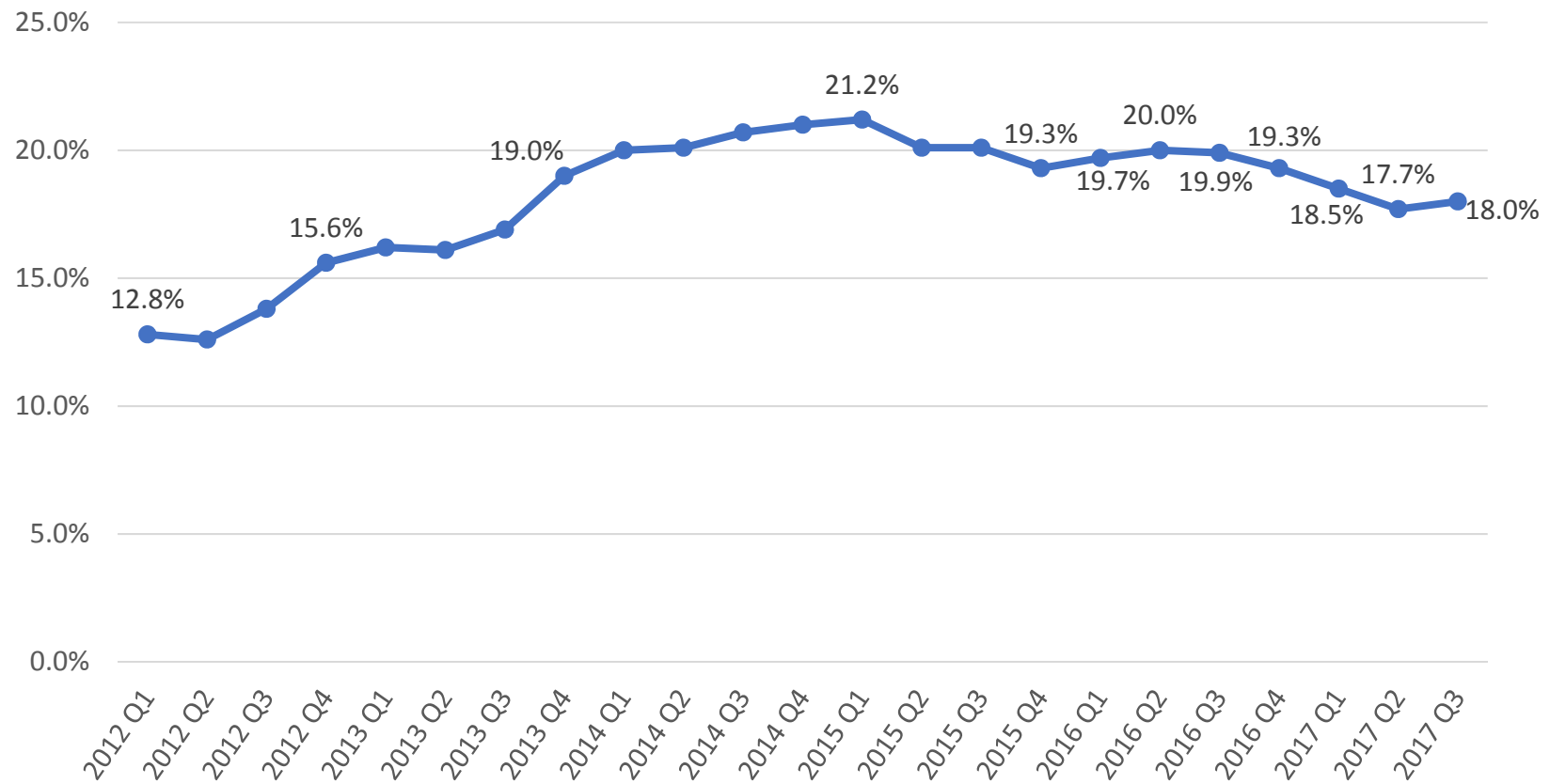


# FY 2019 Budget Forecast Overview

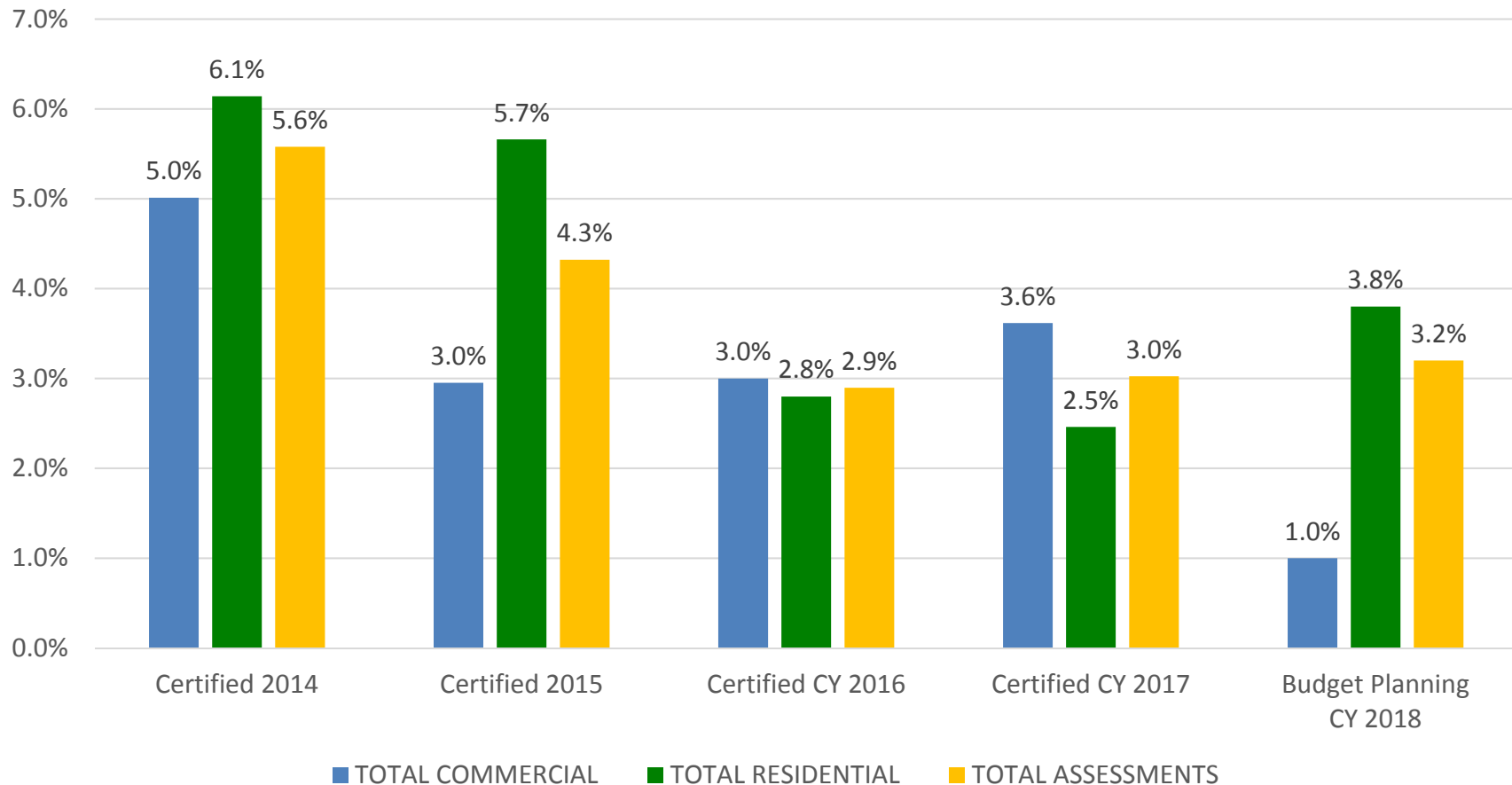
October 24, 2017

- **Arlington Continues to Grow**
  - Population
  - Service Demands
  - Real Estate Assessment Base / New Construction
  - School Population
- **Real Estate Trends**
  - Residential – slightly positive – 2017 sales & prices trending up
  - Apartments – growing inventory, slower growth in rents
  - Commercial Office – continues to be under pressure - vacancy still a key concern

## Countywide Commercial Vacancy Rate



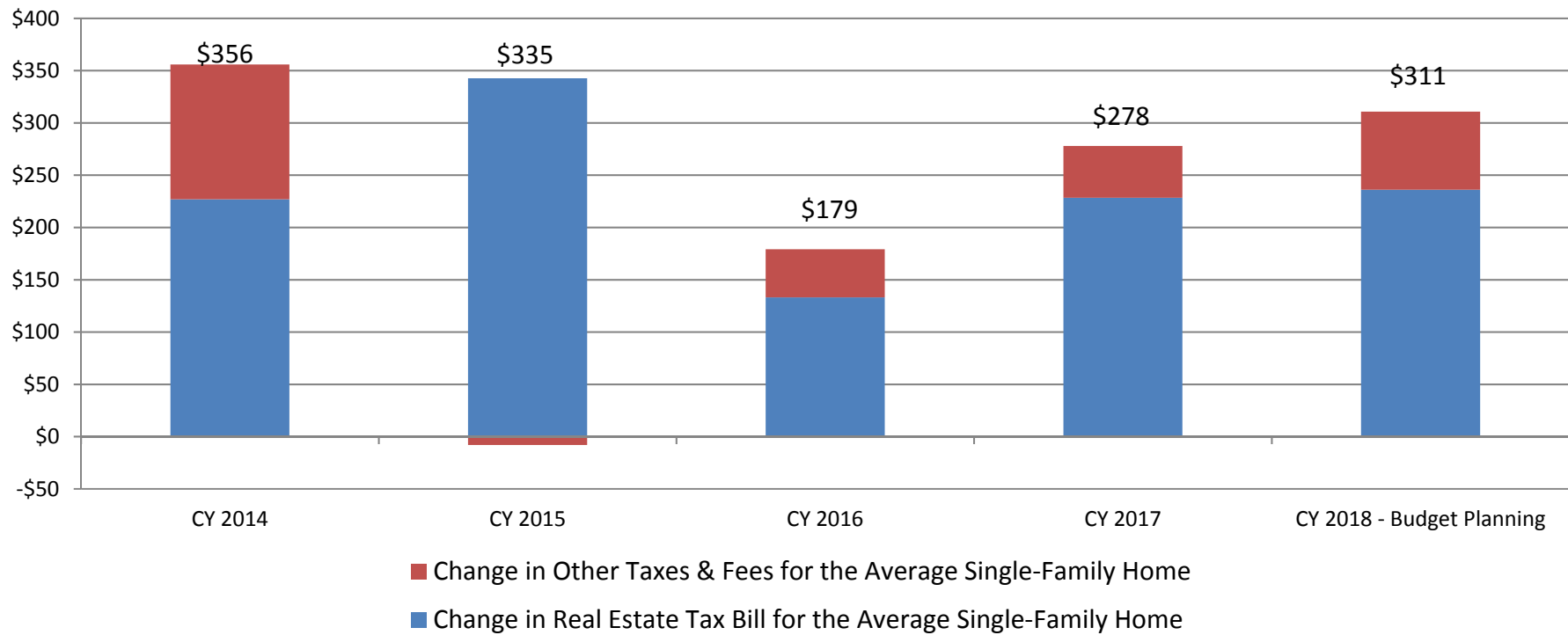
## Growth in Assessments



# Preliminary FY 2018 Outlook

- Other taxes showing slow but positive growth
  - Personal Property & Business Tangibles: increasing
  - Business, Profession & Occupational License (BPOL): increasing
  - Sales, Meals, & Transient Occupancy Tax: slower growth
  - Other local taxes: up 2%
- Minimal growth in fee revenue
- State & Federal
  - 1% growth in state revenue
  - Federal flat

## Changes in Annual Local Taxes and Fees for the Average Single-Family Home



- In CY 2018, the assessment of the average single-family home is expected to increase 5.0% to ~~\$648,000~~ \$648,000 3.8% to \$640,654 and see a corresponding increase in real estate tax of ~~\$310~~ \$236 and projected fee increase of \$75

# County Expenditure Assumptions

## Preliminary Continuing Services Budget Development Assumptions

- Metro: 18.1% (+\$6.6 million)
  - 3% increase in County contribution plus replacement of one-time NVTC state aid balances that were utilized to supplement the County's FY 2018 support for Metro
- Transit Development Plan (TDP): +\$2.7 million
  - Estimated cost for FY 2019. Evaluating the feasibility of using Non-General Fund monies for the expansion of service.
- Debt: 7.2% (+\$5.1 million)
- Contractual Cost Increases (e.g. multi-year contract agreements): 1.5% (+1.1 million)
- Healthcare (rates +7.5%): +\$2.0 million
- Retirement: flat
- Other Post Employment Benefits (OPEB): +3%
- Employee Compensation
  - Pay Changes: \$8.9 million

# FY 2019 Funding Pressures

- **Schools Budget Gap: Unknown at this time**
  - Continuing enrollment increases
  - Capacity needs
  - Normal inflationary pressures of compensation, healthcare, retirement, OPEB, etc.
- **County Budget Gap: \$10 to \$13 million**
  - Retirement Costs & Retiree Healthcare (OPEB) could change
  - Employee compensation – salary & health care cost increases
  - Debt service up based on the County's adopted CIP
  - Metro pressures – increase for jurisdictional contribution and anticipation of a regional solution



# County Support of Schools

- Sharing Local Tax Revenue (46.6%)
- FY 2019 Ongoing Revenue Transfer: \$499.3 million (up from \$484.2 million in FY 2018)
  - Increase of \$15.1 million over FY 2018
  - Funding gap still remains (projected based on Schools forecast)
- Additional Support (approx. \$7-\$8 million) Through:
  - School Resource Officers
  - School Health Nurses & Services
  - Crossing Guards
  - DHS Programs Helping Children & Families
  - Fields, & Maintaining Safe Routes to Schools





# Timeline

**November**

County Board adopts Close-out and gives County Manager budget guidance for the development of the FY 2019 budget.

**February**

County Manager's FY 2019 Proposed Budget submitted to the County Board

**February - April**

**Budget Work Sessions**

County Board holds a series of budget work sessions with County departments, Constitutional Offices, and the School Board

**March**

**Public Hearings**

County Board hosts public hearings on proposed FY 2019 budget including County expenses and real estate tax, personal property tax rates, and other taxes and fees

**April**

**Budget Adopted**

County Board adopts FY 2019 Budget and Appropriations Resolutions for the County government, the public schools, and Pay-As-You-Go Capital. County Board adopts CY 2018 real estate tax rate and other FY 2019 taxes and fees.

**April / May**

School Board adopts FY 2019 school budget

**July 1**

FY 2019 begins

# FY 2019 Budget Forecast Overview

October 24, 2017

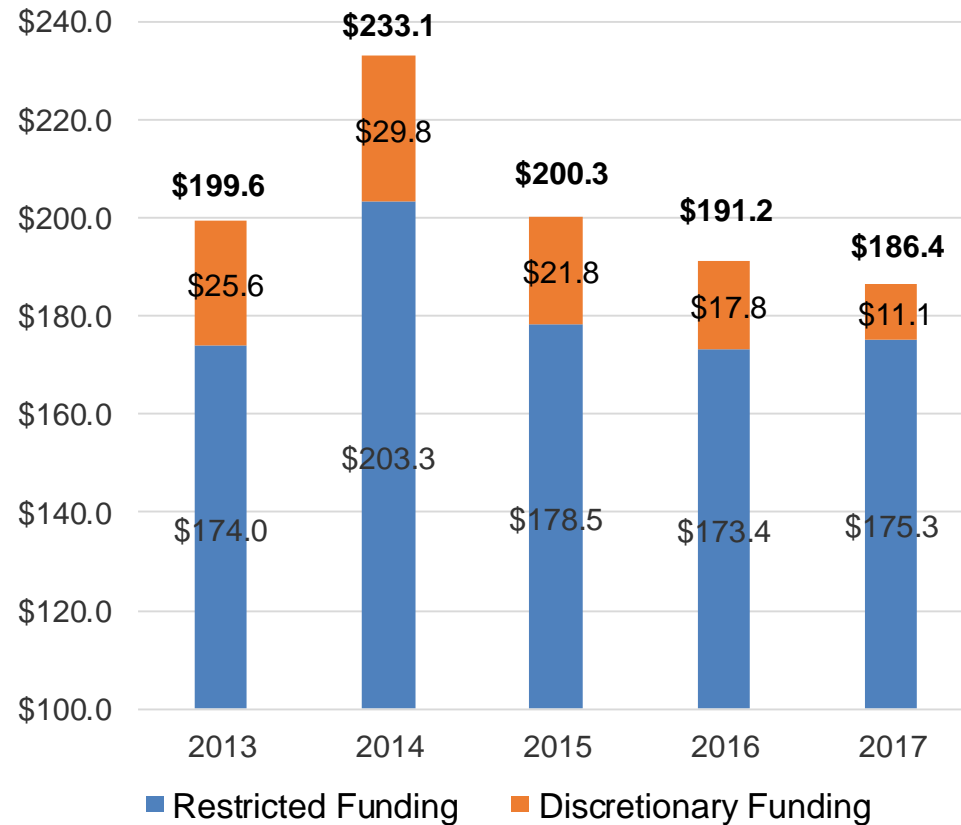
# FY 2017 Year-end Summary

October 24, 2017

# FY 2017 Year End Summary

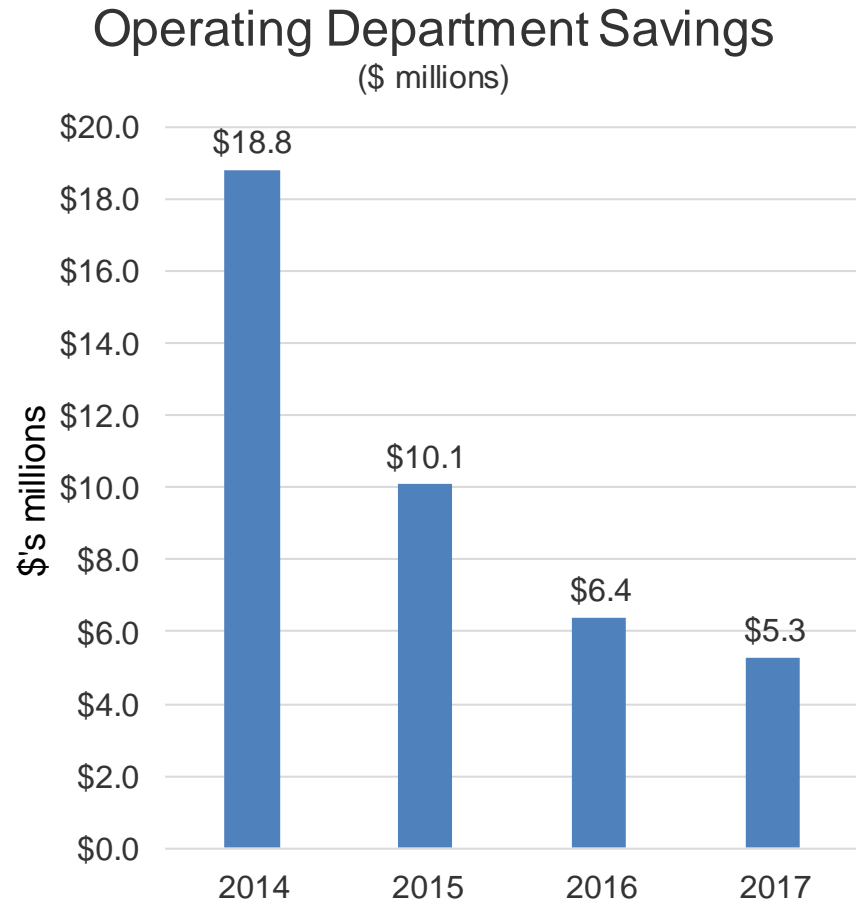
- Year Ended With a Balanced Budget
- Fund Balance Continues to Decline from FY 2014
  - Majority of funding is restricted (94% in FY 2017)

Year-End Fund Balance



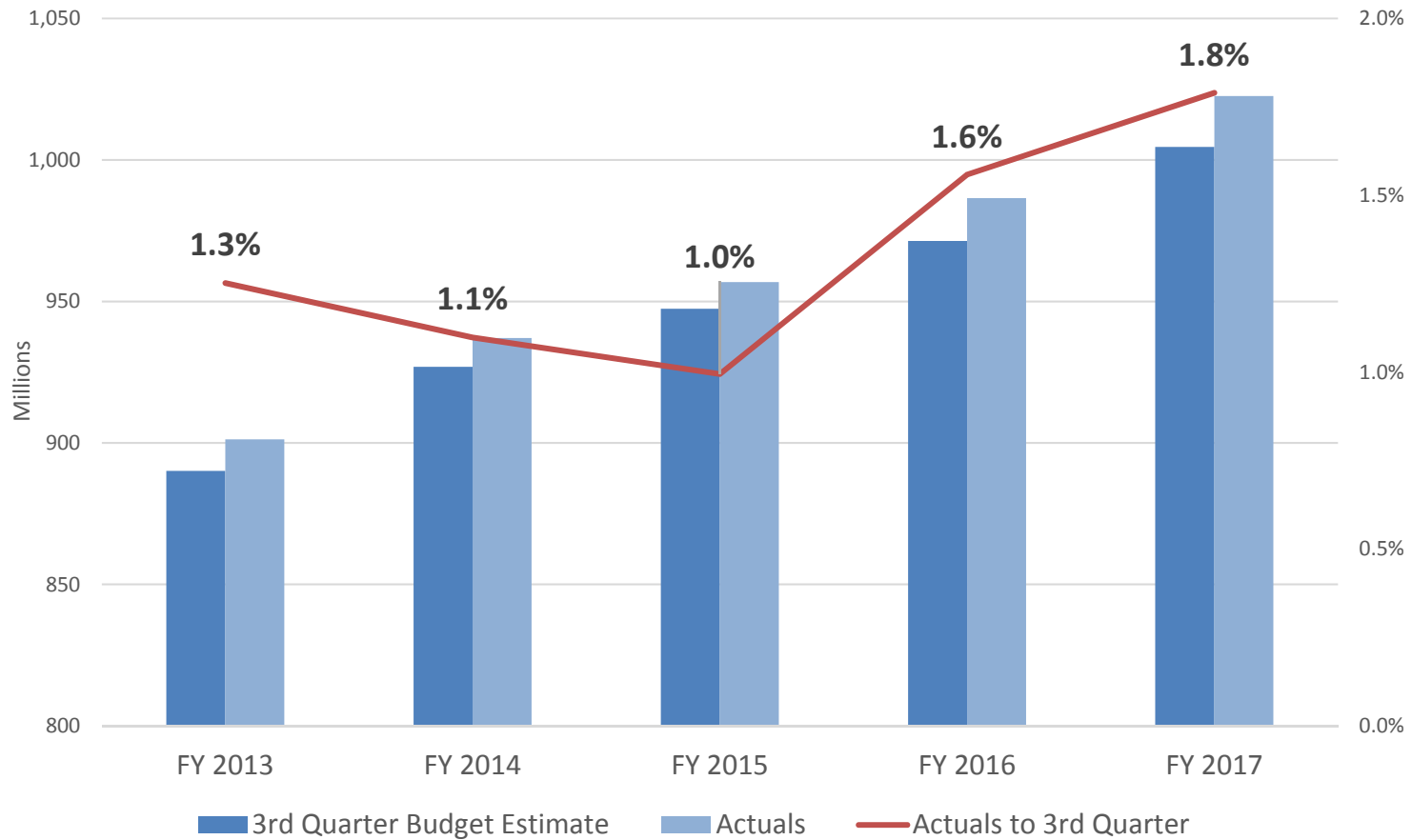
# Historical Operating Savings

- Amounts of department and program savings vary from year to year (1.0% - 3.5%)
- Examples of variable factors
  - Winter Weather
  - Hiring Slowdowns
  - Program Utilization (e.g. DPR programs)
  - Program Service Demands



# FY 2017 Year End Tax Revenue

On average, actual tax revenue has been 1.4% higher than 3<sup>rd</sup> Quarter projections.



# Allocations of Fund Balance

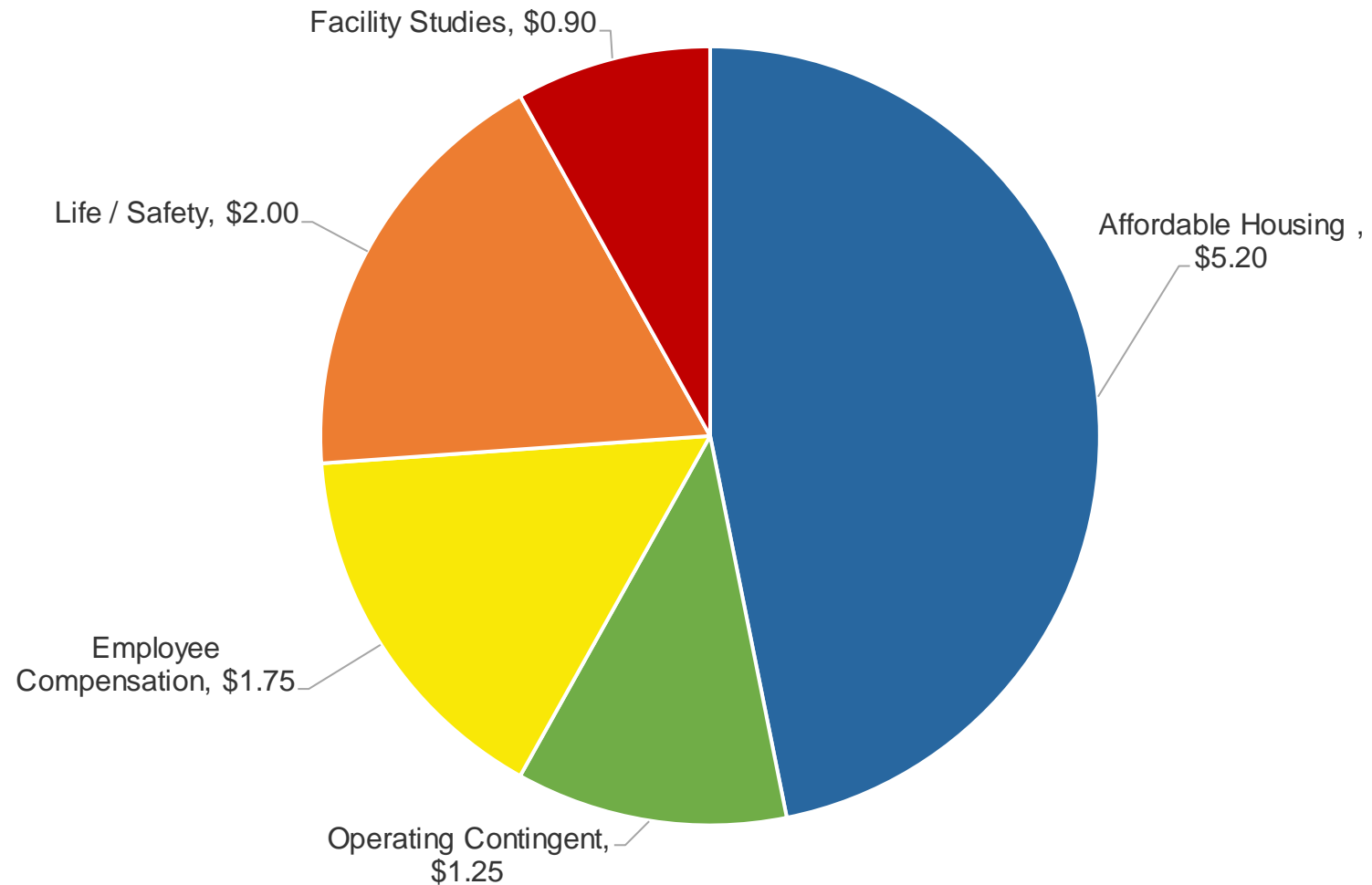
## Allocations of Fund Balance (\$186.4 million):

- 94% (\$175.3 million) of fund balance restricted or already allocated per current Board policy or prior Board action
  - Funding to reserves (\$71.6 million)
    - Required to maintain the County’s triple AAA
  - Continue commitment to Schools (\$24.2 million)
  - Affordable Housing Investment Fund (\$52.7 million)
    - \$33.4 million Allocated to projects
    - \$19.3 million Unallocated
  - Legally restricted funds (\$2.6 million)
  - Projects the County Board has already taken action on (\$24.2 million)
    - For example, \$1.6 million for FY 2018 Housing grants, \$1.5 million for FY 2018 for public safety staffing and equipment, \$7.8 million for PAYG for FY 2018, \$2.3 million in incomplete projects



# County Manager Recommendations

## Remaining Funding Recommendations: \$11.1 million (\$ millions)



# Allocating the Balance of Funding

## County Manager's Recommendations (\$11.1 million)

- Affordable Housing: \$5.2 million
- Critical Life Safety Needs: \$2.0 million
  - Courts and Detention Center technology security upgrades
- Public Safety Position reclassification: \$1.75 million
- County Manager Operating Contingent: \$1.25 million
- Facility Studies: \$0.9 million

*Provide an option for consideration that directs all carryover funds to consideration in the FY 2019 budget process, except for what is deemed to be emergency or unanticipated needs that require immediate allocation or appropriation.*

## **Emergency / Unanticipated Needs:**

- Critical Life Safety Needs: \$2.0 million
  - Courts and Detention Center technology security upgrades
- Public Safety Position reclassification: \$1.75 million
- County Manager Operating Contingent: \$1.25 million
  - In prior year, a significant portion of this contingent was utilized before the fourth quarter
- Facility Studies: \$0.9 million
  - JFAC work that the County Board could choose to delay until budget adoption in April

**Unallocated: \$5.2 million**

# FY 2017 Close-out