

FY 2017 Budget Forecast Overview Commission Chairs

December 3, 2015

- **Arlington Continues to Grow**
 - Population
 - Service Demands
 - Real Estate Assessment Base / New Construction
 - School Population
- **Real Estate Trends**
 - Residential – positive – 2015 sales & prices up
 - Apartments – slower growth in rents, some concessions
 - Commercial Office – continues to be under pressure - vacancy rate still key concern

- Residential assessments expected to increase slightly (+3%)
- Flat to negative commercial property growth (1/2 of tax base)
- Continued residential growth with flat commercial shifts more of the burden to the homeowner
- Other taxes showing slow but positive growth
 - Personal Property & BPOL: flat
 - Sales, Meals, & Transient Occupancy Tax: all increasing
 - Other local taxes: up 4%
- Minimal growth in fee revenue – fee study underway
- State & Federal flat
 - Positive indicators from the Governor on state aid for schools

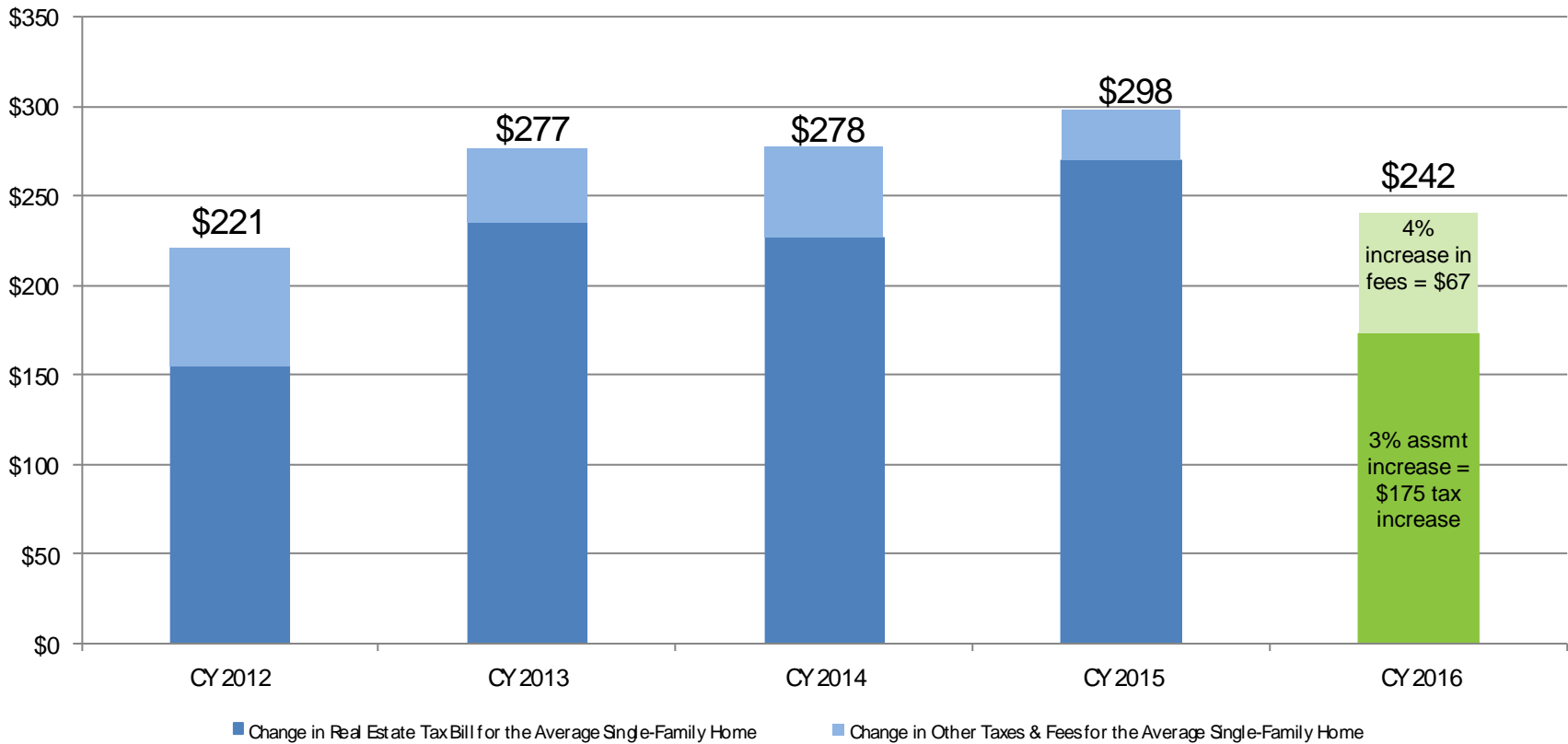
Continuing Services Budget Development Assumptions

- Metro: 3% (+\$1.0 million)
- Debt: 3% (+\$1.9 million)
- County Facility Costs (leased spaced): 9.5% (+\$1.9 million)
- Contractual Cost Increases (e.g. multi-year contract agreements): 2% (+1.3 million)
- Healthcare (+5%) and Retirement (-7%): +\$0.7 million
- Other Post Employment Benefits (OPEB): 2% (+\$0.2 million)

- Employee Compensation
 - MPA/Steps: \$5.3 million

- Schools Budget Gap: **Estimated at \$12 million**
 - Continuing enrollment increases
 - Capacity needs
 - Normal inflationary pressures of compensation, healthcare, retirement, OPEB, etc.
- County Budget Gap: \$3 million
- One-Time Funding for a Variety of Programs Included in the FY 2016 Budget

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



- Balanced budget with no increase in the tax rate
- If tax revenue exceeds the budget planning estimate of 2.4%, the Manager should provide 3 scenarios:
 1. Reduction in tax rates
 2. Apply funds to meet increased priority demands
 3. Combination of 1 & 2
- Present options for:
 - Program & personnel reductions or eliminations
 - Proposals to eliminate duplication & inefficiencies
 - Early retirement incentives
 - Employee healthcare benefits modifications
- Compilation of tax & fee tools
- Comparative analysis of senior tax relief program with options for adjusting Arlington's program
- Enhanced public engagement – including one additional County-wide public budget hearing

- How do we deliver services to our changing Arlington population?
- Challenges associated with increasing school enrollment
- Continuing to grow our local economy & lower office vacancy rates
- Board priority / master plan areas (e.g. affordable housing, public safety)
- Digital strategy – impacts to how we provide services

Next Steps

- Manager assessing department cut proposals in December / January
- Preliminary real estate tax assessments in early January
- Manager's FY 2017 Proposed Budget – February 20
- Public Budget Hearings – March 29 & tbd
- Tax Rate Hearing – March 31
- Budget Adoption – April

New Processes

- Live Streaming Commission Meeting Held in County Board Room Beginning January 2016
- County Staff Supporting Commissions at Evening Meetings