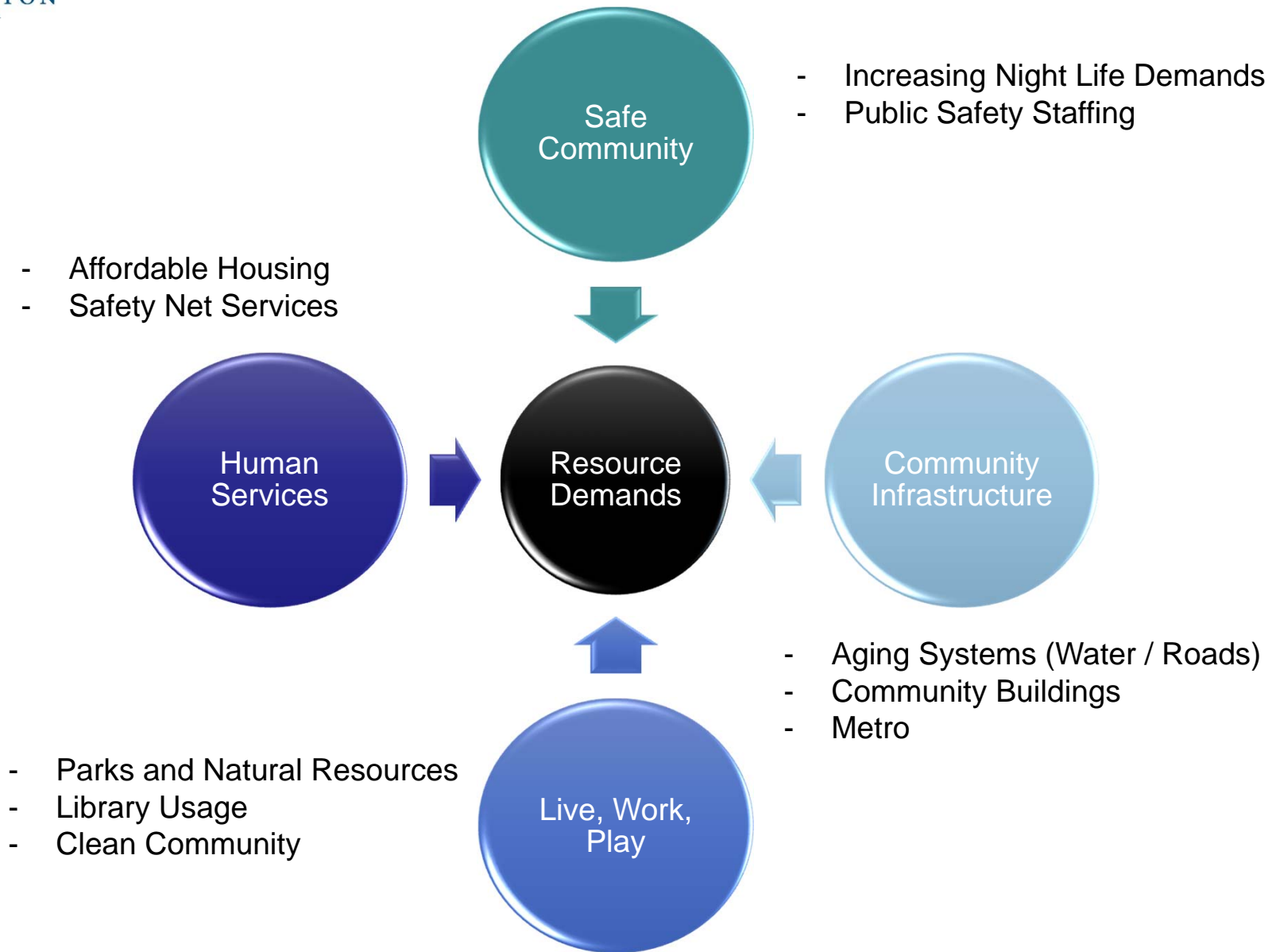


FY 2018 Budget Forecast Overview

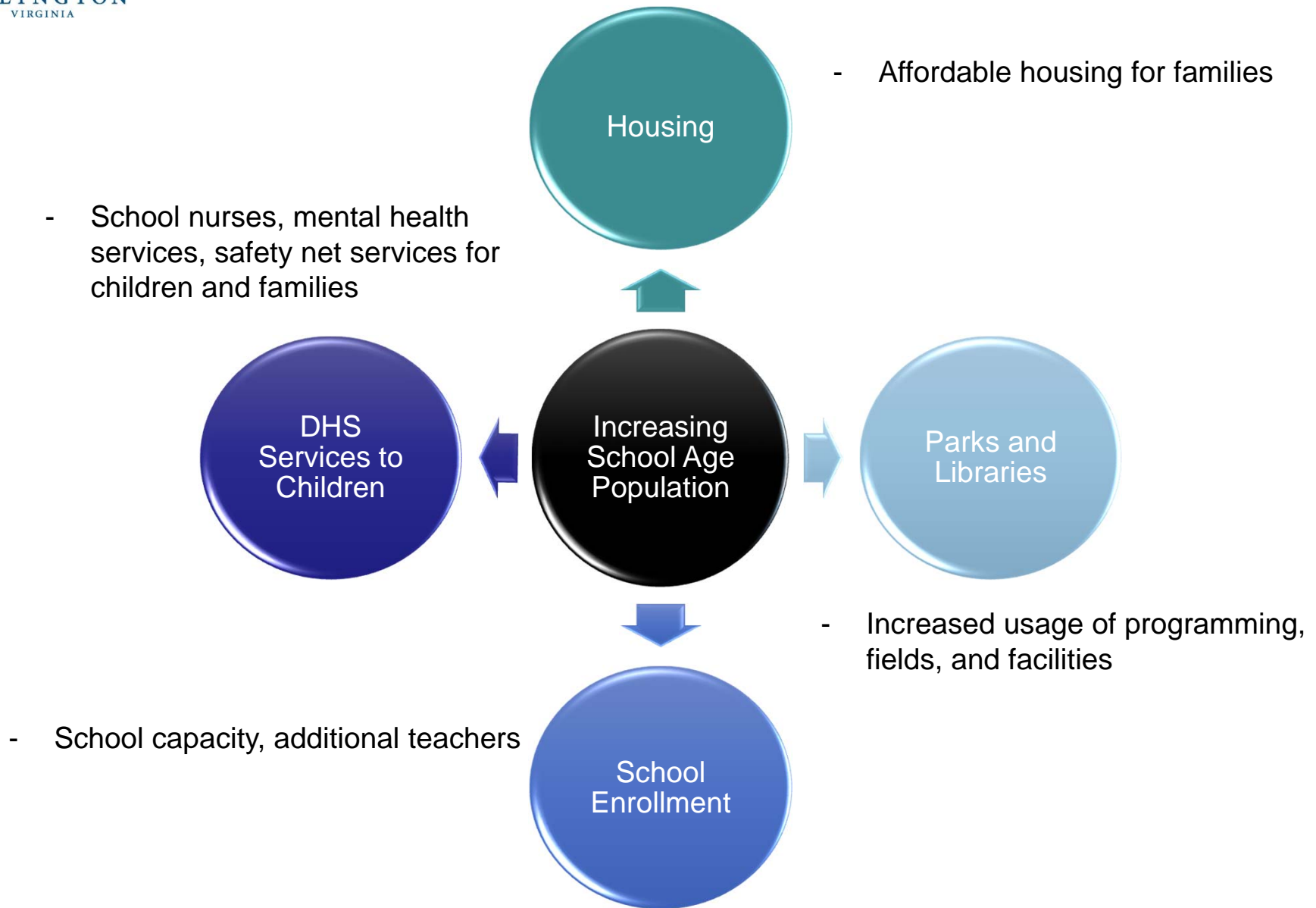
Joint Budget Forum

November 30, 2016

Arlington Continues to Grow



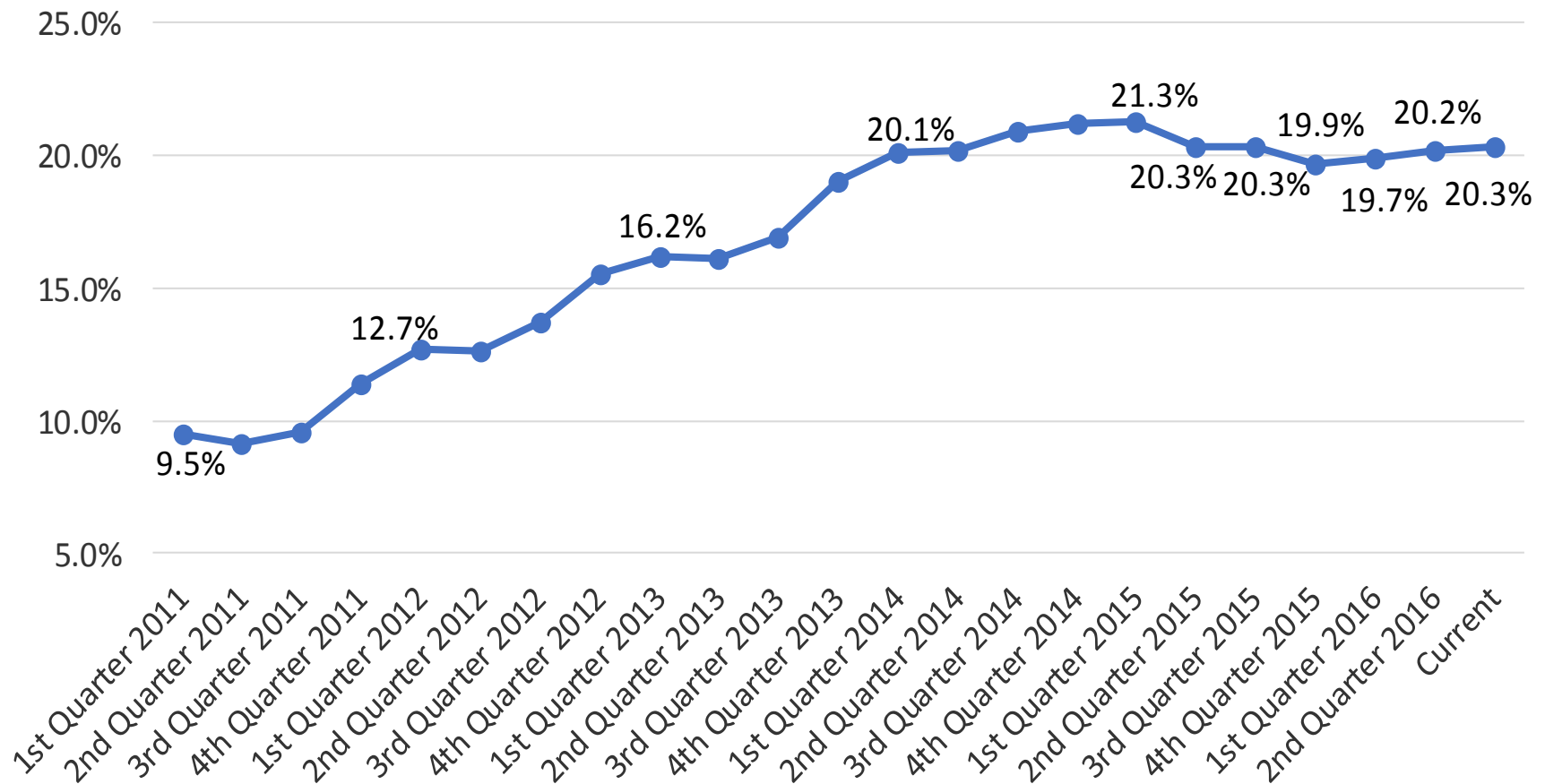
Growth of School Age Population



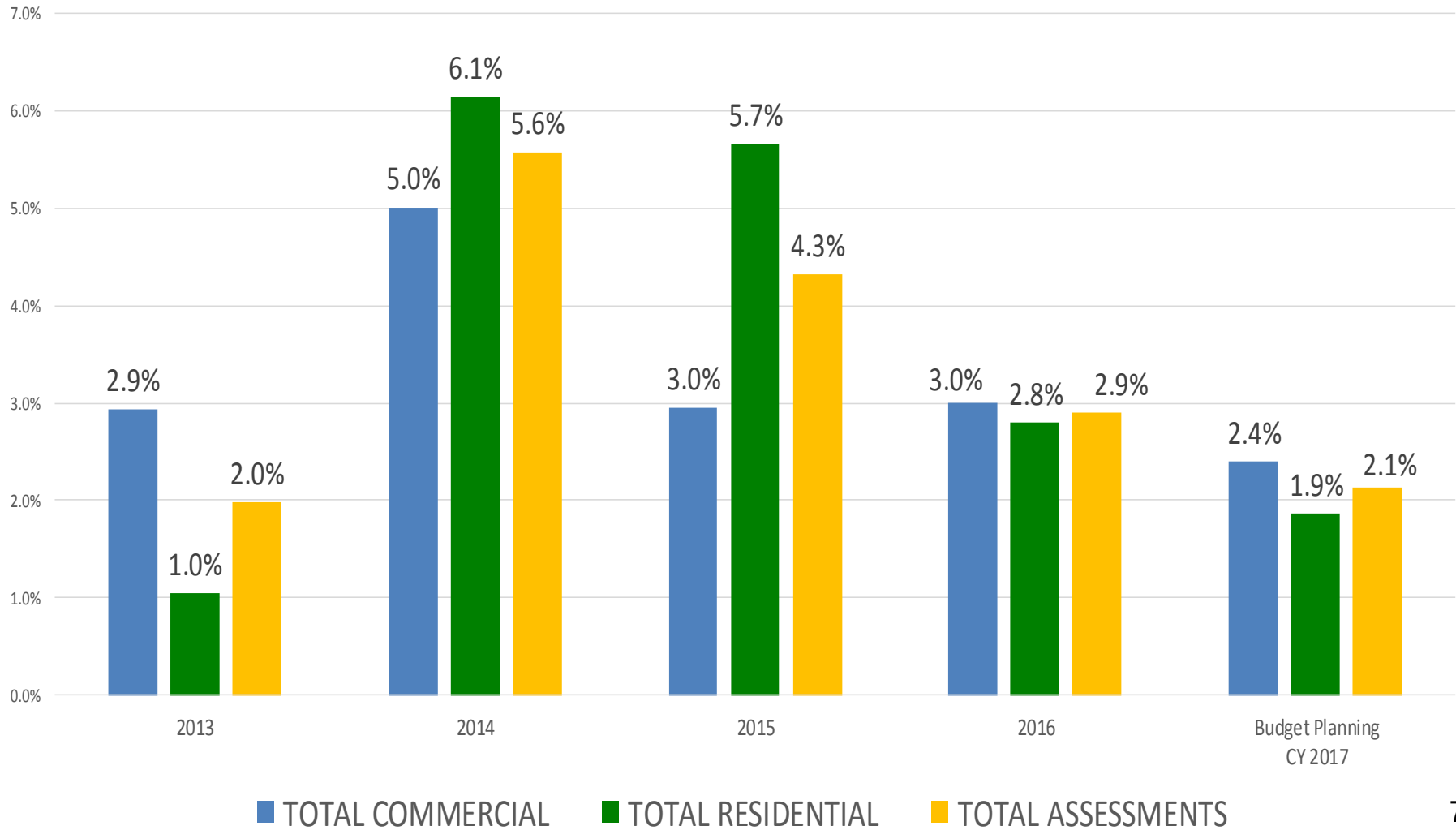
- Real Estate Trends

- Residential – slightly positive – 2016 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



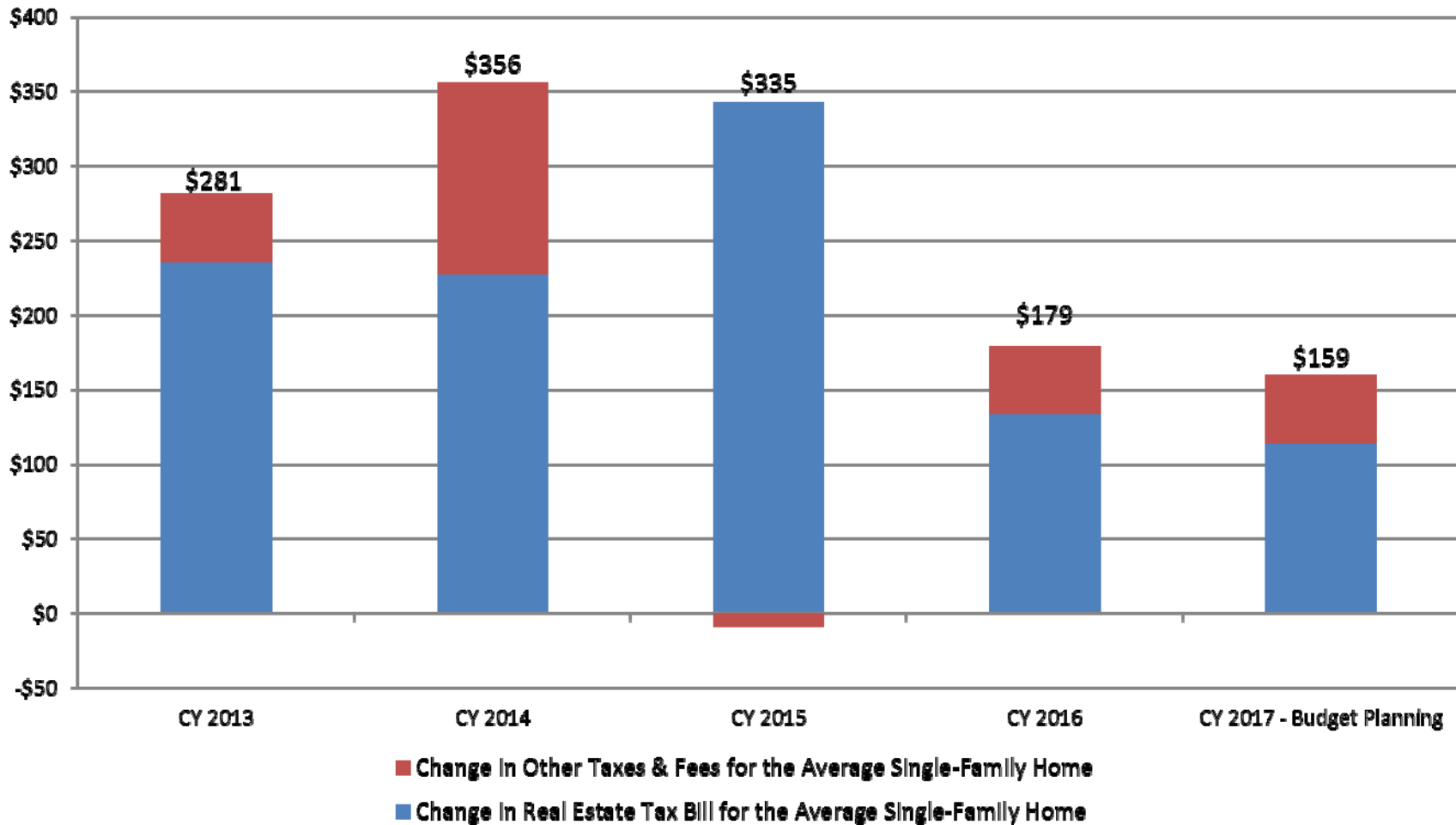
Growth in Assessments



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: flat to slow growth
 - Other local taxes: up 1%
- Minimal growth in fee revenue
- State & Federal flat
 - Concerns about the impact of potential state cuts

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



County Expenditure Assumptions

Preliminary Continuing Services Budget Development Assumptions

- Metro: 22% - 30% (+\$6.0 – \$9.0 million)
- Debt: 3% (+\$2.1 million)
- Contractual Cost Increases (e.g. multi-year contract agreements): 1.5% (+1.1 million)
- Healthcare (rates +7.5%): +\$1.2 million
- Retirement: flat
- Other Post Employment Benefits (OPEB): flat

- Employee Compensation
 - Pay Changes: \$7.5 million

FY 2018 Funding Pressures

- County Budget Gap: \$5.4 million
- Revised budget estimates from Metro could increase County Budget Gap
- One-Time Funding for a Variety of Programs Included in the FY 2017 Budget

Metro Budget Pressures

- WMATA funding gap of \$290 million - declining ridership, lower fare revenues, and contractual increases in wages and benefits.
- 2 Primary funding sources for WMATA's operating budget: fare revenues & jurisdictional subsidies
- Timing: General Manager proposed his budget - expected budget adoption in March / April 2017.
- Impact to Arlington County:
 - \$6 - \$9 million estimated increase
 - Assumes WMATA's proposed fare increases and service adjustments are adopted

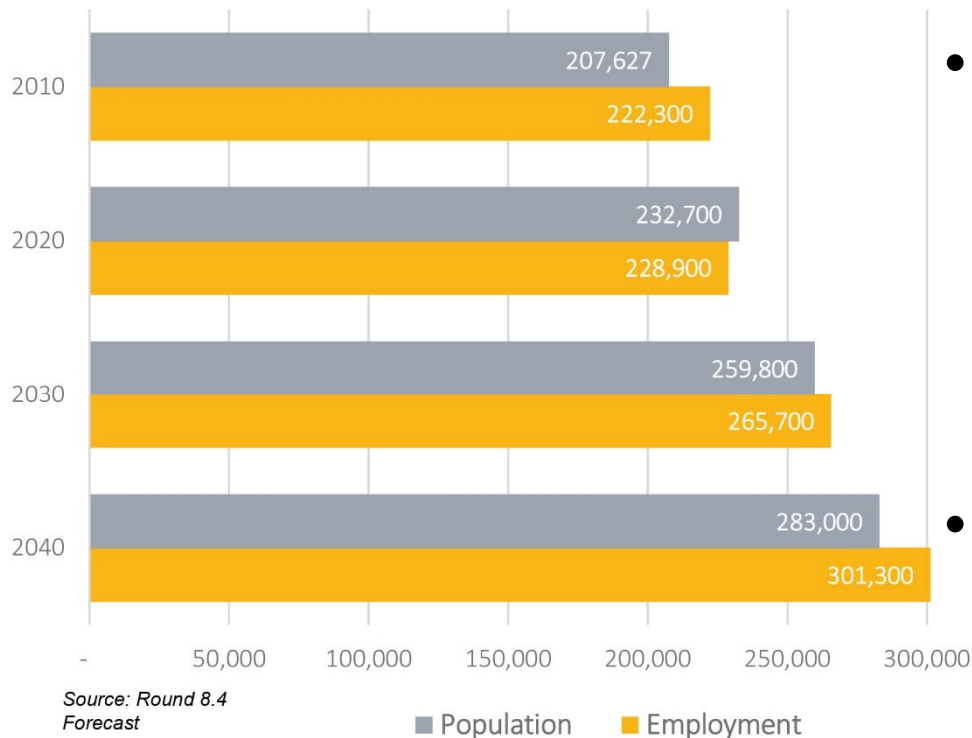
County Support of Schools

- Sharing Local Tax Revenue (46.6%)
- FY 2018 Ongoing Revenue Transfer: \$474.8 million (up from \$464.5 million in FY 2017)
 - Increase of \$10.2 million over FY 2017
 - 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



Population Trends

TOTAL POPULATION AND EMPLOYMENT FORECASTS



- Population growth continues

- 6.1% between 2010 & 2016
- Projected to grow by 62,600, or 28% through 2040

- Population characteristics

- Ages 25-34 represent the largest distribution at 27.1% & 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

- 2.9% to 5.2% per year for the past 5 years
- Enrollment growth trend expected to continue

- Employment growth

- Projected to grow by 90,300 jobs, or 43% through 2040
- More private office space than the downtowns of Los Angeles, Dallas, Denver, Seattle, or Atlanta.

FY 2018 Budget Guidance

Balanced budget that assumes continuation of current service levels within existing tax rate

- Explore further collaborations with APS and regional collaborations and partnerships
- Provide for an enhanced public Engagement process

Present options for:

- A. Program and personnel reductions or eliminations if the Manager is not able to present a balanced budget within the existing tax rate, or
- B. Tax rate reductions if the Manager is able to present a balanced budget with a surplus at the existing tax rate, or
- C. A possible tax rate increase to meet extraordinary needs of WMATA and/or APS

Manager directed to:

- A. Identify tax and fee rate adjustments
- B. Provide recommendations for changes to the Real Estate Tax Relief Program based on the feedback from working group
- C. Report back on the status of the consultant reviewing employee compensation and benefits, and on options for increasing childcare provisions for Arlington County employees.

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

Challenges & Opportunities

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

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 2018 Proposed Budget – February 25
- Public Budget and Tax Rate Hearings – March 28 & March 29
- Budget Adoption – April

Agenda

- **County Manager & Superintendent Opening Remarks** **6:00 – 6:30**

- **Small Group Discussion and Report-Out** **6:30 – 7:30**

What are the important priorities that should be considered for the 2018 Arlington County budget?

(20 Minutes for Discussion and 10 Minutes for Reporting out)

- Are there budget items that you would like to see continued in this years budget?
- Are there things funded in the past, that should be changed?
- Are there new areas for consideration?

What should County and Schools consider when weighing service and/or program reductions, revenues, and/or the impact to taxpayers?

(20 Minutes for Discussion and 10 Minutes for Reporting out)

- What types of efficiencies could potentially be realized during the budget process?
- If needed, what types of things would Arlingtonians be willing to give up?
- Are there potential revenue changes that should be considered?
- What are the areas for future study that would help inform future budgets?

FY 2018 Budget Forecast Overview

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