record amount. This support to schools is all funded through the County's operating budget.

While I anticipate the Superintendent will propose a “needs-based” budget, my proposed budget is based on the revenue available. In the past, when facing needs to fund new facilities or unanticipated student enrollment growth, I have proposed funding above the level provided in the revenue sharing arrangement. With residents already facing higher tax bills under the proposed budget, and with APS receiving a record transfer and higher rate of spending growth than the County, I feel comfortable with my proposal.

As always, I remain fully committed to collaboration with APS. We continue discussions on better ways to deliver our aquatics programs and stand ready to discuss consolidation of other services.

Infrastructure Investments: While much of our bricks and mortar investments will be fully discussed as part of the upcoming proposed Capital Improvement Plan (CIP), there are a number of proposals in my budget that address important needs of the community and County internal operations:

- **Streetlights:** My proposed budget includes an additional team to address maintenance of the County’s more than 7,700 streetlights, building on our investment from two years ago. While response times for major repairs have improved from 120 days in FY 2016 to 45 days in FY 2019 and minor repairs from 30 to 14 days, this additional investment will allow us to do major repairs in 30 days and minor in seven.
- **Traffic control:** With the introduction of micro-mobility devices and continued interest from our community on traffic safety and enforcement, I am adding six new positions in the Police Department that will focus on traffic enforcement and control—a new approach. I’ve also added new staffing capacity in our Traffic Engineering and Operations given the level of our residents’ interest in traffic issues.
- **Sidewalks:** I have included funding to do a condition assessment of sidewalks across the County that will help inform future capital projects and CIPs, as well as funding for additional concrete maintenance.

Environmental Investments:

Trees: My budget includes \$250,000 in funding to improve tree pruning and tree pest management. I’ve also included an additional urban forester as we deal with increasing levels of development and ongoing interest in tree preservation and maintenance.

Stormwater: Climate change and increasing severity of weather events have highlighted the need for increased investment in the County’s stormwater management system. In this budget, I am beginning a conversation about those needed investments and how to pay for them (see the separate Stormwater section of my message) that will continue throughout the CIP process and culminate in a bond referendum for stormwater and watershed infrastructure for Arlington voters

in November 2020. While not increasing this year, the stormwater tax rate may be increased in future years to help pay the debt service on those bonds.

Energy-Related Investments: My budget includes several near-term investments related to the Community Energy Plan (CEP):

- Transition of 23 sedans in our fleet from gas to electric vehicles, a first step in this area;
- Installation of a 60kW solar PV panel system at Fire Station 8 advancing our sustainable practices;
- Assessment of opportunities in County facilities for improved energy management; and
- \$150,000 funding for investigating and developing initiatives for the CEP, such as exploring microgrids, developing electric vehicle charging infrastructure plans, and developing load-shape profiles and underlying data for energy usage throughout the County.

Internal Infrastructure: Our “back office” functions are critical to helping our front-line departments provide quality services every day. After a few years of budget reductions and little to no new investment, I’ve added staffing capacity in purchasing, real estate assessments, and human resources, as well as modernization of our enterprise-wide financial and human resource system and technology investments in critical human service systems.

Other important investments in the FY 2021 proposed budget include support to small businesses and the arts, as well as the opening of the new Lubber Run Community Center and Long Bridge Aquatics and Fitness Center. Details on these programs can be found in the write-ups on the following pages.

Sincerely,



Mark Schwartz
County Manager