

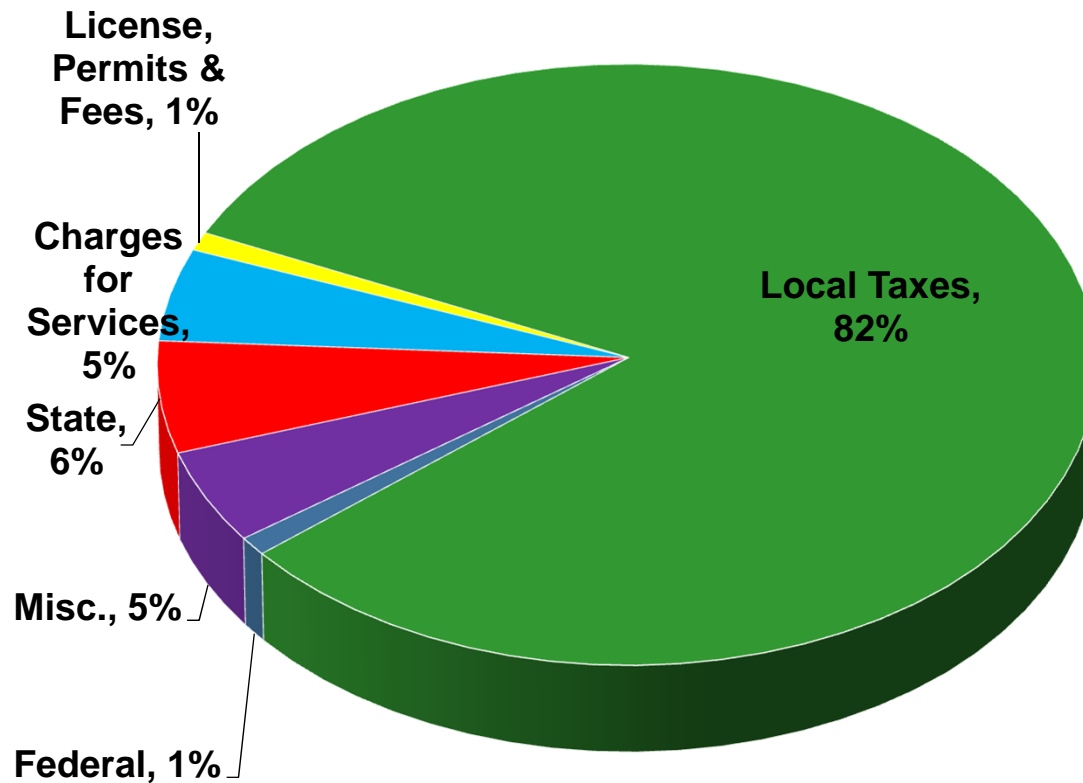
Arlington  
**Community Facilities Study**  
*A resource and facilities plan for our future*

February 11, 2015  
**Revenue Overview**



# General Fund Revenue By Source

FY 2015: \$1.15 billion



# Legal Limits on Taxation in Virginia

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# Dillon Rule Limits Localities

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- Dillon Rule: Localities cannot implement taxes without the express authority of the State.
- Limits revenue raising and the potential for diversification of revenues.

# What tax sources does the Commonwealth allow?

Source	Limitations	Revenue Potential
Real Estate Tax	<ul style="list-style-type: none"> <li>No limitation from the State</li> </ul>	<ul style="list-style-type: none"> <li>High</li> </ul>
Personal Property Tax – car tax	<ul style="list-style-type: none"> <li>No limitation from the State</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> </ul>
Business Tangibles Tax – business property tax	<ul style="list-style-type: none"> <li>No limitation from the State</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> </ul>
Business, Professional, & Occupational License (BPOL) – business gross receipts tax	<ul style="list-style-type: none"> <li>State sets maximum rates</li> </ul>	<ul style="list-style-type: none"> <li>High</li> </ul>
Sales Tax	<ul style="list-style-type: none"> <li>State sets maximum rate</li> </ul>	<ul style="list-style-type: none"> <li>At maximum rate</li> </ul>
Meals Tax – tax on prepared food	<ul style="list-style-type: none"> <li>State sets maximum rate</li> </ul>	<ul style="list-style-type: none"> <li>At maximum rate</li> </ul>
Transient Occupancy Tax (TOT) – hotel tax	<ul style="list-style-type: none"> <li>State sets maximum rate</li> </ul>	<ul style="list-style-type: none"> <li>At maximum rate</li> </ul>
Taxing Districts	<ul style="list-style-type: none"> <li>Can be used for certain specific purposes</li> </ul>	<ul style="list-style-type: none"> <li>Depends</li> </ul>

# Tax that Arlington has not implemented

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- Admissions tax

# Regional Comparison

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# Local Taxing Authority in the Region

	Maryland	D.C.	Virginia
Real Estate	✓	✓	✓
Income Tax	✓ (personal)	✓ (personal & business)	✗
Local Option Sales Tax	✗	✓	✓
Hotel Tax	✓	✓	✓
Motor Vehicle Fuel Tax	✗	✓	✗
Utility/Energy Tax	✓	✓	✓
Recordation	✓	✓	✓



# Northern Virginia Jurisdictions

## Arlington

- Budget: \$1.15 billion
- Population: 268,406 (daytime), 214,861 (resident)
- RATIO: 1.25

## Fairfax

- Budget: \$3.72 billion
- Population: 1,103,843 (daytime), 1,101,071 (resident)
- RATIO: 1.00

## Alexandria

- Budget: \$636.77 million
- Population: 152,493 (daytime), 143,684 (resident)
- RATIO: 1.06

## Prince William

- Budget: \$989.84 million
- Population: 331,251 (daytime), 416,668 (resident)
- RATIO: 0.79

## Loudoun

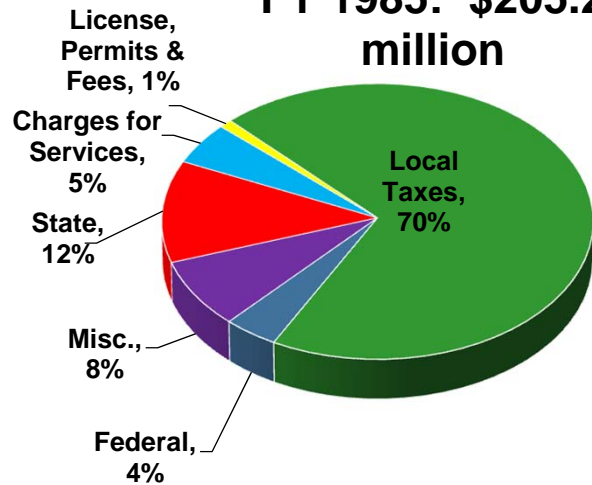
- Budget: \$1.98 billion
- Population: 297,023 (daytime), 326,477 (resident)
- RATIO: 0.91

# Arlington's Budget

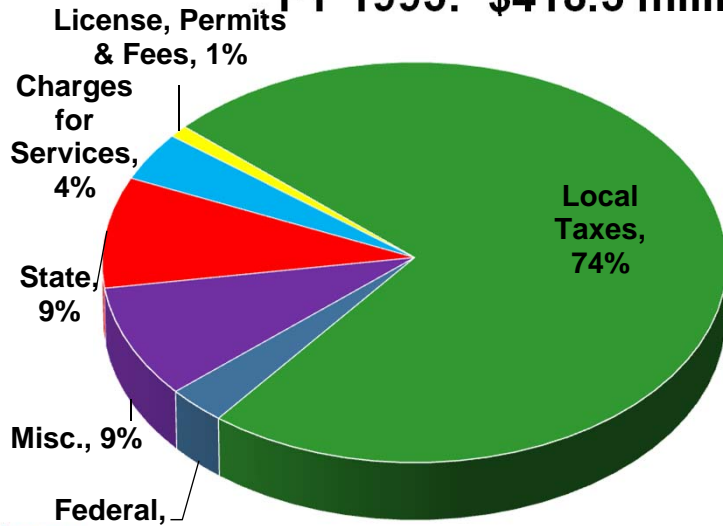
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# General Fund Revenue By Source

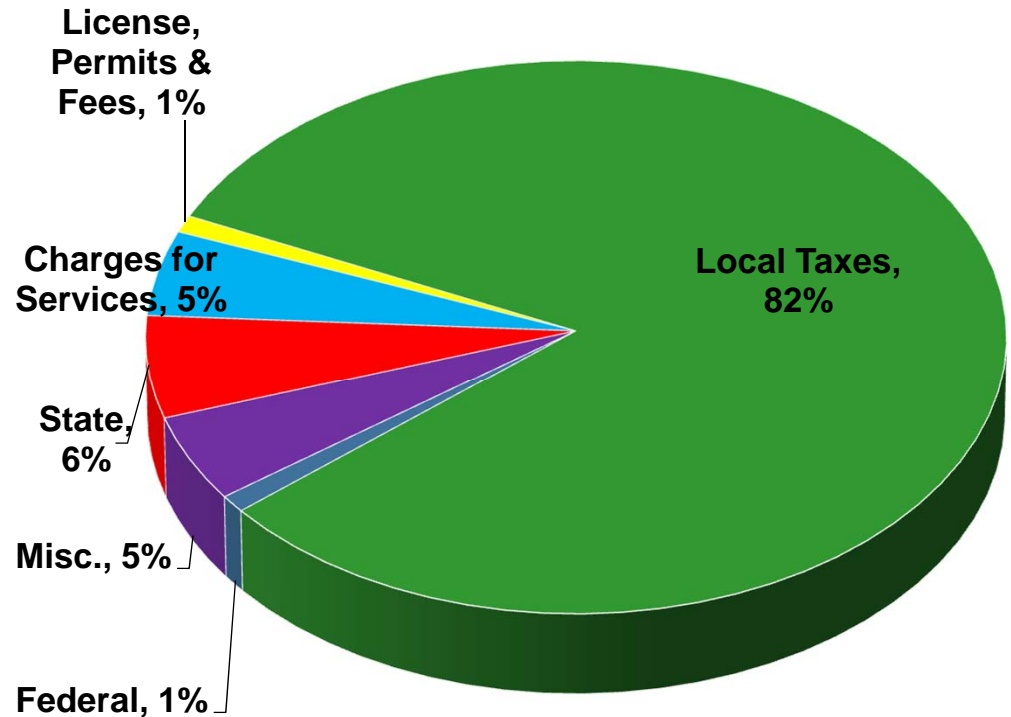
**FY 1985: \$205.2 million**



**FY 1995: \$418.3 million**

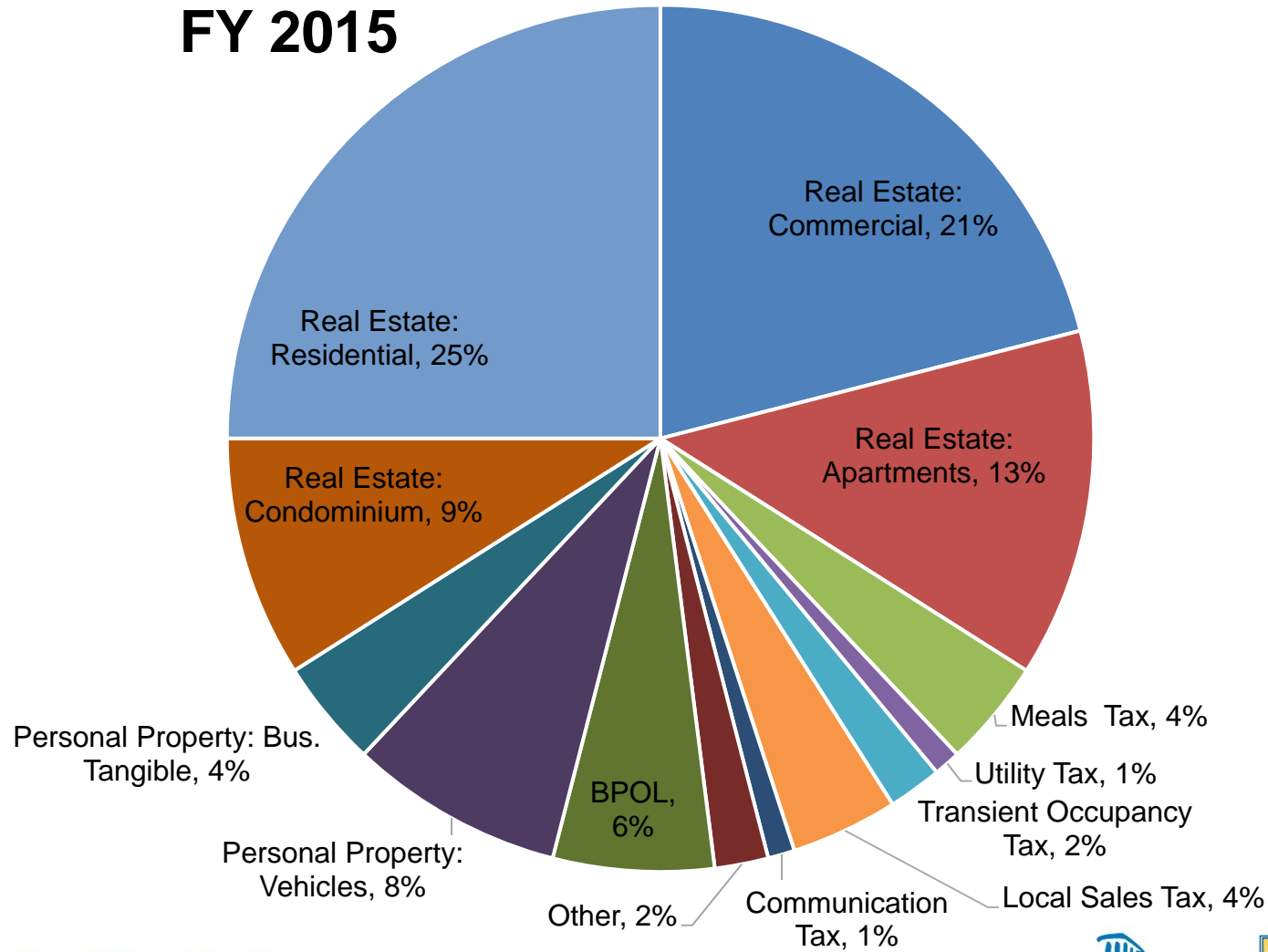


**FY 2015: \$1.15 billion**



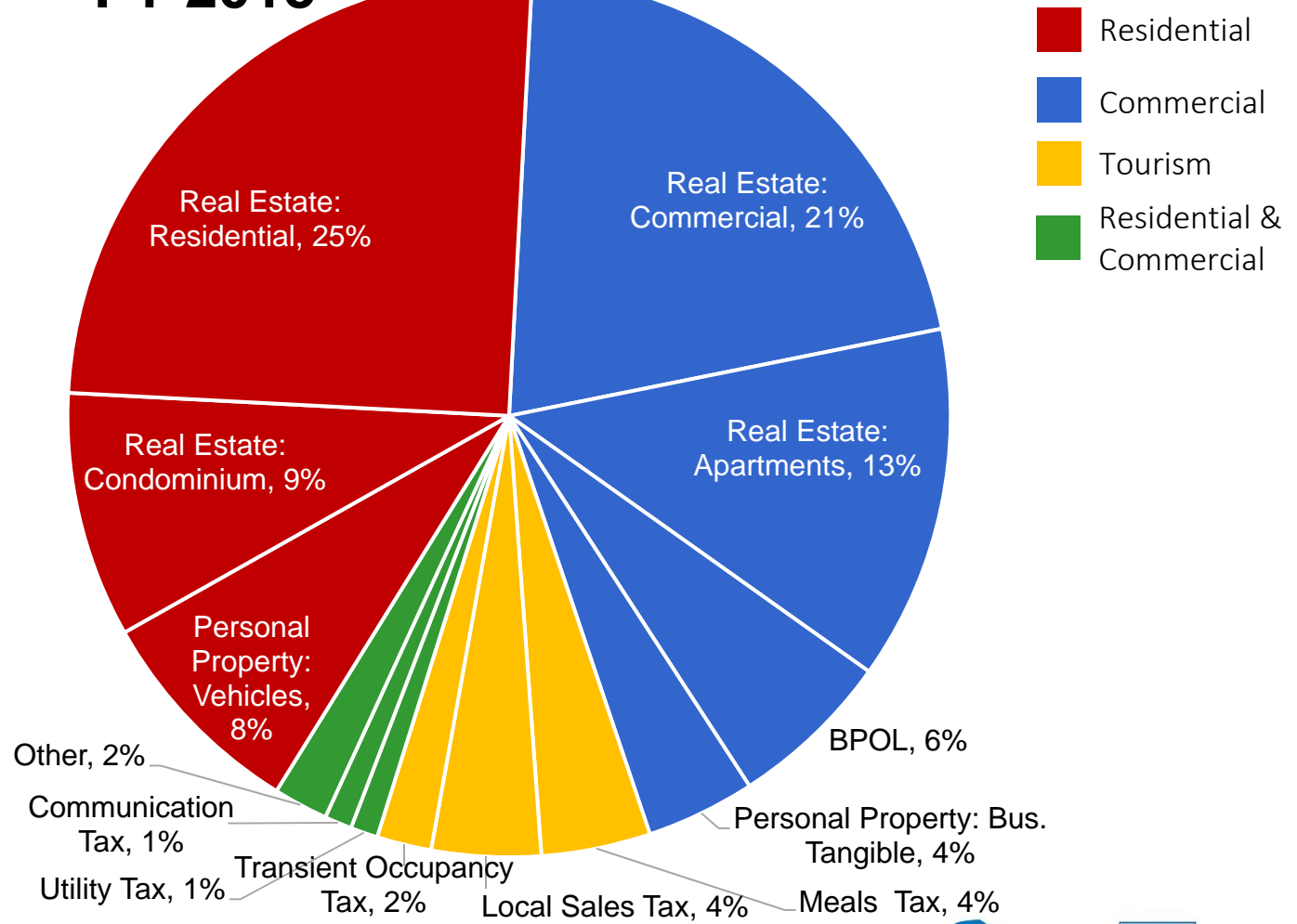
# Local Tax Revenue by Source (General Fund)

**FY 2015**

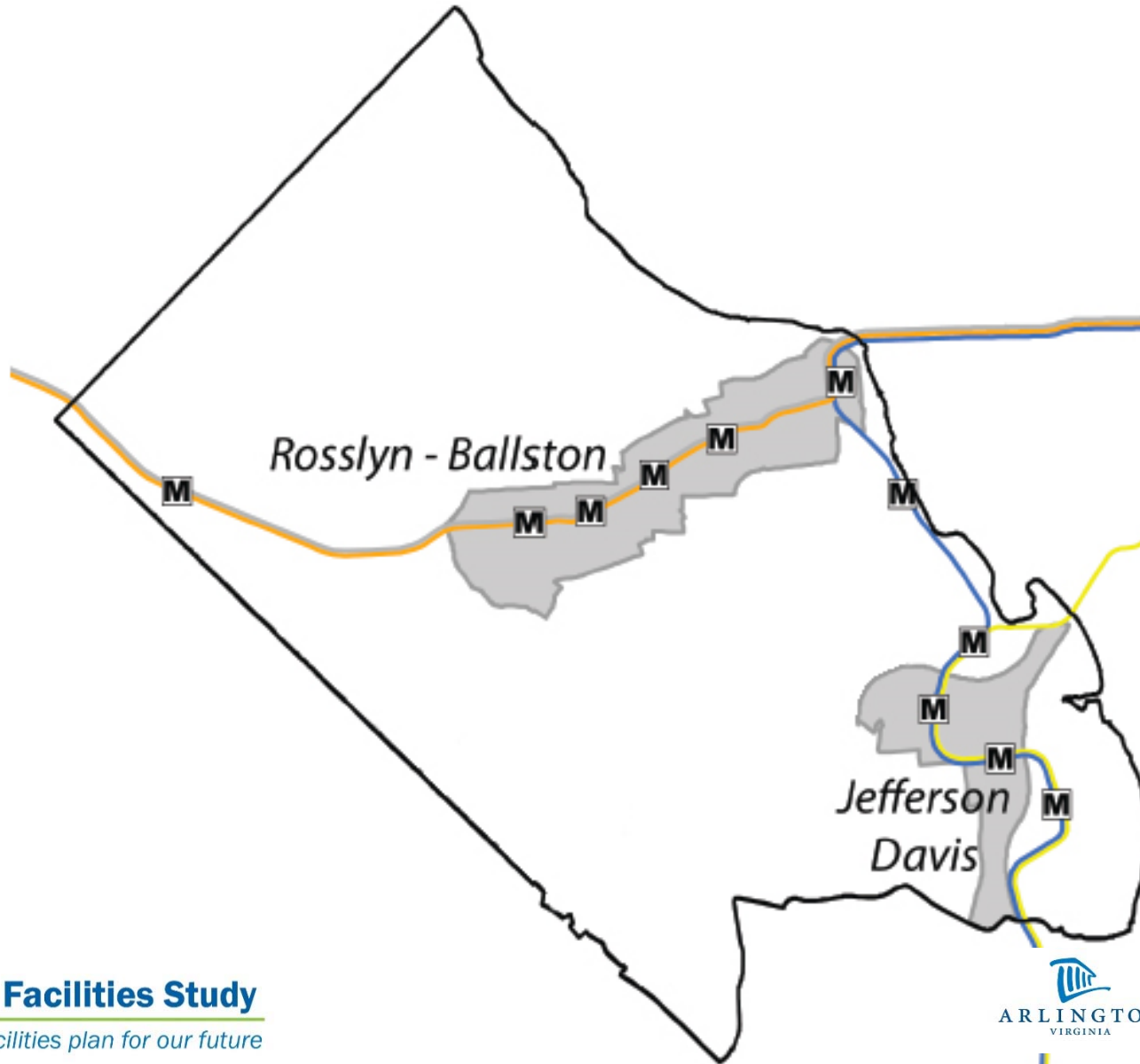


# Local Tax Revenue by Source (General Fund)

**FY 2015**



# Assessed Value Concentrated in Corridors



# Real Estate Taxes

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- **Background:**
  - Largest revenue source: FY 2015 totals \$637.1 million at \$0.983 rate
  - Paid by owners of residential and commercial properties
    - Reassess properties annually
      - Residential based on fair market value including factors such as sales price of similar properties
      - Most commercial assessments based on how much income the property would produce if it were rented
  - Split between commercial and residential properties has been about 50/50; any change to this split shifts the tax burden
  - Revenue growth is dependent on assessment growth, new construction, and the tax rate
- **Legal limitations:**
  - Localities control the level of the real estate tax rate
  - Legally required to have a unified tax rate; cannot have differentiated rates for different property types without state authorization

# Who Pays Real Estate Taxes?

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CY 2015 Total Assessments = \$68,649 million

Residential: 51.6%



Houses/  
Townhouses:  
37.4%

Condos: 14.1%

Commercial: 48.4%



Apartments:  
19.5%



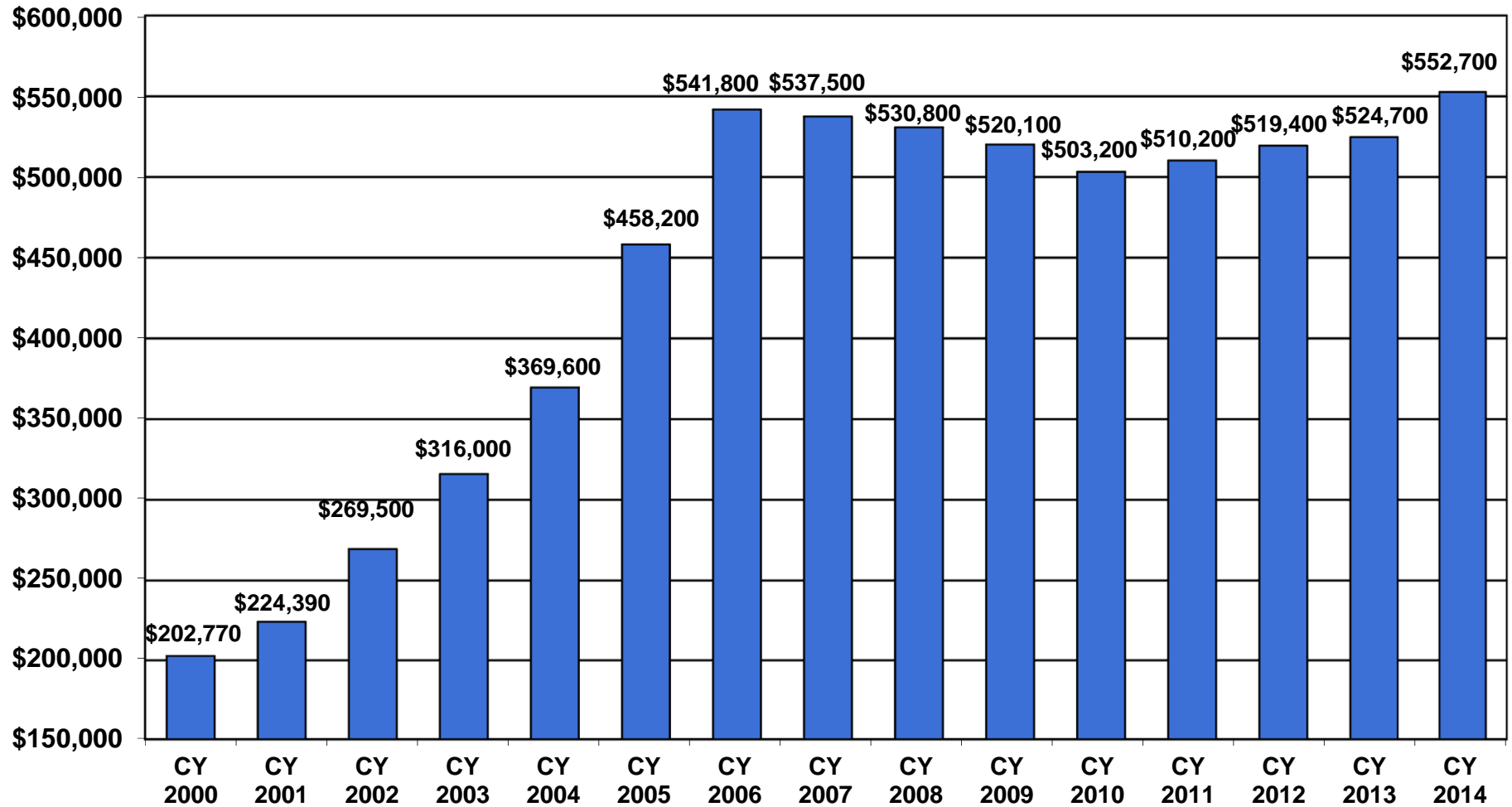
Office: 20.1%

General  
Commercial: 6.1%

Hotels: 2.7%



# Average Single-Family Home Assessment



# Tax & Fee Burden on Average Household

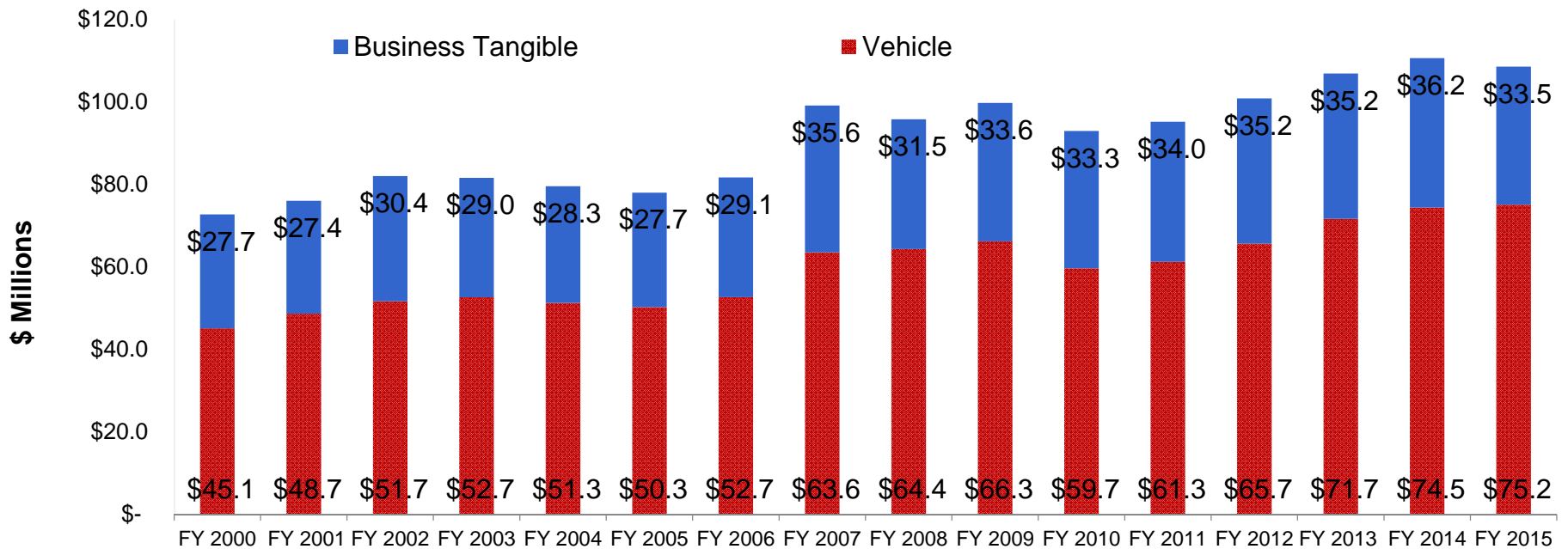
CY 2014	Arlington County	City of Alexandria	Fairfax County	Prince William County	Loudoun County
Average Residential Assessment	\$552,700	\$490,422	\$497,962	\$310,823	\$423,000
<b>Estimated Taxes</b>					
Real Estate	\$5,505	\$5,115	\$5,547	\$3,796	\$4,886
Personal Property	928	928	848	688	780
Residential Consumer Utility	72	72	96	72	65
<b>Subtotal</b>	<b>\$6,505</b>	<b>\$6,115</b>	<b>\$6,491</b>	<b>\$4,556</b>	<b>\$5,731</b>
<b>Estimated Fees</b>					
Water/Sewer	\$913	\$985	\$735	\$834	\$687
Solid-Waste/Recycling	271	325	345	396	326
Decal Fee	66	66	66	48	50
<b>TOTAL</b>	<b>\$7,755</b>	<b>\$7,491</b>	<b>\$7,637</b>	<b>\$5,834</b>	<b>\$6,794</b>
Amount more (less) than Arlington		(\$264)	(\$118)	(\$1,921)	(\$961)
Percent more or less than Arlington		-3.4%	-1.5%	-24.8%	-12.4%

Arlington's taxes and fees fund a high level of service delivery including:

- Higher per pupil spending than any other jurisdiction
- Streets maintained by the County instead of the State
- Metro (not in Prince William or Loudoun) & ART
- Commitment to Affordable Housing & human services support
- Robust library & community center services
- Water/sewer improvements to enhance environmental quality

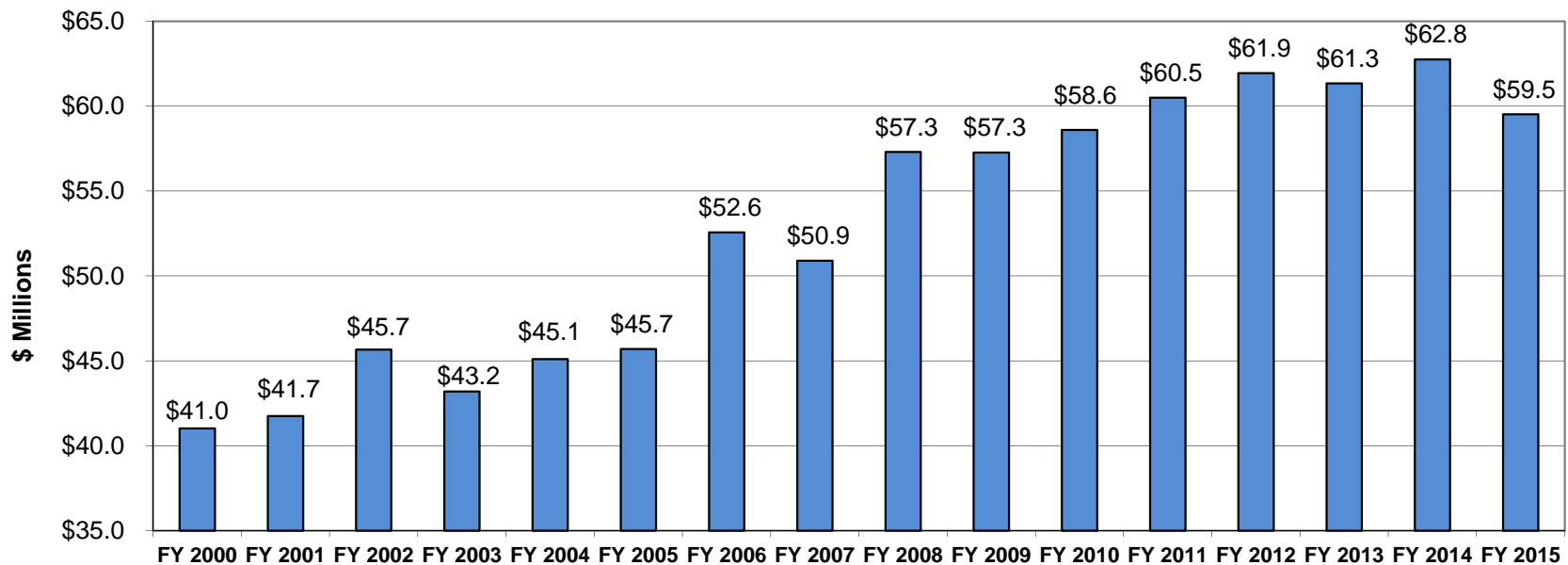
# Personal Property Tax Revenue

- Background:
  - Second largest tax at \$108.7 million in FY 2015
  - Levied on tangible property of individuals (vehicles) and businesses (machines, furniture, equipment, fixtures, & tools)
  - Business Tangibles influenced by vacancy rates & reinvestment by businesses
- Legal limitations:
  - State does not limit the rates but BT rate cannot exceed vehicle rate

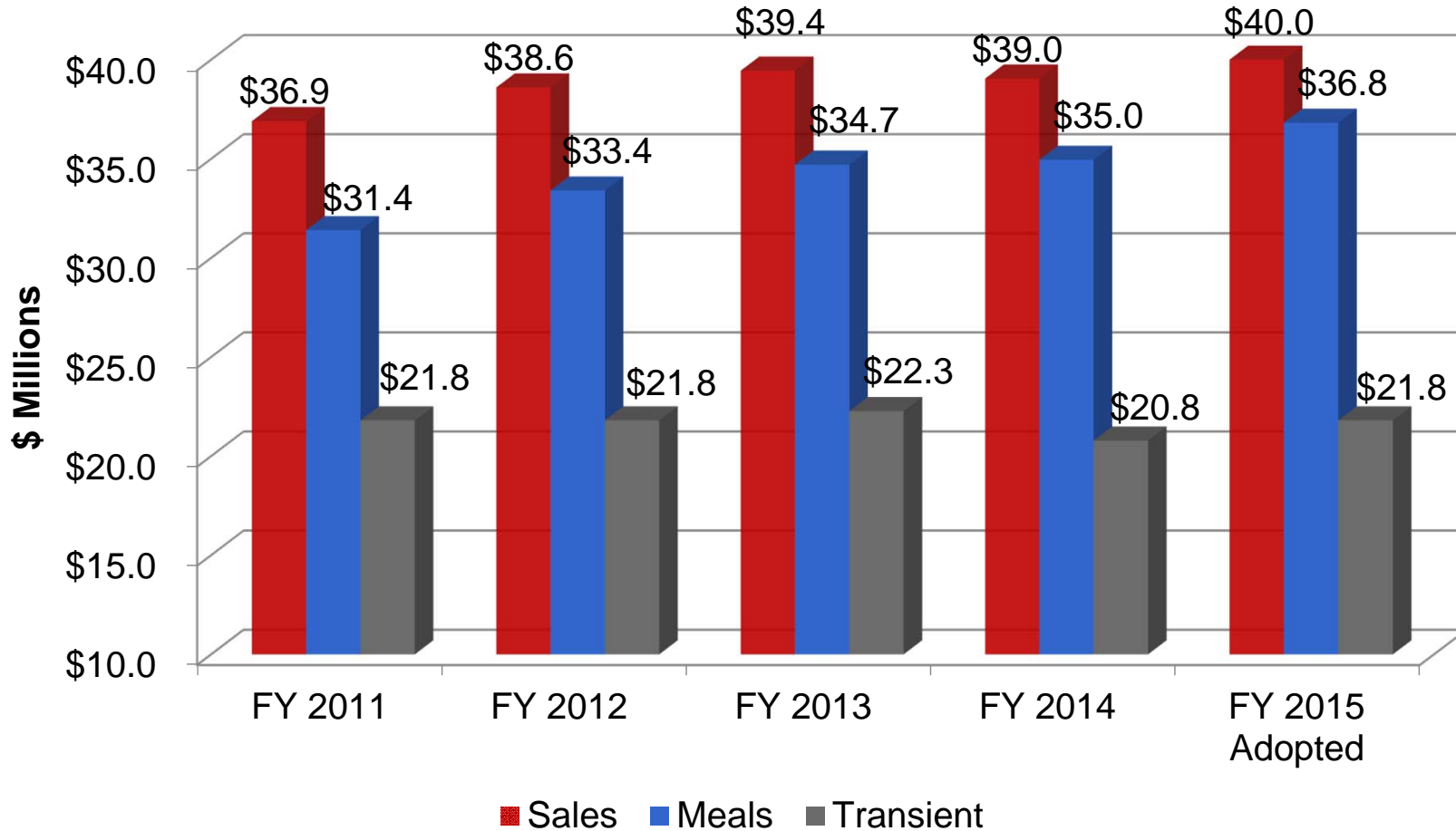


# Business, Professional, Occupational License Tax

- Background:
  - Businesses' gross receipts are taxed at various rates
  - Largest source is Professional Services at over 50% of total
  - Very few states have a business gross receipts tax
  - Higher rates limit economic competitiveness
- Legal limitations:
  - State has set maximum rates
  - Arlington rates are lower than the maximums



# Sales, Meals, & Transient Occupancy Taxes



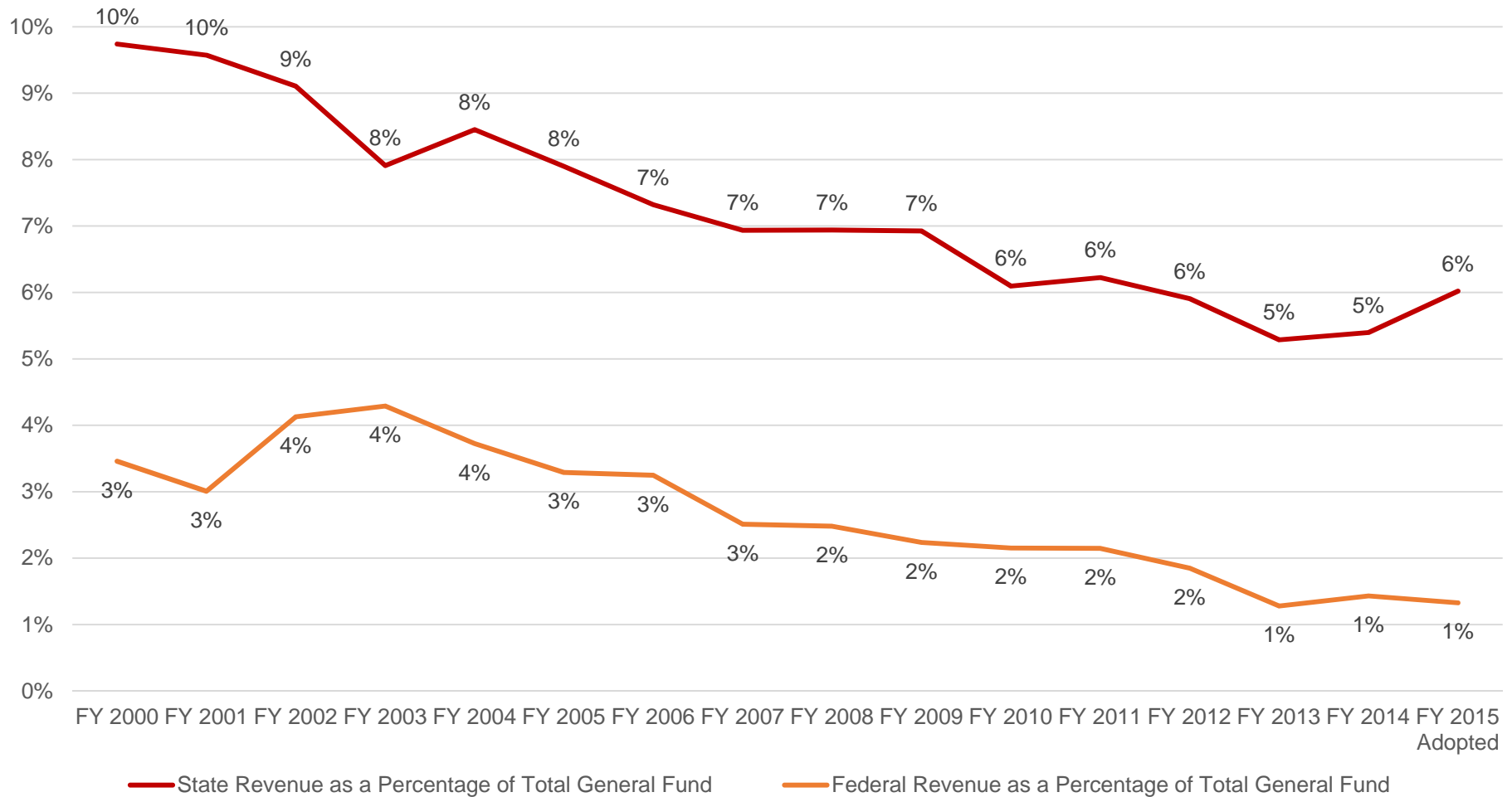
# Other Taxes

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- Utilities: \$11.8M revenue
- Communications: \$7.5M revenue
- Recordation: \$6.0M revenue
- Car Rental: \$5.4M revenue
- Cigarette: \$3.0M revenue
- Bank Stock: \$2.9M revenue

# State & Federal Revenue

State & Federal Revenue as a Percentage of Total General Fund



# Tax Base: Commercial versus Residential

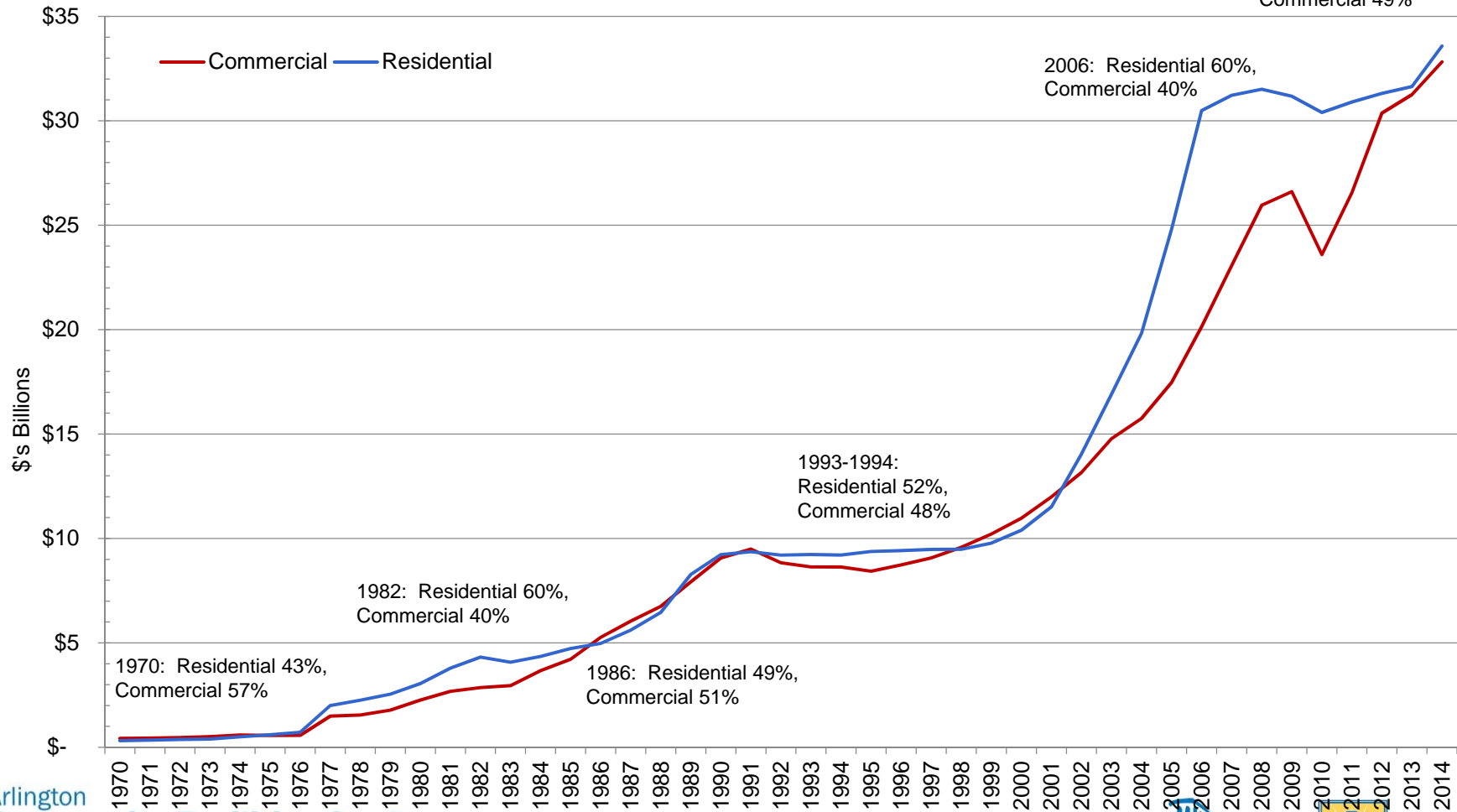
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# Historic Balance of Tax Burden

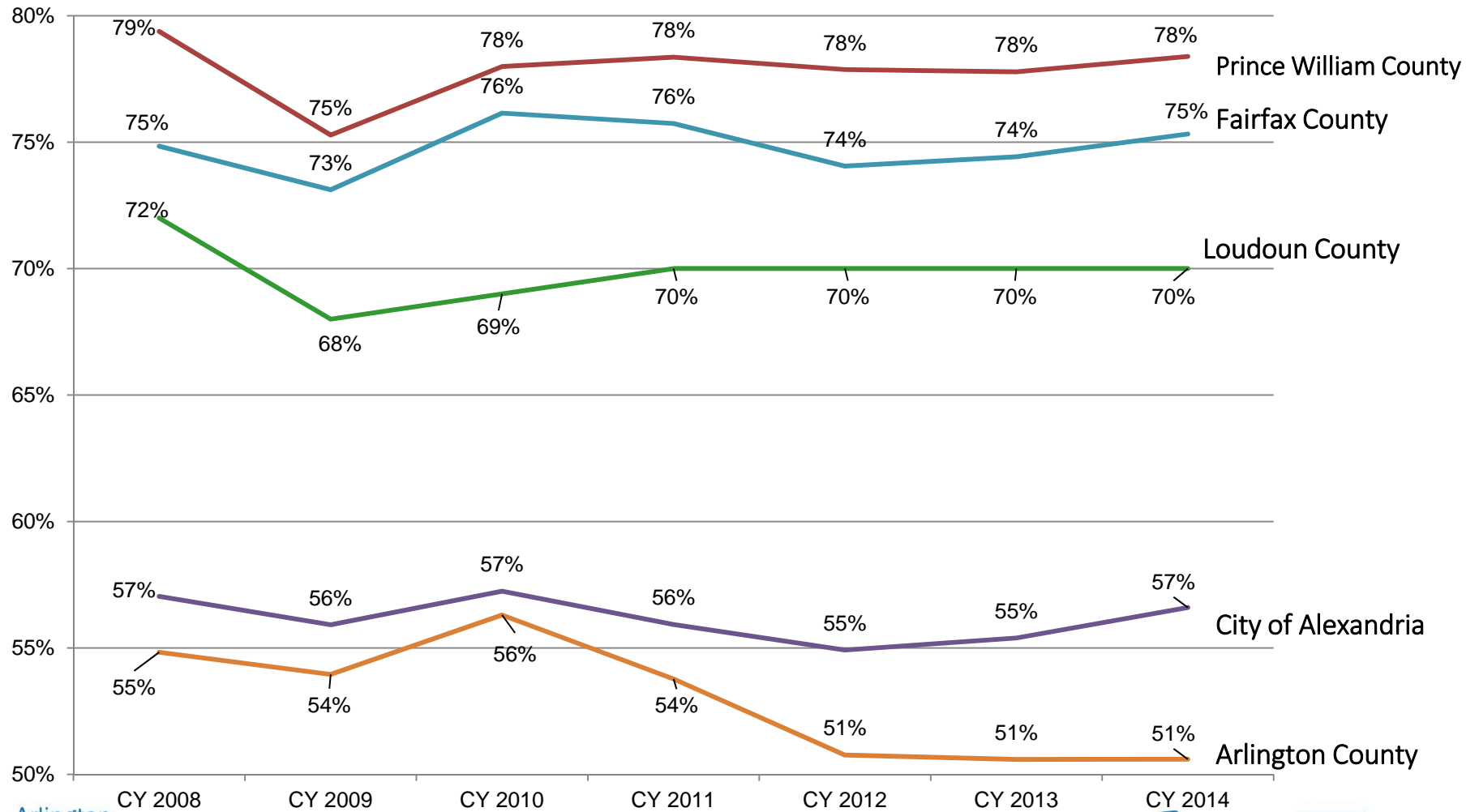
## Total Commercial versus Total Residential Real Estate Tax Base Value, 1970 to 2014

2014: Residential 51%, Commercial 49%



# Real Estate Impact on Homeowner Regionally

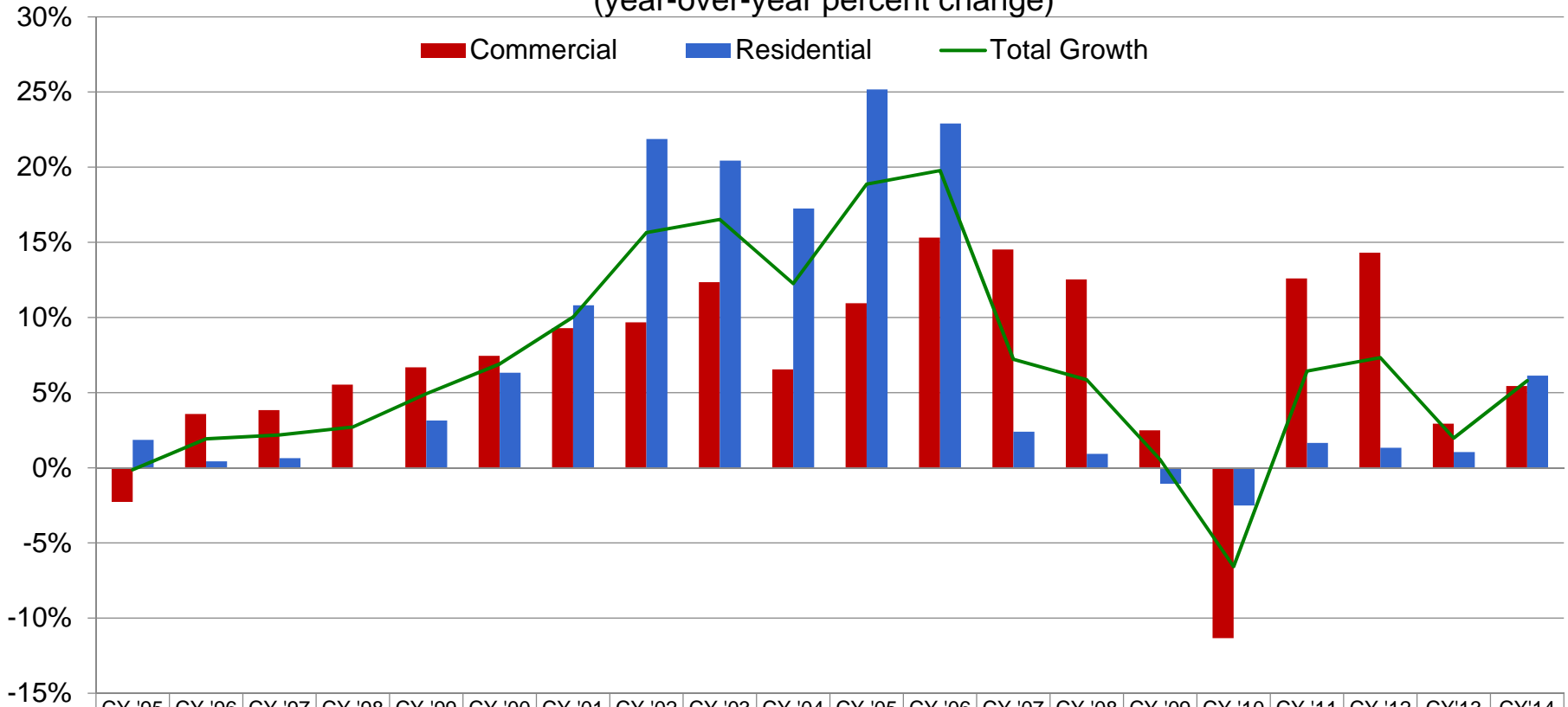
Residential assessments as a percentage of total tax base



# Assessment Base Percent Change

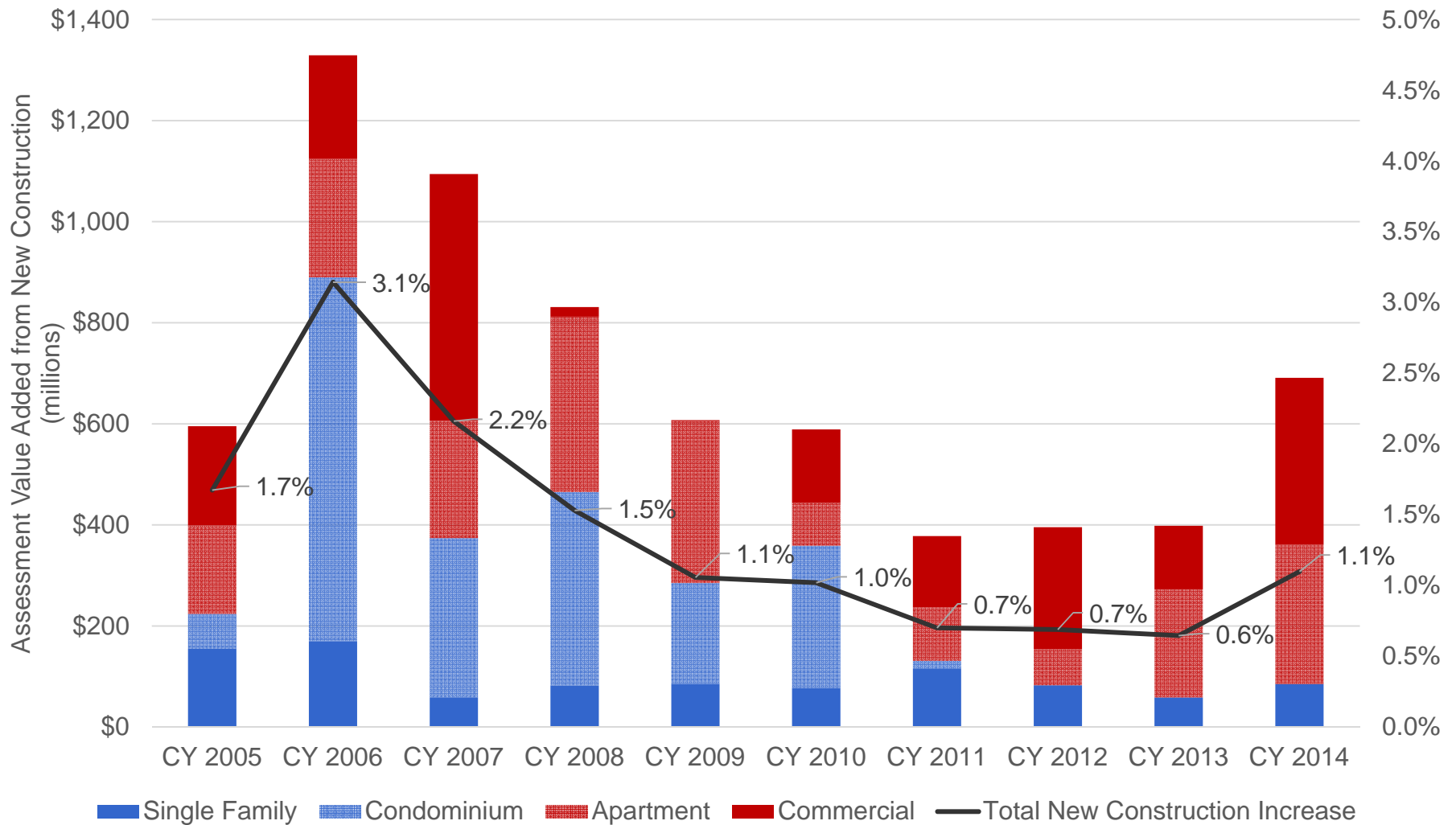
## Residential vs. Commercial 1995-2014

(year-over-year percent change)



	CY '95	CY '96	CY '97	CY '98	CY '99	CY '00	CY '01	CY '02	CY '03	CY '04	CY '05	CY '06	CY '07	CY '08	CY '09	CY '10	CY '11	CY '12	CY '13	CY '14
Commercial	-2.3%	3.6%	3.8%	5.5%	6.7%	7.5%	9.3%	9.7%	12.3%	6.5%	11.0%	15.3%	14.5%	12.5%	2.5%	-11.3%	12.6%	14.3%	2.9%	5.4%
Residential	1.9%	0.4%	0.6%	0.0%	3.1%	6.3%	10.8%	21.9%	20.4%	17.2%	25.2%	22.9%	2.4%	0.9%	-1.1%	-2.5%	1.7%	1.3%	1.0%	6.1%
Total Growth	-0.1%	1.9%	2.2%	2.7%	4.9%	6.9%	10.0%	15.7%	16.5%	12.3%	18.9%	19.8%	7.2%	5.9%	0.5%	-6.6%	6.4%	7.3%	2.0%	5.8%

# Growth from New Construction by Category



# Commercial New Construction

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Real Estate Taxes: \$1.4 million

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BPOL & Business Tangibles: \$1.4 million

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Meals, Sales, & TOT: \$220,000

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Real Estate Taxes: \$800,000

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Personal Property Taxes: \$170,000

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Meals, Sales, & TOT: \$50,000

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# Other Financial Management Factors

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- Triple-Aaa bond ratings
- Strong reserve levels
- Fully funded pension
- Funding plans in place for retiree healthcare
- Moderate debt limits & reinvestment in infrastructure
  - Capital funding sources & debt capacity briefings will come in future meetings

# Key Takeaways

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- Legal and policy limitations impact taxing capacity
- Arlington's balance between residential and commercial assessments is unique and provides fiscal and service delivery benefits
- Arlington's sound financial practices facilitate service delivery and provide taxpayer benefits

# Questions?

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