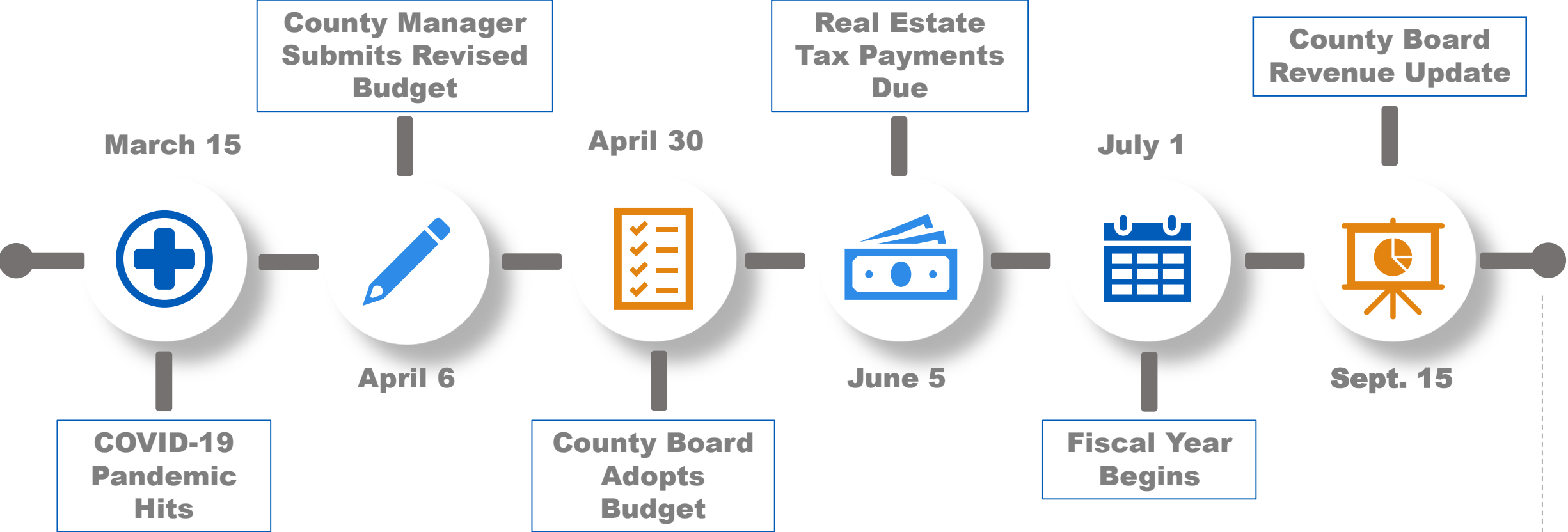


County Board FY 2021 Revenue Budget Update

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FY 2021 Milestones to Date

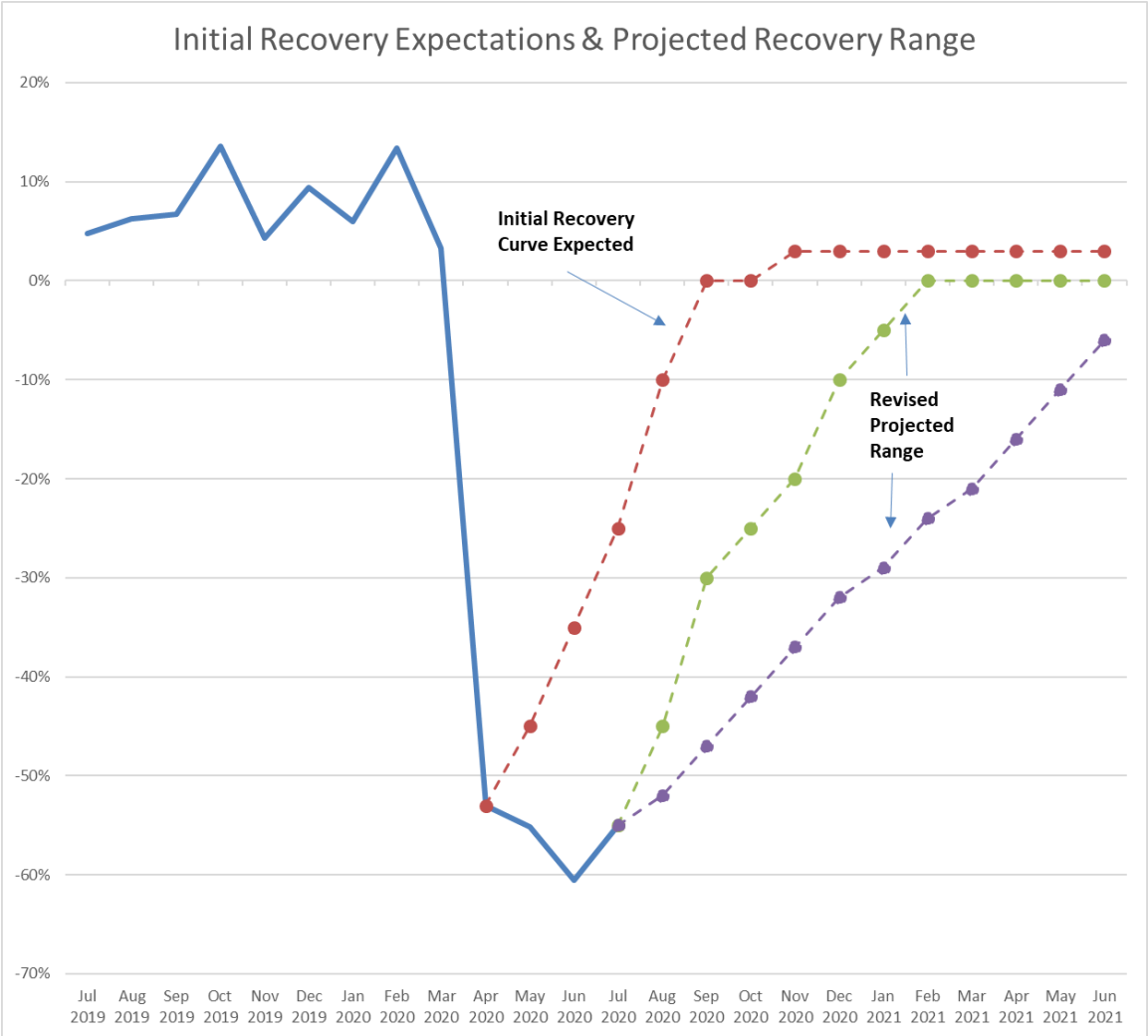


Next Two Months

Business Tangible, Real Estate, and Personal Property taxes due; ***collections impact uncertain***



Initial Revenue Curve Projections & Revised Recovery Range (Meals / Sales / Transient Occupancy)



Adopted FY 2021 Budget

TOTAL BUDGET

\$1.35 billion

-1.0% decrease (\$10.80 million) from FY 2020 (ongoing and one-time)



COUNTY OPERATING

\$820.8 million

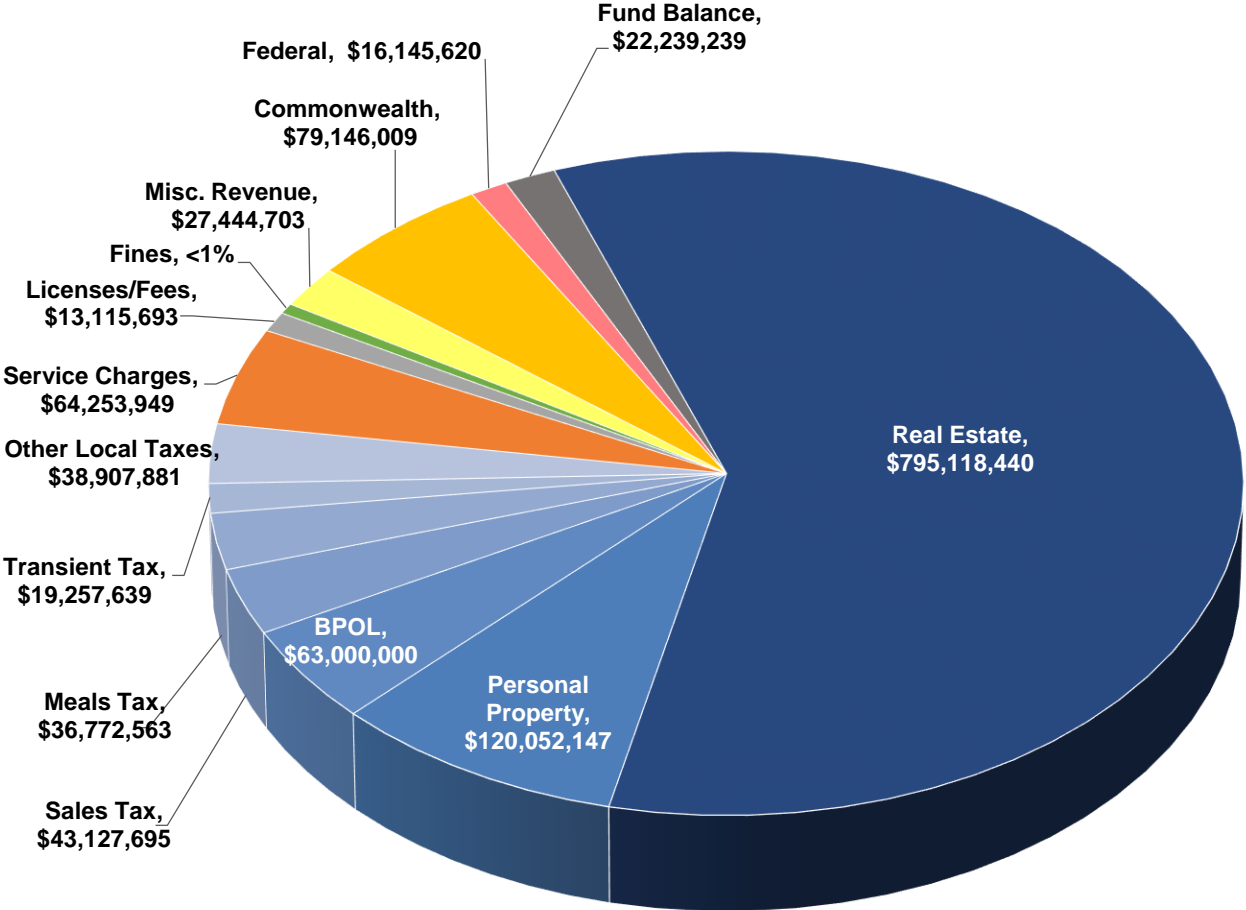
-0.4% decrease (\$3.1 million) from FY 2020
(ongoing and one-time)

SCHOOLS TRANSFER

\$524.6 million

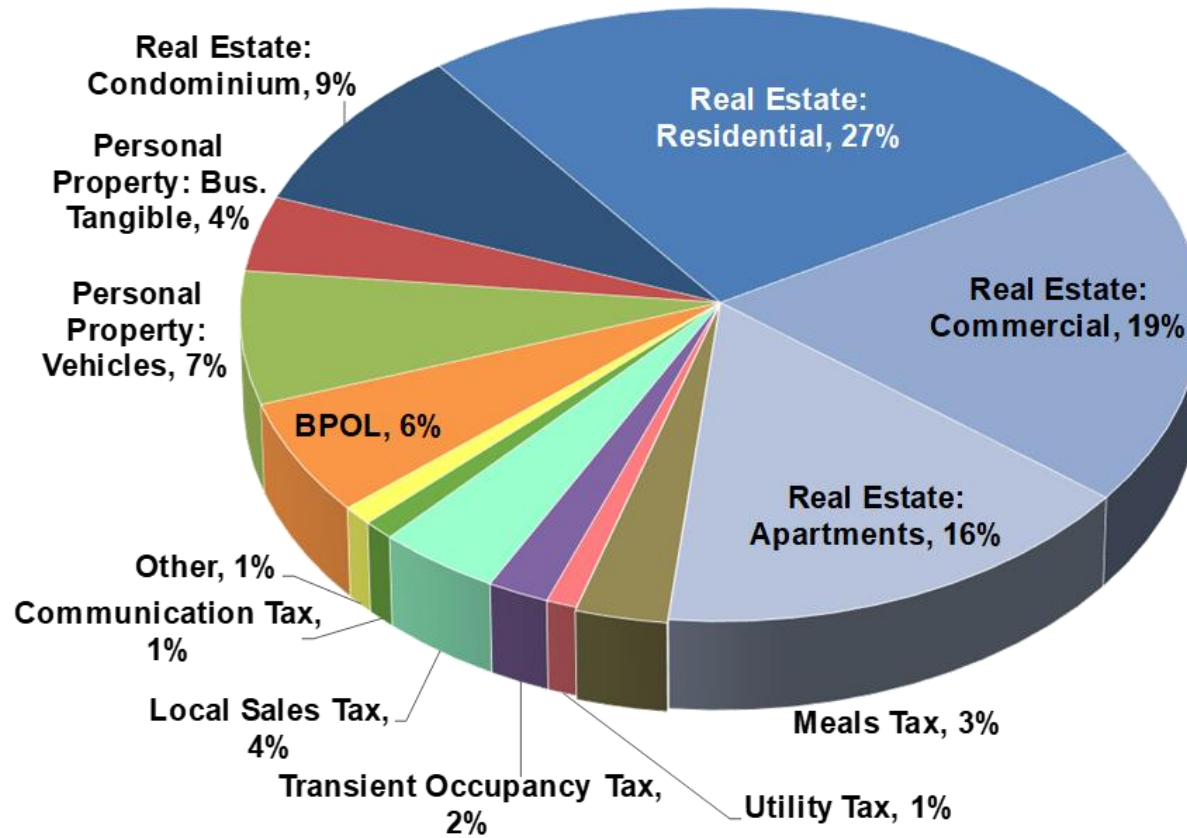
-1.4% decrease (\$7.7 million) from FY 2020
(ongoing and one-time)

General Fund Revenues



- Tax Revenue 84% of Total Revenue
- Almost ½ of all Tax Revenue is Shared with Schools
- Pandemic Has Impacted Many Revenue Categories
 - Taxes
 - Fees
 - Fines
 - Charges for Service

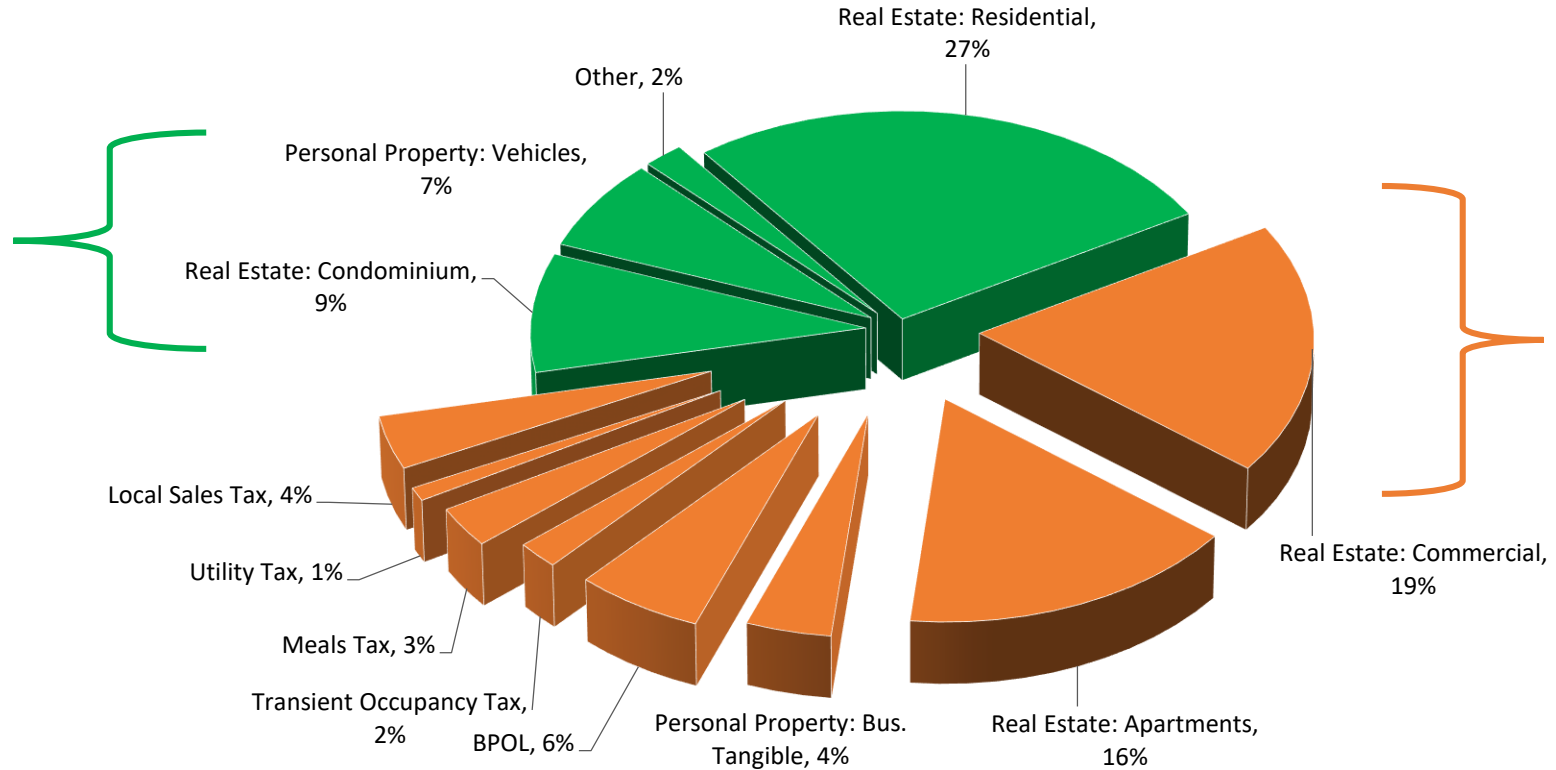
Local Tax Revenues



Tax Revenues Expected to be Most Significantly Impacted by Pandemic and Economic Crisis

Early Indications of Residential Real Estate and Vehicle Personal Property Tax will be within budget estimates

45% = \$502.3M



Over ½ of All Taxes Revenues Funding County Operations Being Impacted by the Health & Economic Crisis

55% = \$613.9M

What Did We Assume in April?

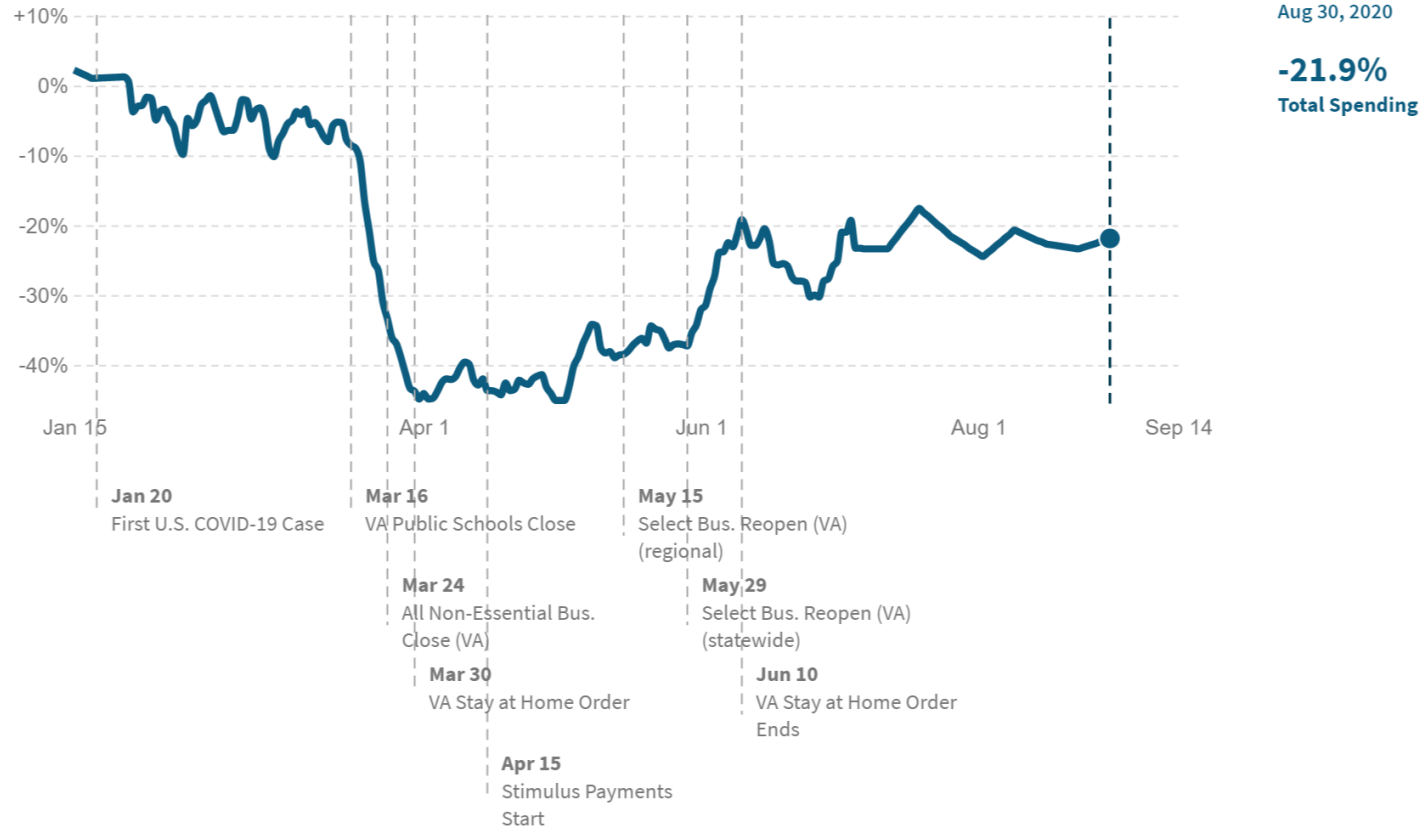
- Reductions in Several Tax Revenues from the February Original Proposed Budget
 - Real Estate Taxes
 - Business License Taxes
 - Sales Taxes
 - Meals Taxes
 - Transient Occupancy Taxes (Hotel occupancy taxes)
- Minor Adjustments to Several Non-Taxes
- Assumed Recovery Occurring in the Summer with most taxes and fees at normal levels in the Fall

What Do We Project Now?

- Longer Recovery Period
- Some Revenues Will Not Return to Normal for Some Time (e.g. Transient Occupancy Taxes)
- Increased Uncertainty in Real Estate Taxes
 - Impacts on January 2021 assessments and beyond
 - Commercial and Residential owners ability to pay
- Certain Non-Tax Revenues Impacted More Severely Than Originally Projected
 - Parking Meters
 - Parking Tickets
 - Parks Program revenue & Transit revenue

Percent Change in All Consumer Spending*

In **Arlington County**, as of August 30 2020, total spending by all consumers decreased by **21.9%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series reflects daily data through July 5th, 2020 and weekly data after July 5th, 2020. This series is based on data from Affinity Solutions.

last updated: **September 11, 2020** next update expected: **September 15, 2020**

Monthly Tax Revenues

Sales:

- Percentage drop was not as significant as other taxes (lowest point down 37%)
- Recovery expected to be faster than other taxes

Meals:

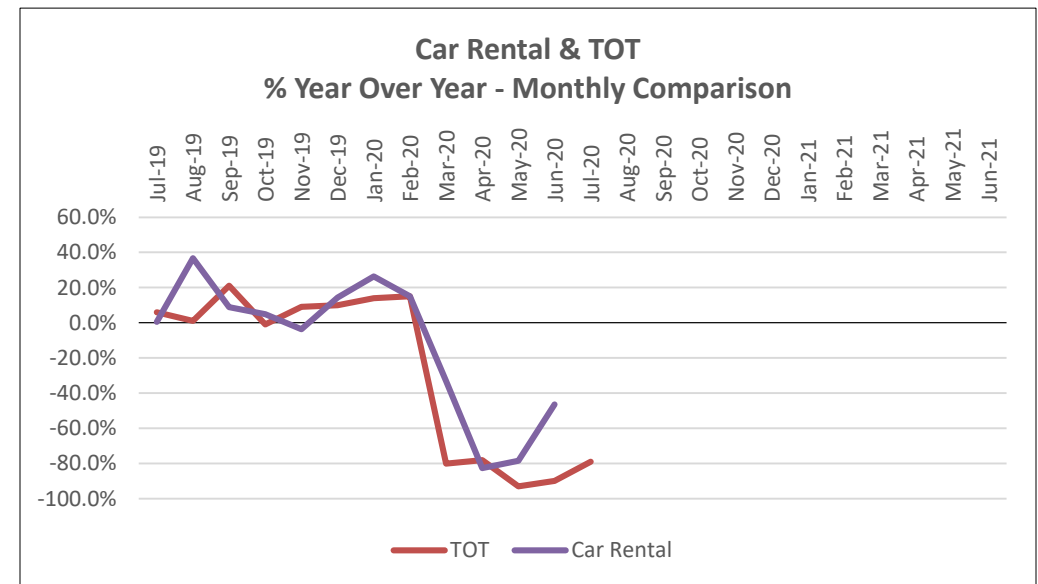
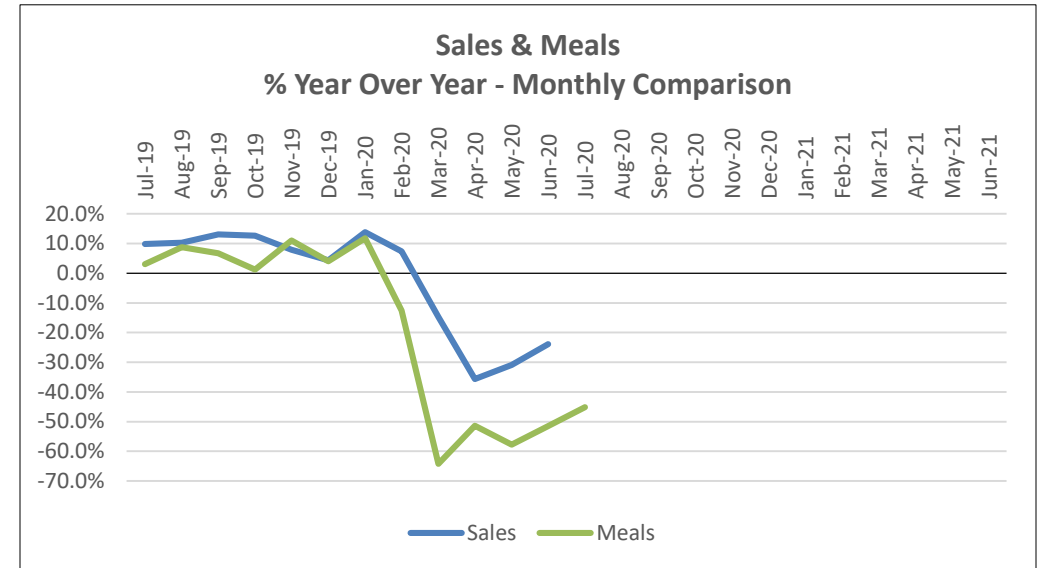
- Actuals starting to show some signs of recovery but may plateau during winter months if indoor dining restrictions remain in place

Car Rental:

- Impacted similar to hotel taxes initially
- Recovery has been faster but may plateau during winter months

Transient Occupancy Tax (TOT):

- Most recent actuals still at early pandemic levels, recovery expected to be significantly slower than initially anticipated



Projected Revenue Gap (FY 2021)

	Range for Revenue Shortfall	
Tax Gap	(\$30,000,000)	(\$45,000,000)
Non-Tax Gap	(12,000,000)	(15,000,000)
Total Gap	(42,000,000)	(60,000,000)
County Gap	(27,900,000)	(38,850,000)
School Gap	(14,100,000)	(21,150,000)



- Business Taxes
- Meals Taxes
- Real Estate Taxes
- Hotel Taxes
- Sales taxes

- Parking Meters
- Parks Programs
- Parking Tickets
- Fines

Tax Revenues Being Adjusted

- Real Estate (\$795.1 million adopted budget)
 - Current budget assumes 0% growth of assessments this January (2021)
 - Reduced from 3% in the original proposed budget
 - Each 1% difference = \$4.0M in total taxes in FY 2021 (June 2021 payment)
 - IF, for example, commercial properties are down <10% and residential is positive, additional revenue loss would be \$5 – 15 million
- Business License Tax – BPOL (\$63.0 million adopted budget)
 - Reduced approximately 12% in the adopted budget from February initial proposed budget
 - Almost half of the County’s BPOL revenue is generated from professional and specialized services (consultants, government contractors, etc)
 - Impact in these areas projected to be less severe than other service industries
- Business Tangible Property (\$40.8 million adopted budget)
 - Concerns with delinquencies in struggling businesses
- Sales Tax & Meals Tax
 - Slower but improving recovery expected
- Hotel and Car Rental Tax
 - Long-term recovery expected

Non-Tax Revenue Adjustments

- Parking Meter
 - Parking activity significantly down
 - Anticipate slightly higher usage in 2nd half of fiscal year (spring 2021)
- Parking Ticket
 - Less parking utilization – lower number of non-compliant parkers
- Parks Program
 - Portion of revenue loss offset by expenditure savings
 - Many programs have net tax support which are funded with existing County personnel
- Transit
 - Lower transit utilization impacting fare revenue

Tax Timing & Additional Collection Concerns

Total FY 2021 Adopted Tax Revenue: \$1,116.2 million



Notes:

- Sales, Meals, Hotel, and Car Rental Taxes come in monthly during the fiscal year
- Real Estate Taxes come in October and June of the fiscal year
- Personal Property Taxes come in Sept/Oct

Addressing the Revenue Shortfall

- Options To Consider
 - Further Slow/Eliminate spending
 - Utilize FY 2020 Close-out Discretionary Funding
 - Utilize FY 2021 Adopted COVID-Contingent
 - Utilize Reserves
- Next Steps With County Board
 - October - Presentation of FY 2020 Close-out Recommendations
 - November
 - Adoption of FY 2020 Close-out
 - County Board Guidance

CARES Funding Update

	Total (millions of \$)
ACG CARES Fund Allocation from State	\$ 41.3
CARES Fund Obligations	
<i>FY20 Actual Expenditures</i>	\$ 8.3
<i>FY20 FEMA local matching funds</i>	\$ 0.8
<i>FY21 YTD Actual Expenditures</i>	\$ 3.0
<i>Current Open Encumbrances</i>	\$ 4.2
Subtotal Obligations	\$ 16.3
CARES Fund Planned and Earmarked Uses	
<i>In-development County Projects</i>	\$ 2.0
<i>Estimated FY21 PPE and Cleaning Supplies</i>	\$ 2.0
<i>Estimated FY21 FEMA Local Matching Funds</i>	\$ 0.4
<i>APS Earmark</i>	\$ 7.2
<i>APS Internet Essentials Program</i>	\$ 0.5
<i>CARES Technology in FY21 CIP</i>	\$ 1.0
Subtotal Planned and Earmarked	\$ 13.1
Remaining Unobligated CARES Funds	\$ 11.9

- Several other COVID-related cost areas are still being explored and quantified at this time: additional APS needs; APS distance learning/connectivity initiatives; ongoing safety net (food, rent assistance) needs; mobile testing programs; and aid for community non-profits.

CARES Funding Obligations to Date*

CARES Reporting Category	FY20 Actual	FY21 YTD Actual	Open Encumbrances	Total
COVID-19 Testing and Contact Tracing	\$ 0.2	\$ 0.5	\$ 0.7	\$ 1.3
Food Programs	\$ 0.2		\$ 0.1	\$ 0.3
Housing Support (rent assistance, eviction prevention)	\$ 1.1		\$ 1.1	\$ 2.2
Improve Telework Capabilities of Public Employees	\$ 1.4	\$ 0.1	\$ 0.7	\$ 2.2
Payroll for Public Health and Safety Employees	\$ 1.1	\$ 0.3		\$ 1.4
Budgeted Personnel and Services Diverted to COVID programs	\$ 1.3	\$ 0.5		\$ 1.8
Personal Protective Equipment	\$ 0.7	\$ 0.1	\$ 0.4	\$ 1.2
Public Health Expenses	\$ 0.6	\$ 1.0	\$ 1.1	\$ 2.7
Small Business Assistance	\$ 1.5	\$ 0.1		\$ 1.6
CARES Administrative Expenses	\$ 0.2	\$ 0.4	\$ 0.2	\$ 0.8
FEMA Local Matching Funds	\$ 0.9			\$ 0.9
TOTAL	\$ 9.1	\$ 3.0	\$ 4.2	\$ 16.3

* Totals do not include COVID-related obligations covered by FEMA Public Assistance, other non-CARES grants, or local funds.

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