

NON-DEPARTMENTAL BUDGET SUMMARY

Non-departmental accounts include County-wide costs for insurance premiums and claims (including workers' compensation), fringe benefits for retirees (health and life insurance premiums), miscellaneous expenses, County building rent, overhead charges to certain County agencies, and contingents held for future County Board actions, such as the General Contingent and Affordable Housing Investment Fund.

NON-DEPARTMENTAL FINANCIAL SUMMARY

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Proposed	% Change '20 to '21
Insurance	\$5,383,824	\$5,600,000	\$5,600,000	-
Retiree Benefits/Health Plan Adjustment	14,119,605	17,700,000	18,400,000	4%
Miscellaneous	44,896,324	23,544,552	25,502,650	8%
Contingents	3,902,481	24,894,318	20,732,713	-17%
Total Expenditures	\$68,302,234	\$71,738,870	\$70,235,363	-2%

INSURANCE COSTS

The County's risk financing program is comprised of commercially purchased insurance coverage and retained risks paid for through a program of self-insurance. The liability program is self-insured up to \$1 million per occurrence. The program includes general liability, police legal liability, public officials' liability, and automobile liability. The County has a commercially purchased excess liability policy with limits of \$10 million per occurrence with no annual aggregate. The County has exposure for property losses to a current deductible of \$50,000. Losses above the deductible level are covered by a commercially purchased policy.

The County also maintains a Self-Insurance Reserve (\$5,000,000) and a General Fund Operating Reserve funded at five and one-half percent of General Fund expenditures. Insurance is purchased primarily for property, general liability, and automobile liability exposures subject to prudent deductible/retention levels. Insurance is provided for real and personal property, crime, garage keepers, professional liability, and constitutional office coverage. Retained exposures include general liability, automobile damage, and related liability up to specific retention levels.

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Proposed	% Change '20 to '21
Insurance Cost	\$5,383,824	\$5,600,000	\$5,600,000	-
Total Expenditures	\$5,383,824	\$5,600,000	\$5,600,000	-

RETIREE BENEFITS and HEALTH PLAN ADJUSTMENT

This account includes the employer's share of retirees' health and life insurance premiums and adjustments related to the employer's share of health plan expenses for general employees.

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Proposed	% Change '20 to '21
Retirees' Health & Life Insurance	\$12,094,968	\$11,400,000	\$11,400,000	-
Other Post Employment Benefits (OPEB - trust)	7,000,000	7,000,000	7,000,000	-
Health Plan Adjustment	(4,975,363)	(700,000)	-	-100%
Total Expenditures	\$14,119,605	\$17,700,000	18,400,000	4%

- OPEB funding levels are based on the most recent actuarial study and ensure that the County is fully meeting its annual required contribution to the fund. The total funding for OPEB (current costs plus future liability) is \$18.4 million in FY 2021.
- The total County employee healthcare costs are expected to increase 2.5 percent for Cigna and Kaiser participants. The health plan adjustment in FY 2020 was the result of revisions to the projected health care costs during the adopted FY 2020 budget process. This adjustment was allocated to departments in the fall of CY 2019.

MISCELLANEOUS EXPENSES

These County expenses include: rent, overhead charge-backs to some County agencies, the cost of the County's annual external audit and other consulting fees, national and state association memberships (National League of Cities, National Association of Counties, Virginia Municipal League, and Virginia Association of Counties), and other miscellaneous expenses not allocated to County departments.

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Proposed	% Change '20 to '21
Facility Rent and Operating Charges	\$6,020,355	\$10,082,104	\$13,132,397	30%
Intra-County Charges	(721,087)	(1,346,958)	(1,461,856)	9%
Consultants	1,599,728	774,514	735,088	-5%
Contracted Services	667,399	478,000	478,000	-
Memberships	131,360	157,523	232,523	48%
Special Events & Unclassified Services	118,818	148,000	150,000	1%
Employer of Choice	3,640,850	3,182,700	2,428,700	-24%
Housing Projects	28,245,541	-	-	-
Early Retirement	-	(300,000)	-	-100%
Fuel & Utility Savings	-	(138,474)	(699,345)	405%
Short-term Financing	5,193,360	8,107,143	8,107,143	-
IDA Debt Service on Ballston Skating Facility	-	2,400,000	2,400,000	-
Total Expenditures	\$44,896,324	\$23,544,552	\$25,502,650	8%

- ↑ The rent costs and operating expenses in various County facilities increased for FY 2021 primarily due to the free rent associated with the renegotiated lease terms for 2100 Clarendon Boulevard.

- ↑ Intra-County charges increase due to adjustments to the rent chargeback for the Transportation Capital Fund and CPHD Development Fund.
- ↓ Consultant expenses decrease due to the addition of \$100,000 in one-time funding for equity training, offset by the transfer out of \$139,426 to the Department of Parks and Recreation for field maintenance.
- ↑ Memberships increase due to the addition of one-time funding for the Northern Virginia Economic Development Consortium (\$75,000).
- ↓ Employer of Choice program funding includes monies set-aside for the cost to increase the pay ranges for general employees by five percent (\$1.2 million) and funding for job family studies (\$1.6 million).
- ↓ Early Retirement adjustment is not included in the FY 2021 budget due to the County Manager not proposing any buy-outs to employees this fiscal year.
- ↑ Fuel & Utility savings increase due to the realignment of costs to department utility budgets and the projected demand/costs for utilities in the FY 2021 General Fund budget.
 - The Ballston Skating Facility, the practice facility for the National Hockey League's Washington Capitals ice hockey team, which opened in November 2006, was financed with Industrial Development Authority (IDA) taxable revenue bonds. It is projected that lease payments to the IDA from the Capitals will be sufficient to pay the debt service on the bonds.

CONTINGENTS

The non-departmental accounts also hold the County Board's contingents. These contingents are appropriated funds established to cover unforeseen expense items, new projects initiated after a fiscal year has begun (General Contingent), or for a particular purpose (Affordable Housing Investment Fund).

The budget includes a \$250,000 General Fund General Contingent, \$18,700,000 in funding for the Affordable Housing Investment Fund (AHIF), and \$2,389,371 in Economic Development incentive funds.

The Affordable Housing Investment Fund totals \$18,700,000 and is a combination of ongoing and one-time funds. For FY 2021, the County Manager's Proposed Budget includes the addition of \$2.7 million in one-time funds. Total AHIF funding includes base ongoing and one-time funds, ongoing federal HOME funding budgeted in the Housing and Community Development Fund, and portion of recordation tax revenue earmarked by the County Board when the recordation tax rate increased from \$0.05 to \$0.0833 in FY 2005 (after setting aside the incremental recordation tax funds for previously approved affordable housing programs).

Source	On-going	One-time
Base Budget	\$6,874,790	\$9,790,140
Federal HOME (in Housing and Community Development Fund)	606,658	-
Recordation Tax Increment	1,428,412	-
TOTAL	\$8,909,860	\$9,790,140

Over the last few years, the County Board has set aside monies in an economic and revenue stabilization contingent. This existing practice from recent years was formally adopted by the County Board in a revised set of financial and debt management policies in FY 2014 and updated during the FY 2017 budget process. In the FY 2020 budget, the amount of the contingent was increased to one-half percent of the General Fund budget; then, in close-out of FY 2019, it was increased again to one percent of the General Fund budget.

The FY 2021 proposed budget includes a revision to the policies to reflect the conversion of this contingent to a Stabilization Reserve and the increase in the amount. The Stabilization Reserve is set aside to address unexpected, temporary events, such as major weather events or a local/regional emergency requiring immediate incurrence of cost in response; revenue declines; new/unfunded state, regional or federal programs; unexpected capital expenditures; and local or regional economic stress. Any use of the reserve will be replenished within the subsequent two fiscal years.

For FY 2021, the Proposed Budget does not include an assumed appropriation for Stabilization Reserve, similar to the General Fund Operating Reserve. If funding for this contingent is needed in FY 2021 the County Manager will come back to the Board in a subsequent County Board action.

The Economic Development Contingent decreases due to the projected funding required in FY 2021 for previously approved economic incentives agreements. Economic incentives are used to attract businesses to Arlington to help reduce the office vacancy rate and spur investment in the Arlington community. The total funding of \$2,389,371 includes \$889,371 in one-time funds and \$1,500,000 in ongoing funding.

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Proposed	% Change '20 to '21
General Contingent	-	\$250,000	\$250,000	-
Affordable Housing Investment Fund (AHIF)[1]	-	14,130,604	16,664,930	18%
AHIF - Incremental Recordation Tax	-	1,228,532	1,428,412	16%
Economic & Revenue Stabilization Contingent	-	6,700,000	-	-100%
Economic Development Contingent	\$3,902,481	2,585,182	2,389,371	-8%
Total Expenditures	\$3,902,481	\$24,894,318	\$20,732,713	-17%

[1] Federal HOME funding is budgeted in the Housing and Community Development fund beginning in FY 2019. In FY 2021, \$606,658 of the total \$18,700,000 in AHIF funding is budgeted in the Community Development Fund.