

FY 2017 Budget Forecast Overview Joint Budget Forum

December 7, 2015

- **County Manager & Superintendent Opening Remarks** **6:30 – 7:00**
- **Small Group Break-out** **7:00 – 7:45**

Priorities

- a. What are your priorities for the FY 2017 budget?
- b. What should not be touched (if reductions have to be made)?

Efficiencies/Reductions

- a. What should the County & Schools consider when weighing service/program reductions and the impact to taxpayers?
- b. Where should we look for efficiencies?
- c. What are you willing to give up?

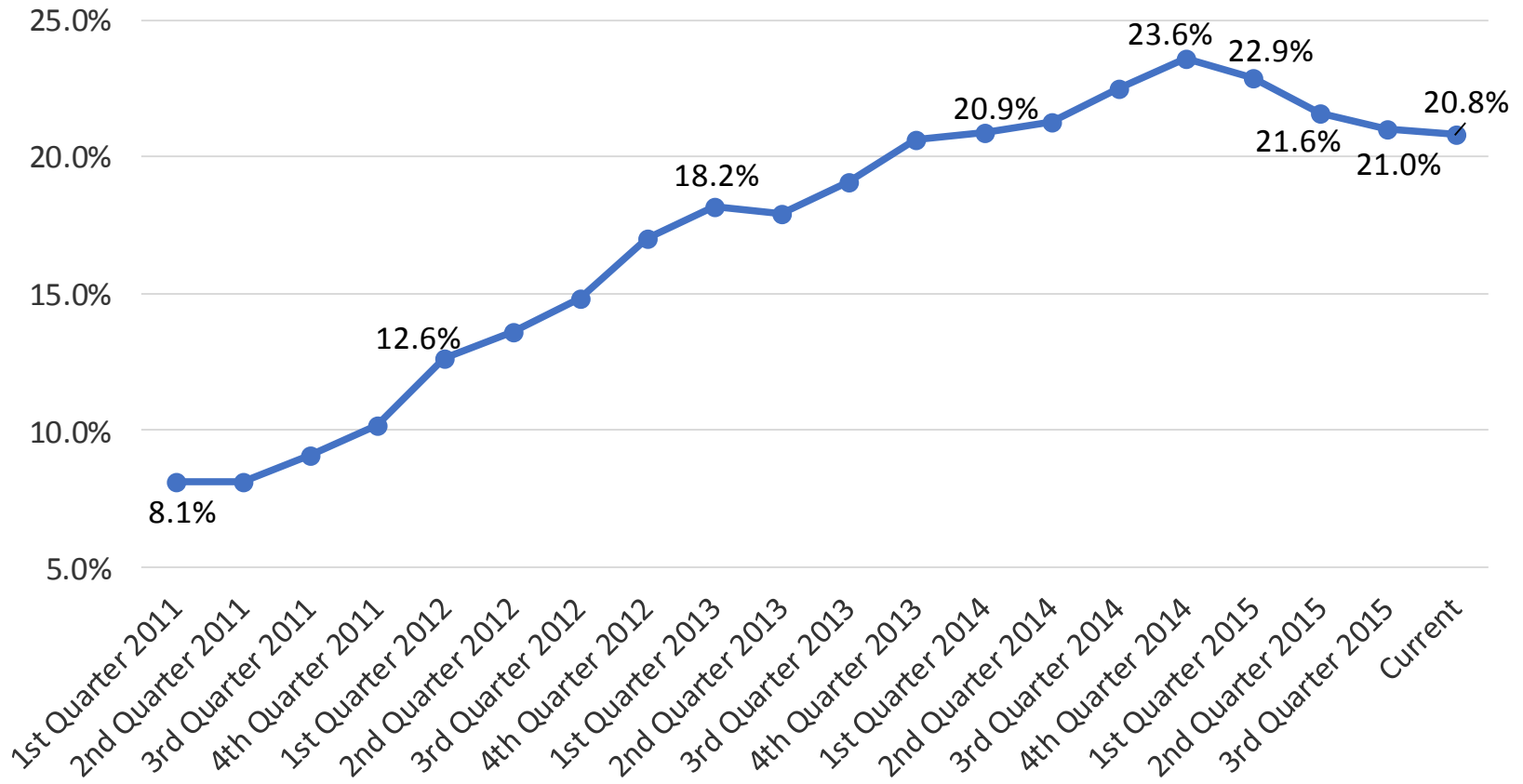
Other

- a. Are there areas of revenue changes we should look at?
- b. Are there areas we should study that could produce efficiencies in future budgets?

- **Small Group Report-out** **7:45 – 8:00**

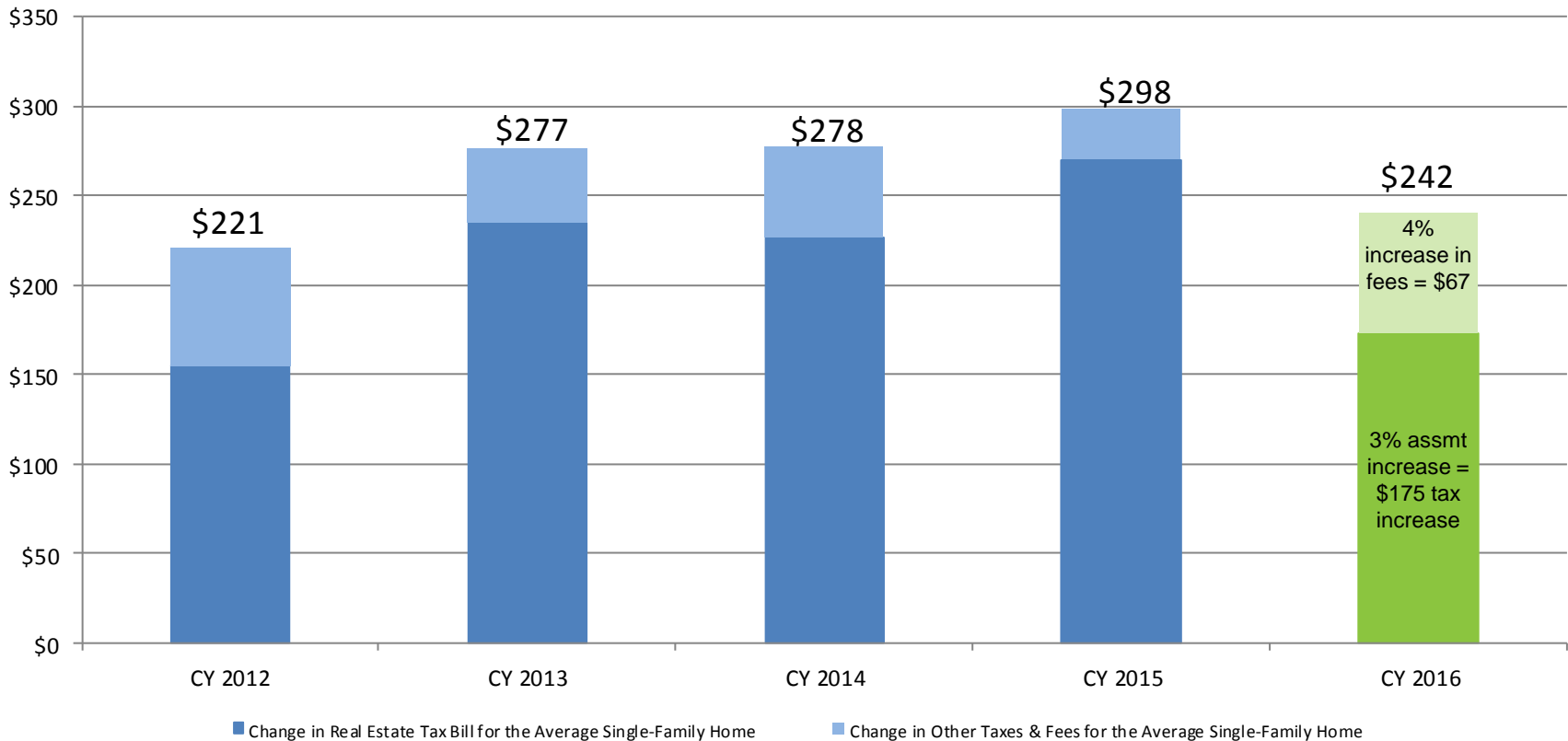
- **Arlington Continues to Grow**
 - Population
 - Service Demands
 - Real Estate Assessment Base / New Construction
 - School Population
- **Real Estate Trends**
 - Residential – positive – 2015 sales & prices up
 - Apartments – slower growth in rents, some concessions
 - Commercial Office – continues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

Countywide Commercial Vacancy Rate



- 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

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

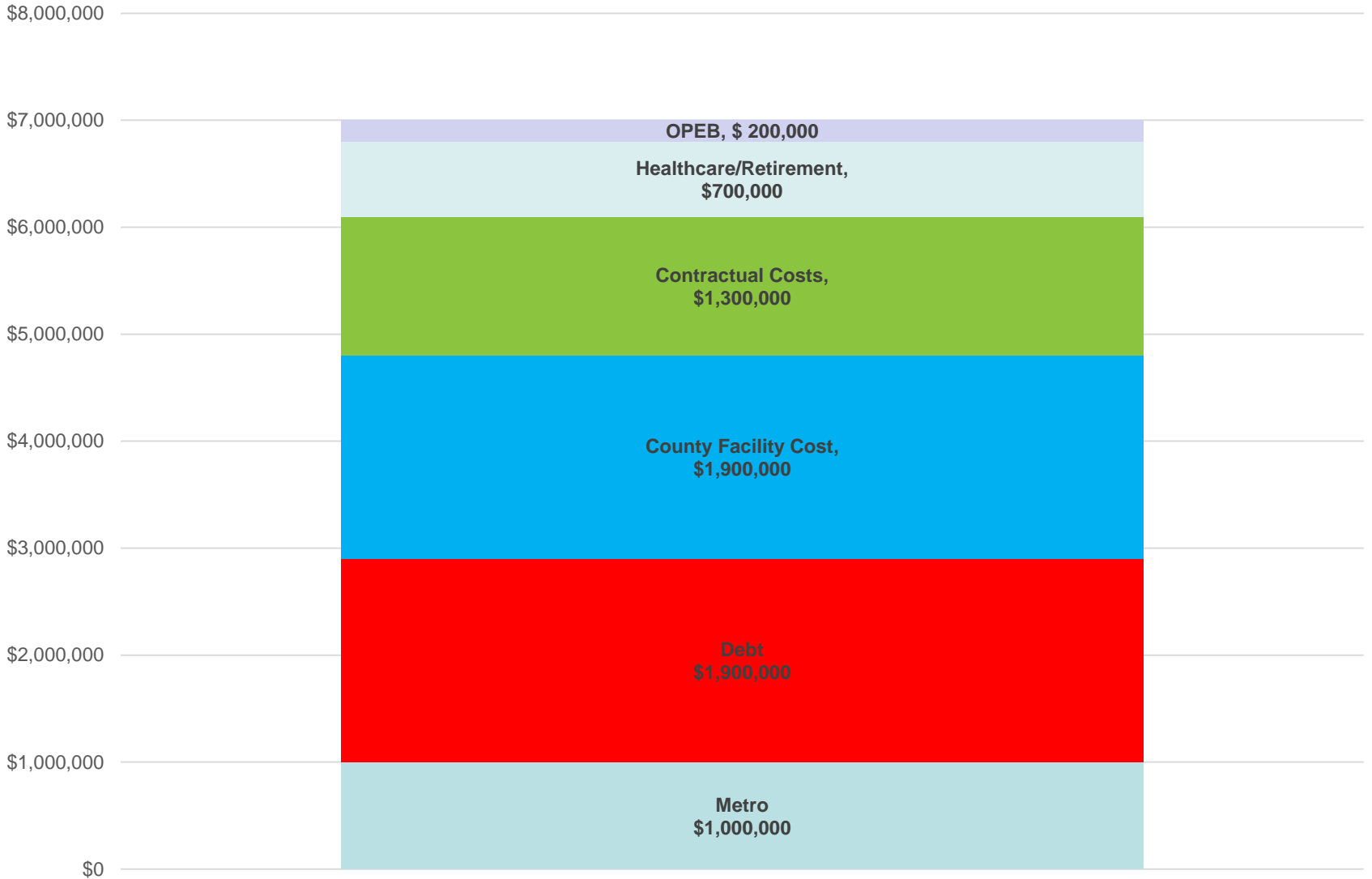


Continuing Services Budget Development Assumptions

- 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

Non-Discretionary Inflationary Increases to County Expenditures



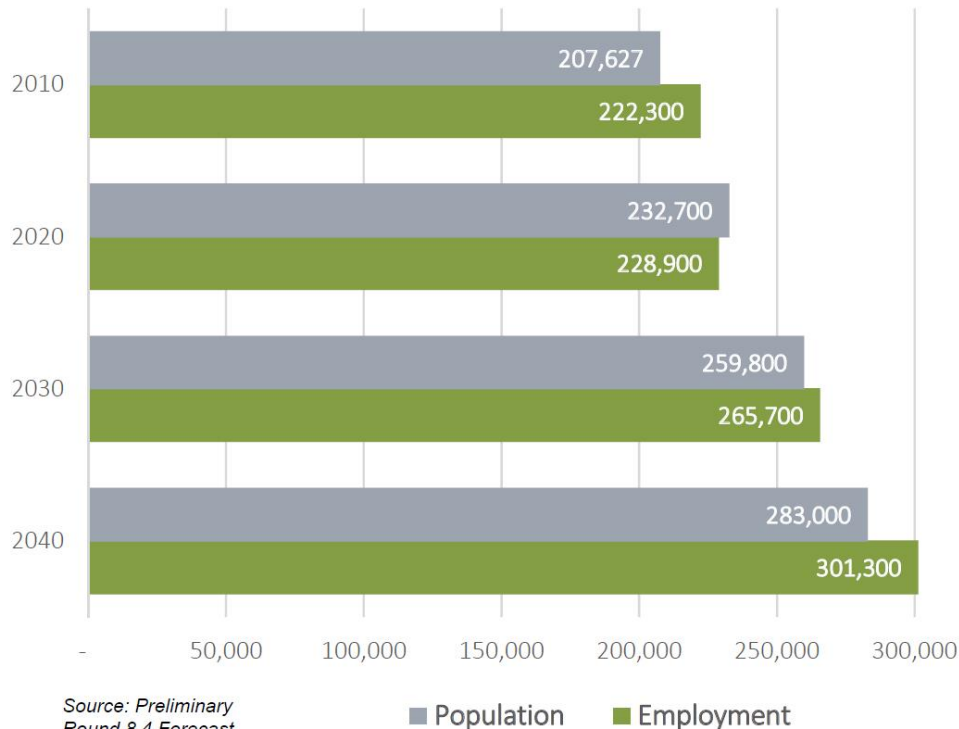
- Schools Budget Gap: **Estimated at \$12 million**
 - Continuing enrollment increases
 - Capacity needs
 - Normal inflationary pressures of compensation, healthcare, retirement, OPEB, etc.
- County Budget Gap: \$3 million
- One-Time Funding for a Variety of Programs Included in the FY 2016 Budget

- Sharing Local Tax Revenue (46.5%)
- 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



- Revenue Sharing Allocation of Local Taxes
 - County: 53.5%
 - Schools: 46.5%
- FY 2017 Ongoing Revenue Transfer:
\$459.9 million (up from \$451.6 million in FY 2016)
 - Increase of \$8.2 million over FY 2016
 - Funding gap still remains (projected based on Schools forecast)

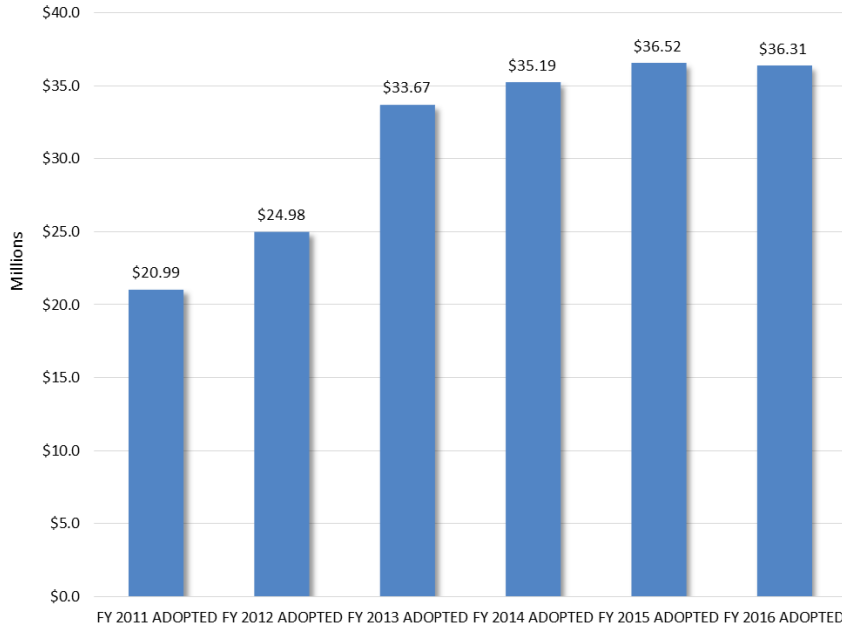
POPULATION AND EMPLOYMENT FORECASTS



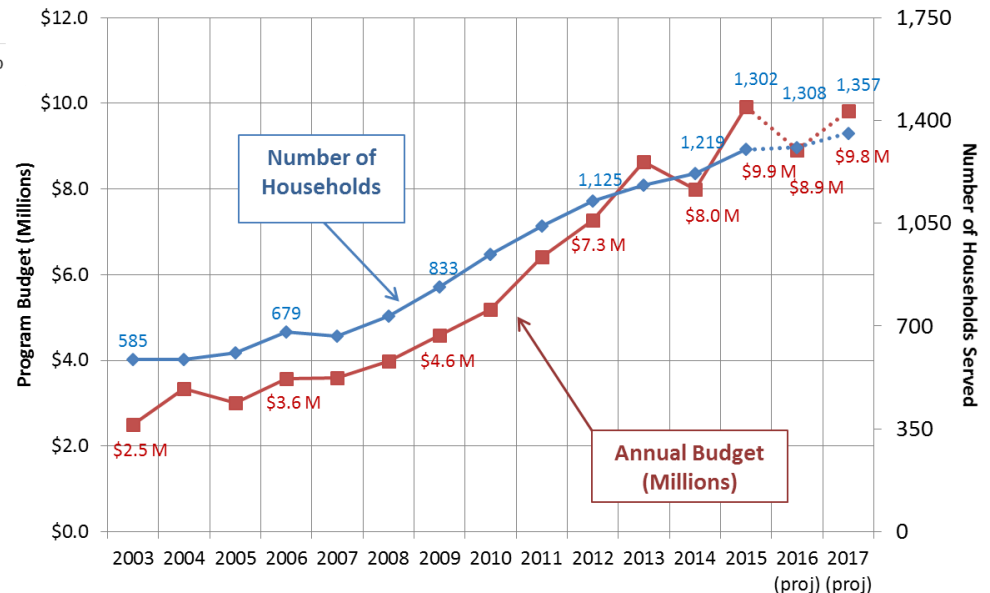
- Population growth continues
 - 4.4% between 2010 & 2015
 - Projected to grow by 66,300, or 31% through 2040
- Population characteristics
 - Ages 25-34 represent the largest distribution at 28.5% & fastest growing age group
 - Those 55+ make up 19% of Arlington's population & are the 2nd fastest growing age group
 - Diverse population – as of 2010, 36% of residents were Hispanic/Latino, African-American, Asian or Multi-racial
- Student enrollment growth
 - 2.8% to 5.2% per year for the past 5 years
 - Projected growth of 2.7% to 3.5% per year over next 5 years
- Employment growth
 - Projected to grow by 84,100 jobs, or 39% through 2040
 - More private office space than the downtowns of Los Angeles, Dallas, Denver, Seattle, or Atlanta.

Housing & Human Service

Net Tax Support: Multi-Departmental Housing Programs



Housing Grants Program:
Annual Budget and Number of Households Served



Housing grants support renters who are:

- 65 years or older
- Totally & permanently disabled
- Clients & patients of a County operated or County supported mental health program
- Working families with at least one child under age 18

A Safe Community

Increasing Demands On Public Safety

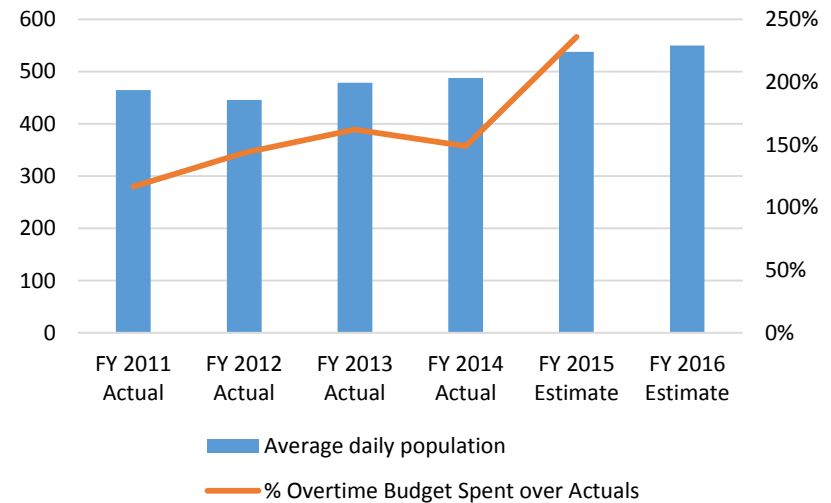
Sheriff staffing needs to reduce lockdowns and alleviate overtime pressures:

- Prisoner population
- Lockdown rates

Changing demands on Police and Fire:

- Special events
- Increased night life
- Mixed-used buildings
- Unique neighborhood issues

Detention Facility Statistics



Service	Change (FY 14 to FY 15)	Trend
Parks & Recreation		
Number of Enrollments in DPR-Run Programs	5%	↑
Number of Youth Served	3%	↑
Number of Teens Served	2%	↑
Number of Enrollments in Nature Center Programs	20%	↑
Number of Individuals Receiving Fee Reductions	16%	↑
Libraries		
Children and Young Adults Attending Programs	5%	↑

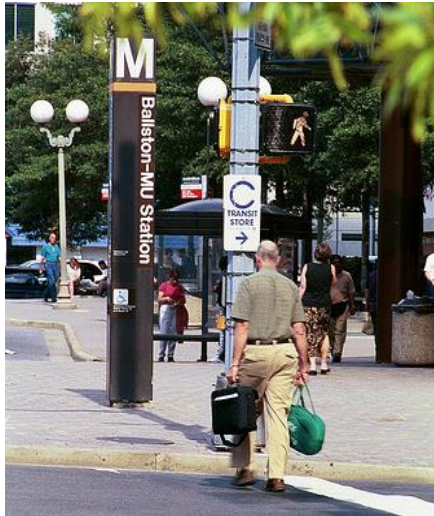


Positive trends indicate success in many of DPRs and Libraries core programmatic services. However, increased usage correlates with increased staff-customer interaction; increased equipment and facility usage and maintenance; and more administrative management – registration processing, etc. – much of which is absorbed within existing resources.

Transportation & Roads

40% of Virginia's total annual transit ridership is from Arlington-related trips

	FY 1996 Actual	FY 2014 Actual	% Growth
Metrorail Arlington Stations	45,335,000	50,569,536	11.5%
Metrobus Arlington Routes	12,049,000	14,317,320	18.8%
VRE – Crystal City	567,000	965,196	70.2%
Arlington Transit (ART)	105,000	2,837,023	2,602.0%
Total Annual Ridership	58,076,000	68,689,075	18.3%



- 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

- Ideas pursued in prior years
- Departmental budget reductions
- Additional efficiencies
- County Board & public input

- 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 preparing Proposed budget to meet County Board guidance 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

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