County Manager’s Revised Proposed FY 2021 Budget

OVERVIEW

County Board Work Session
Monday, April 6, 2020 3 p.m.
Overview

• Our community is facing extraordinary circumstances

• This revised budget includes our best assessment of anticipated revenues and expenditures

• More will become known as we receive monthly revenue reports

• This budget should serve as a guide through the initial months of the fiscal year and will be revisited as needed
Update on FY 2020

• **Impact on Revenue**
  • **Taxes**: Sales Tax, Meals Tax, and Transient Occupancy Tax, among others
  • **Fees & Non-Tax Sources**: Parking meter & parking ticket revenue, Parks & Recreation fees, development fees, etc.

• **Addressing near-term impacts**
  • Instituting an immediate hiring slowdown
  • Using County Manager Contingent & Stabilization Reserve
  • Deferring or canceling capital projects
  • Slowing discretionary spending
Initial Investments to Address COVID-19

• Purchased essential supplies
  • PPE & cleaning supplies for our front-line employees and non-profit partners

• Invested in technology
  • Purchased laptops, etc. to move workforce to telework (focus on virtual call centers & remote ECC call intake/dispatch & DHS services)

• Supported nonprofits & partners
  • Provided $100,000 for AFAC
  • Stood up COVID-19 testing center with Virginia Hospital Center (VHC)
  • Expanded telehealth capabilities to connect VHC and Arlington Free Clinic
  • Identified quarantine housing as back-up for congregate care settings

• Coming soon
  • Premium pay for front-line employees who cannot work remotely
  • Proposed small business support through a grant program and possible revolving loan fund
  • Proposed delay on required repayments by recipients of County AHIF loans
Guiding Principles for Revised Budget

• Shore up community’s most essential needs
  • Preserve and, as needed, increase funding for direct life-safety services (e.g., food, health, housing)

• Support the County workforce
  • Preserve County employee jobs so staff “infrastructure” remains in place

• Focus on areas that will help with recovery
  • Assistance to business community and nonprofits

• Maintain our fiscal health
  • Create additional financial flexibility as a bridge to recovery by lowering capital projects where possible, drawing down some budget reserves, and postponing new initiatives.
### Estimated Change in FY 2021 Revenues

- **Significant drops in revenue ($55.7M)**

<table>
<thead>
<tr>
<th>Overall County &amp; School Impacts</th>
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</thead>
<tbody>
<tr>
<td>County Taxes</td>
</tr>
<tr>
<td>County Non-Taxes*</td>
</tr>
<tr>
<td>County Total</td>
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<tr>
<td>Schools Total (ongoing)</td>
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</tbody>
</table>

*Includes reduced Boeing revenue required for Long Bridge due to delayed opening*
Impact on Arlington Public Schools

<table>
<thead>
<tr>
<th>FY 2020 Adopted</th>
<th>FY 2021 Original Proposed</th>
<th>FY 2021 Revised Proposed</th>
<th>Reduction from Original Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>$522.4 million</td>
<td>$546.3 million</td>
<td>$524.6 million</td>
<td>($21.6 million)</td>
</tr>
</tbody>
</table>

- Schools shares in 47% of all local tax revenue
  - Lower revenue projections impact Schools by $21.6 million in ongoing funding
  - Revised revenue transfer slightly higher than FY 2020 funding level
- Unknown/potential School funding
  - Federal CARES funding for education
  - State support to localities for education
- Continued Collaboration with Schools on Addressing County & School Needs
### Revenue Compared to FY 2020 Adopted Totals

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Adopted</th>
<th>FY 2021 Original Proposal</th>
<th>FY 2021 Revised Proposal</th>
<th>Adopted to Revised Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td>$1.112 billion</td>
<td>$1.162 billion</td>
<td>$1.116 billion</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Non-Taxes</strong></td>
<td>$244.6 million</td>
<td>$233.9 million</td>
<td>$224.3 million</td>
<td>-8.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1.356 billion</td>
<td>$1.396 billion</td>
<td>$1.340 billion</td>
<td>-1.2%</td>
</tr>
</tbody>
</table>
Revenue Influx: Peaks and Valleys

Real Estate & Personal Property Taxes

Fiscal Year Begins

Monthly payments from meals tax, sales tax, transient occupancy tax & other taxes

Real Estate & Business License Tax

Board Adopts Guidance

Manager’s Proposal

Budget Adoption
What the FY 2021 Budget Still Does

- **Maintains the County Workforce**
  - Retains county jobs
  - No changes to benefits (increased parental leave, add Election Day holiday/eliminate President’s Day/add floating holiday)

- **Invests in Housing**
  - Increase to housing grants, permanent supportive housing
  - Maintains AHIF at FY 2020 Adopted levels

- **Focuses on Essential County Services**
  - Keeps nonprofit social safety net
  - Maintains FY 2020 service levels
Proposed Expense Changes

• Eliminate all compensation increases & slows hiring
  • Continued hiring for public safety agencies and public health

• Eliminate proposed new programs
  • Traffic Control Officers, Courthouse Library expansion, marriage license portal, foster care housing pilot program, among others

• Eliminate most additions to existing programs
  • New FTEs (planners, arborist, real estate appraiser, etc.), library collection expansion, additional support for Housing Arlington, additional tree maintenance, among others

• Delay Long Bridge and Lubber Run openings until FY 2022
Other Expense Changes

• **Deferred spring bond sale**
  - Reduces debt service (County & APS)
  - No impact on major projects under construction

• **Metro’s budget will be revisited prior to July 1**

• **Deferred or canceled capital projects**
  - Includes canceling some new projects for FY 2021, deferring some projects from FY 2020 and earlier, and re-directs project balances from completed or near completed projects

• **Use of County reserves**
  - Prudently utilizes a portion of the County’s Stabilization Fund
  - County financial policies require replenishment within 2 fiscal years
New COVID-Related Funding

$10.2M contingent to meet needs stemming from the pandemic

*Potential allocations include:*

- **$2.7M for housing and safety net funding**
  
  Examples: eviction help, housing grants, food assistance

- **Community resilience**
  
  - Small business and recovery assistance
  
  - Support for tourism industry & nonprofits

- **Service delivery recovery & employee support**
  
  - New services and programming needed post-COVID
  
  - Help for employees who worked through COVID response

- **Additional unanticipated revenue losses**
Potential Federal and State Funding Sources

• Coronavirus Aid, Relief and Economic Security (CARES) Act (H.R. 748)

• Community Development Block Grant (CDBG) funding
  • Arlington’s current estimate = $830k
  • Uncertain if funding will be received in FY 2020 or FY 2021

• Other Potential State Funding??
## What’s Next

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>April 6</td>
<td>Revised Budget Proposal: County Manager’s Revised Proposed FY 2021 Budget submitted to the County Board</td>
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<tr>
<td>April 16</td>
<td>Schools Budget Proposed</td>
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<td>April 16</td>
<td>Budget Work Session</td>
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<tr>
<td>April 23</td>
<td>Public Hearing: County Board hosted public hearing on Proposed FY 2021 Budget</td>
<td>7:00 p.m., County Board Room 2100 Clarendon Blvd.</td>
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<td>April 23</td>
<td>Public Hearing: County Board hosts second public hearing on Proposed FY 2021 Taxes and Fees</td>
<td>Following Budget Hearing County Board Room 2100 Clarendon Blvd.</td>
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<td>April 30</td>
<td>County Budget Adoption: County Board adopts FY 2021 Budget and Appropriations Resolutions for the County government, the public schools, and Pay-As-You-Go Capital. County Board adopts CY 2020 real estate tax rate and other FY 2021 taxes and fees</td>
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<tr>
<td>May 7</td>
<td>Schools Budget Adoption: School Board adopts FY 2021 school budget</td>
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<td>July 1</td>
<td>FY 2021 begins</td>
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