

## MULTI-YEAR FORECAST & FUTURE OUTLOOK

Consistent with the County's debt and financial policies, staff has prepared a multi-year financial forecast. This forecast is intended to help inform, and provide greater awareness to, the Board and the community of medium and long-term budget pressures as policy and service delivery choices are considered. The County is required to adopt a balanced budget annually, so any projected shortfalls would be eliminated through a combination of expenditure and service reductions, revenue increases (either increased taxes or fees), or a combination of the two.

The forecast assumes moderate growth in revenues that increases slightly over time as the impact of increased development is realized in real estate assessments. Overall assessment growth is forecasted to grow from 2.9% in CY 2021 up to a normalized moderate level of 3.5% beginning in CY 2024. Other tax growth is expected to show low to moderate growth reflecting the continued strength of the County's businesses.

The ongoing expense growth in the forecast reflect typical growth for a continuing services budget of 2.4% to 3.3% on an annual basis with no significant change in service levels or proposed new services. However, many of the County and Schools' priorities will require continued commitments beyond this continuing services level budget in the coming years including:

**Investments in our workforce:** Maintaining our competitiveness will be essential to continuing the County's effort to retain a high-quality workforce and recruit talented employees. Each year, compensation and benefits will be evaluated to determine how we continue to be competitive and realize our Total Compensation Philosophy.

**Housing Affordability:** Affordable housing remains one of our community's biggest challenges. With increasing housing demands, housing supply shortfalls, and rising housing costs, the County must pursue solutions that are multifaceted—balancing support for individuals in need with efforts to increase supply.

**Stormwater & Infrastructure:** The FY 2021 Proposed Budget includes investments in stormwater and infrastructure – particularly in areas that had not received additional funding during recent leaner budget years. Continuing to address these areas are essential to maintaining our core infrastructure and delivering core services to residents. Additionally, we will be having key conversations and make strategic policy decisions to adequately fund stormwater management.

**Metro:** A reduction in state aid revenues and the diversion of state revenue to match PRIIA will increase the County's required contribution to Metro in FY 2022. In FY 2023, state aid is estimated to increase with new sources of funding for the Commonwealth Mass Transit Fund (CMTF) taking our Metro costs back to a normal growth level.

**Debt:** Debt service as forecasted in the Adopted FY 2019 – FY 2028 Capital Improvement Program (CIP) is expected to increase at a moderate level over the next few fiscal years before returning to a more normal level. This is due to several large projects currently underway such as Lubber Run Community Center, Long Bridge Aquatics and Fitness Center, Jennie Dean Park, and Fire Station 8. These are in addition to ongoing capital commitments for parks and facilities maintenance capital, paving, and an increased level of capital contributions to fund the County's share of WMATA's capital program. The County's FY 2021 – FY 2030 CIP is scheduled to be adopted in July 2020 and will include updated forecasts to the County's annual debt issuance and debt service.

**Arlington Public Schools (APS):** The estimates shown for the Schools transfer reflect the current revenue-sharing percentage (47 percent of local taxes) as outlined in the Revenue Sharing Principles adopted by the County Board and School Board in January 2015; this percentage may change based

on budget deliberations. Continued collaboration with APS could yield efficiency, better service delivery, and savings for both the County and APS.

As the County's financial position improves, there will continue to be measured and strategic investments that meet the needs of our community.

Multi-Year Financial Forecast												
	FY 2021		Forecast		Forecast		Forecast		Forecast		Forecast	
REVENUE	Proposed	% chg	FY 2022	% chg	FY 2023	% chg	FY 2024	% chg	FY 2025	% chg	FY 2026	% chg
Real Estate	815,831,484	4.8%	840,351,870	3.0%	867,016,730	3.2%	896,142,890	3.4%	927,576,870	3.5%	960,112,640	3.5%
Less Crystal City TIF Real Estate	(6,202,220)	4.0%	(6,676,520)	7.6%	(7,301,870)	9.4%	(7,939,710)	8.7%	(8,590,310)	8.2%	(9,253,930)	7.7%
Less Columbia Pike TIF Real Estate	(1,094,670)	119.3%	(1,360,380)	24.3%	(1,646,960)	21.1%	(1,959,910)	19.0%	(2,297,590)	17.2%	(2,647,100)	15.2%
Less Ballston Quarter TIF Real Estate	(1,854,318)	57.9%	(1,941,000)	4.7%	(2,030,000)	4.6%	(2,120,000)	4.4%	(2,215,000)	4.5%	(2,315,000)	4.5%
Personal Property	122,252,147	2.7%	125,308,000	2.5%	128,441,000	2.5%	132,294,000	3.0%	136,263,000	3.0%	140,351,000	3.0%
BPOL	74,860,000	8.5%	76,732,000	2.5%	78,650,000	2.5%	80,616,000	2.5%	82,631,000	2.5%	84,697,000	2.5%
Sales	47,735,000	6.8%	48,690,000	2.0%	49,664,000	2.0%	50,657,000	2.0%	51,670,000	2.0%	52,703,000	2.0%
Meals	43,110,000	5.4%	43,972,000	2.0%	44,851,000	2.0%	45,748,000	2.0%	46,663,000	2.0%	47,596,000	2.0%
BQ TIF: Sales & Meals	(1,035,000)	-	(1,125,000)	8.7%	(1,225,000)	8.9%	(1,330,000)	8.6%	(1,455,000)	9.4%	(1,580,000)	8.6%
TOT	26,000,000	0.0%	26,000,000	0.0%	26,260,000	1.0%	26,785,000	2.0%	27,589,000	3.0%	28,693,000	4.0%
Other Taxes	42,665,000	4.3%	43,518,000	2.0%	44,388,000	2.0%	45,498,000	2.5%	46,635,000	2.5%	47,801,000	2.5%
<b>SUBTOTAL: TAXES</b>	<b>1,162,267,423</b>	<b>4.6%</b>	<b>1,193,468,970</b>	<b>2.7%</b>	<b>1,227,066,900</b>	<b>2.8%</b>	<b>1,264,391,270</b>	<b>3.0%</b>	<b>1,304,469,970</b>	<b>3.2%</b>	<b>1,346,157,610</b>	<b>3.2%</b>
State	79,716,009	4.9%	80,513,000	1.0%	81,318,000	1.0%	82,131,000	1.0%	82,952,000	1.0%	83,782,000	1.0%
Federal	16,145,620	0.5%	16,146,000	0.0%	16,146,000	0.0%	16,146,000	0.0%	16,146,000	0.0%	16,146,000	0.0%
Other Revenue	116,063,522	4.1%	118,385,000	2.0%	120,753,000	2.0%	123,168,000	2.0%	125,631,000	2.0%	128,144,000	2.0%
<b>SUBTOTAL: OTHER</b>	<b>211,925,151</b>	<b>4.1%</b>	<b>215,044,000</b>	<b>1.5%</b>	<b>218,217,000</b>	<b>1.5%</b>	<b>221,445,000</b>	<b>1.5%</b>	<b>224,729,000</b>	<b>1.5%</b>	<b>228,072,000</b>	<b>1.5%</b>
<b>SUBTOTAL: ONGOING REV</b>	<b>1,374,192,574</b>	<b>4.5%</b>	<b>1,408,512,970</b>	<b>2.5%</b>	<b>1,445,283,900</b>	<b>2.6%</b>	<b>1,485,836,270</b>	<b>2.8%</b>	<b>1,529,198,970</b>	<b>2.9%</b>	<b>1,574,229,610</b>	<b>2.9%</b>
CARRYOVER FUNDS	21,978,940	-46.5%	250,000	-98.9%	250,000	0.0%	250,000	0.0%	250,000	0.0%	250,000	0.0%
<b>TOTAL REVENUE</b>	<b>1,396,171,514</b>	<b>2.9%</b>	<b>1,408,762,970</b>	<b>0.9%</b>	<b>1,445,533,900</b>	<b>2.6%</b>	<b>1,486,086,270</b>	<b>2.8%</b>	<b>1,529,448,970</b>	<b>2.9%</b>	<b>1,574,479,610</b>	<b>2.9%</b>
<b>EXPENDITURES</b>	<b>Proposed</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>	<b>Forecast</b>	<b>% chg</b>
Salaries	303,396,678	5.6%	312,386,455	3.0%	320,969,986	2.7%	329,636,000	2.7%	338,536,000	2.7%	347,676,000	2.7%
Benefits	132,804,950	2.8%	135,507,446	2.0%	138,474,398	2.2%	141,970,310	2.5%	145,555,754	2.5%	149,233,050	2.5%
<b>SUBTOTAL: PERSONNEL</b>	<b>436,201,628</b>	<b>4.7%</b>	<b>447,893,901</b>	<b>2.7%</b>	<b>459,444,384</b>	<b>2.6%</b>	<b>471,606,310</b>	<b>2.6%</b>	<b>484,091,754</b>	<b>2.6%</b>	<b>496,909,050</b>	<b>2.6%</b>
Ongoing Operating Expenses	218,045,754	8.5%	220,505,346	1.1%	223,023,178	1.1%	225,600,675	1.2%	228,239,295	1.2%	232,706,634	2.0%
One-time Operating Expenses	5,123,377	39.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Metro	49,308,764	3.6%	56,717,000	15.0%	58,368,000	2.9%	60,064,000	2.9%	61,807,000	2.9%	63,597,000	2.9%
Contingents (General & Stabilization)	250,000	-96.4%	250,000	0.0%	250,000	0.0%	250,000	0.0%	250,000	0.0%	250,000	0.0%
Economic Development Grants	2,389,371	-7.6%	1,500,000	-37.2%	1,500,000	0.0%	1,500,000	0.0%	1,500,000	0.0%	1,500,000	0.0%
Ongoing AHIF	8,303,202	2.5%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%	8,303,202	0.0%
One-time AHIF	9,790,140	34.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Regionals	6,752,011	-9.3%	6,752,011	0.0%	6,752,011	0.0%	6,752,011	0.0%	6,752,011	0.0%	6,752,011	0.0%
Ongoing Capital	6,832,227	0.7%	6,832,227	0.0%	6,832,227	0.0%	6,832,227	0.0%	6,832,227	0.0%	6,832,227	0.0%
One-time Capital	119,795	-99.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Debt	74,962,748	3.9%	81,940,000	9.3%	87,241,000	6.5%	90,508,000	3.7%	90,074,000	-0.5%	96,716,000	3.0%
Debt Service for Master Lease	8,107,143	0.0%	8,350,358	3.0%	8,600,868	3.0%	8,858,894	3.0%	9,124,661	3.0%	9,398,401	3.0%
OPEB	18,400,000	0.0%	18,952,000	3.0%	19,520,560	3.0%	20,106,177	3.0%	20,709,362	3.0%	21,330,643	3.0%
<b>SUBTOTAL: NONPERSONNEL</b>	<b>408,384,532</b>	<b>0.4%</b>	<b>410,102,143</b>	<b>0.4%</b>	<b>420,391,046</b>	<b>2.5%</b>	<b>428,775,186</b>	<b>2.0%</b>	<b>433,591,758</b>	<b>1.1%</b>	<b>447,386,118</b>	<b>3.2%</b>
Schools Ongoing (based on 47.0% of tax revenue)	546,265,689	4.6%	560,930,416	2.7%	576,721,443	2.8%	594,263,897	3.0%	613,100,886	3.2%	632,694,077	3.2%
Schools One-time	4,826,583	-51.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Transfers to Other Funds	493,082	0.0%	493,082	0.0%	493,082	0.0%	493,082	0.0%	493,082	0.0%	493,082	0.0%
<b>TOTAL EXPENSES</b>	<b>1,396,171,514</b>	<b>2.9%</b>	<b>1,419,419,542</b>	<b>1.7%</b>	<b>1,457,049,956</b>	<b>2.7%</b>	<b>1,495,138,475</b>	<b>2.6%</b>	<b>1,531,277,480</b>	<b>2.4%</b>	<b>1,577,482,327</b>	<b>3.0%</b>
<b>Shortfall/Surplus \$ (millions)</b>	<b>Proposed</b>		<b>Forecast</b>		<b>Forecast</b>		<b>Forecast</b>		<b>Forecast</b>		<b>Forecast</b>	
Revenue	1,396,171,514		1,408,762,970		1,445,533,900		1,486,086,270		1,529,448,970		1,574,479,610	
Expenditures	1,396,171,514		1,419,419,542		1,457,049,956		1,495,138,475		1,531,277,480		1,577,482,327	
Annual Deficit/Surplus*	-		(10,656,572)		(11,516,056)		(9,052,205)		(1,828,510)		(3,002,717)	

\*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.

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