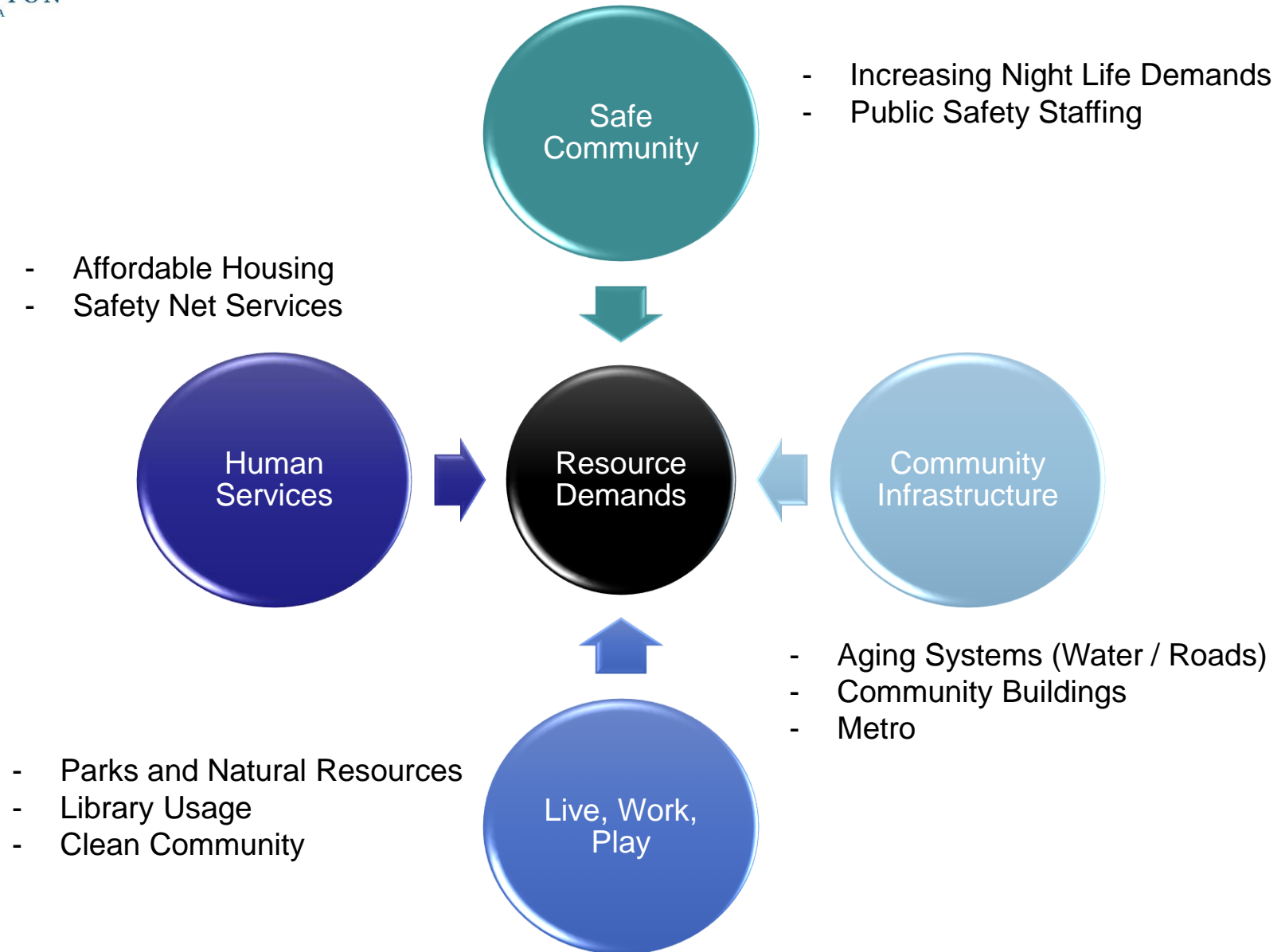


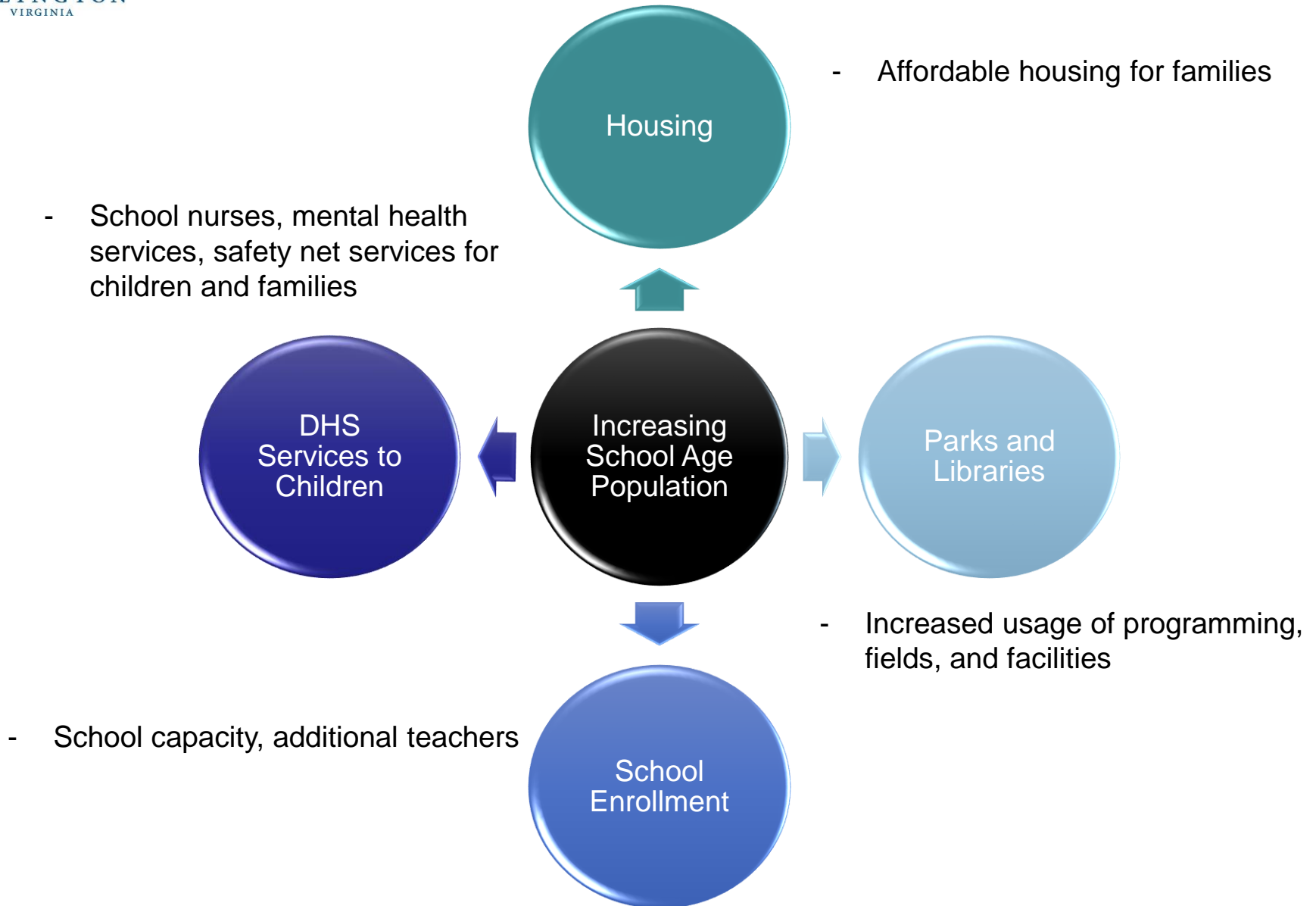
FY 2018 Budget Forecast Overview Commission Chairs

December 1, 2016

Arlington Continues to Grow



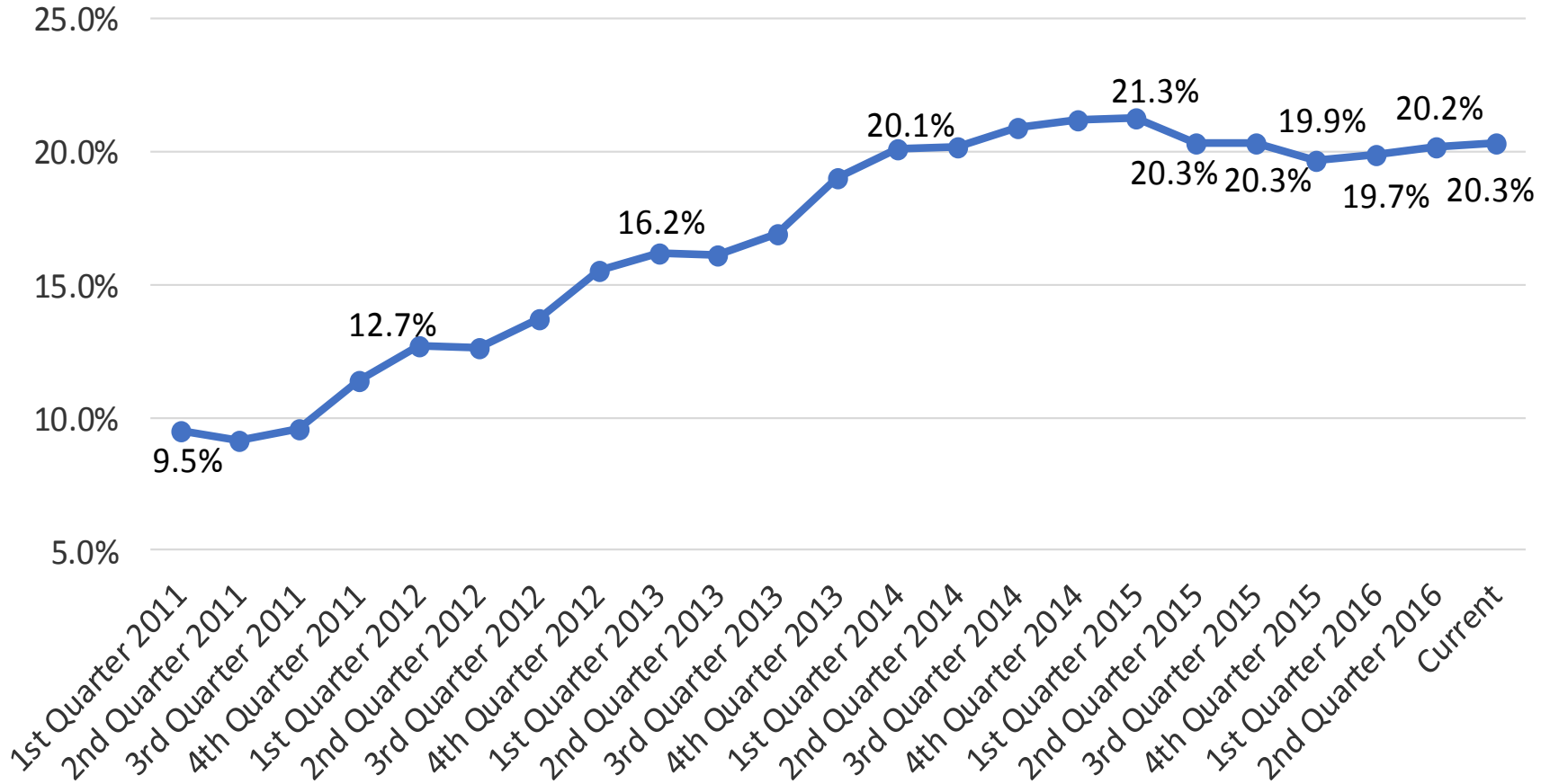
Growth of School Age Population



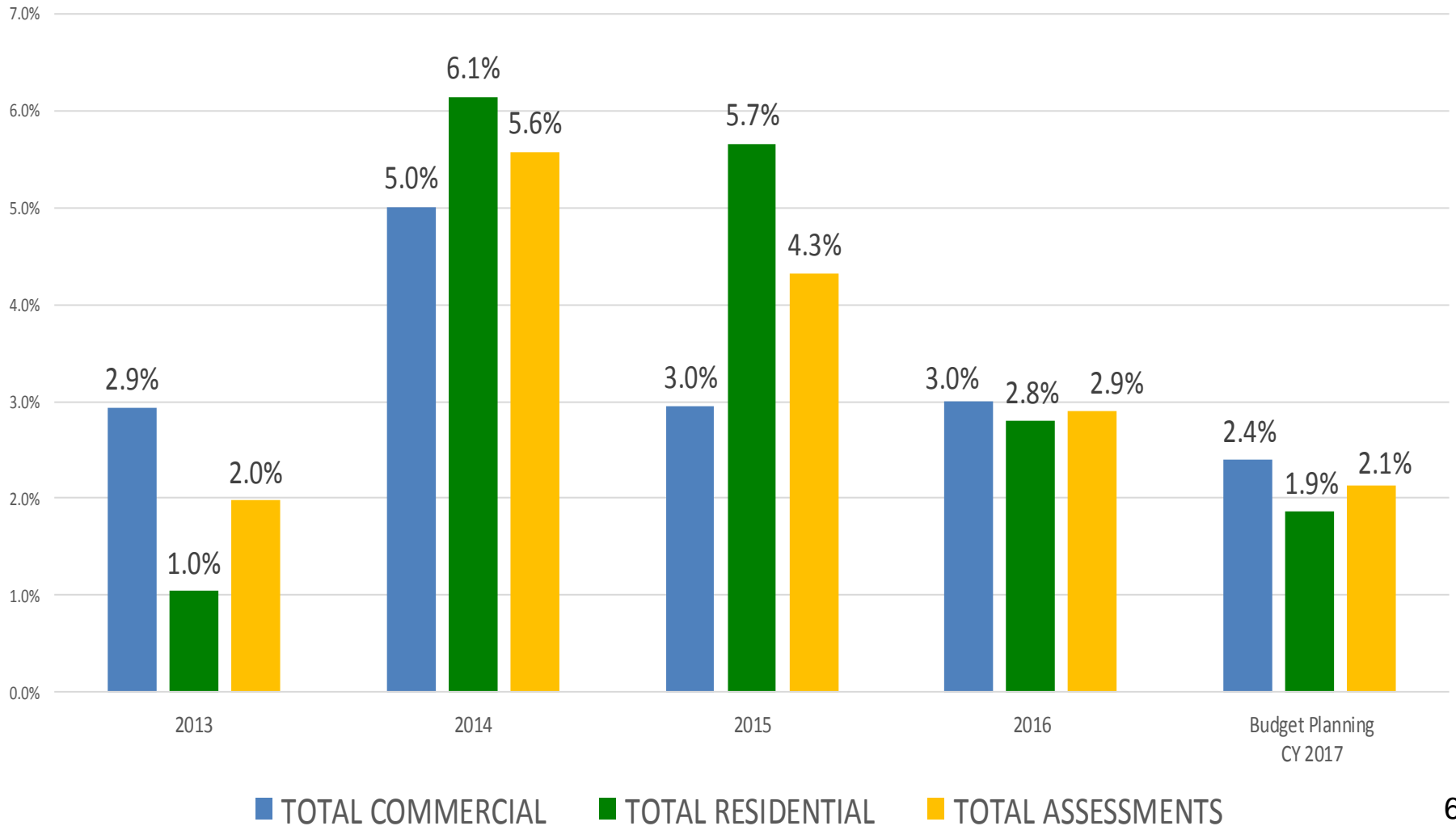
- Real Estate Trends

- 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

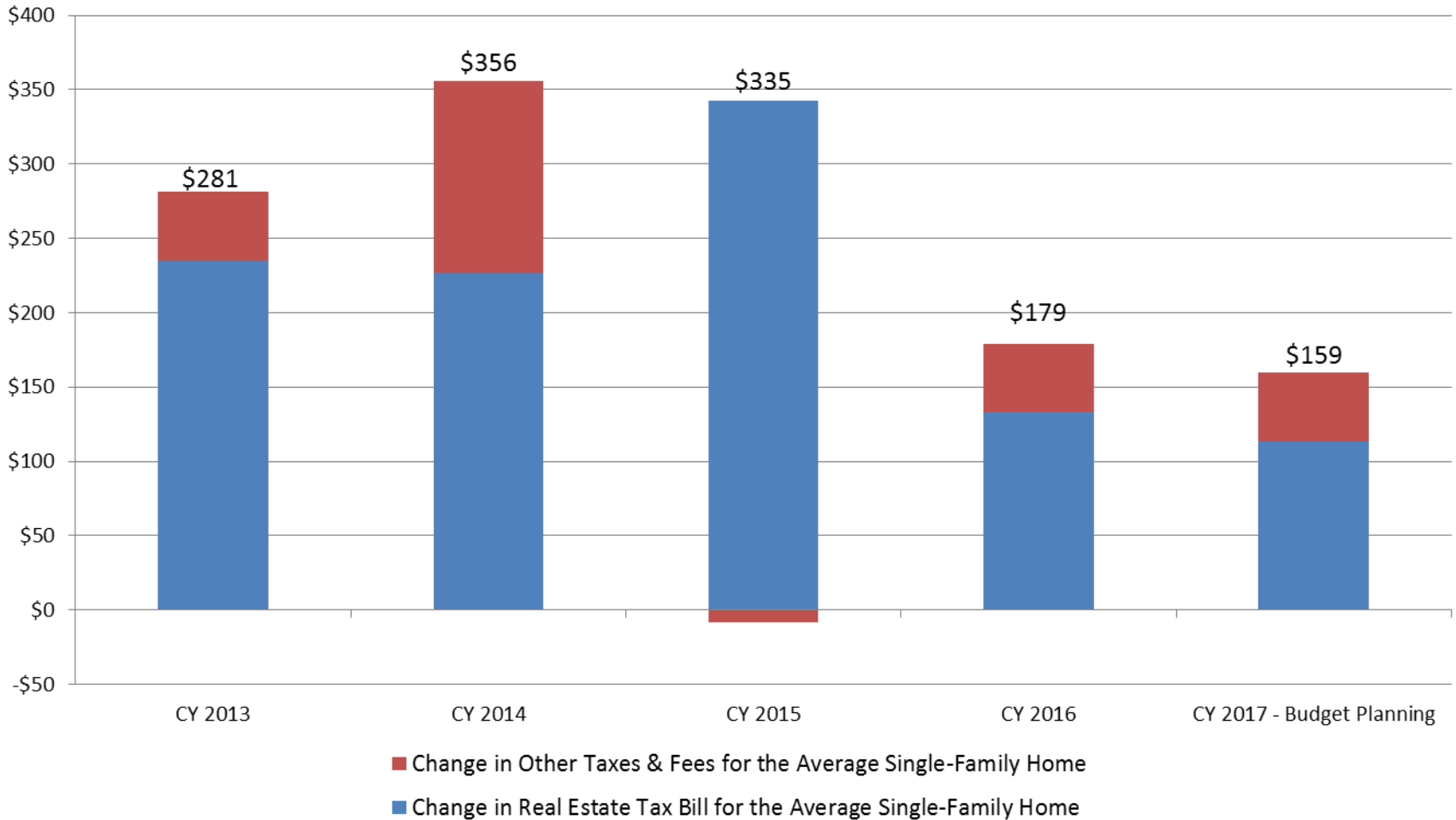


Growth in Assessments



- 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



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

- County Budget Gap: \$5.4 million
- Revised budget estimates from Metro could increase County Budget Gap
- Schools Budget Gap: **\$22 – 28 million**
 - Continuing enrollment increases
 - Capacity needs
 - Normal inflationary pressures of compensation, healthcare, retirement, OPEB, etc.
- One-Time Funding for a Variety of Programs Included in the FY 2017 Budget

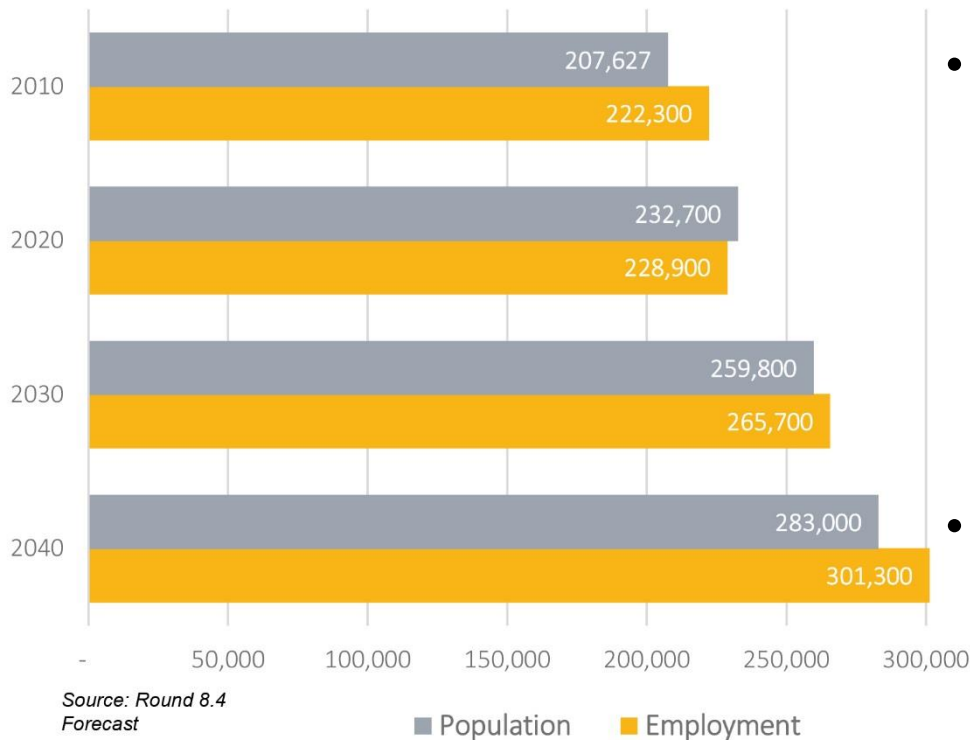
Metro Budget Pressures

- 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

- 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



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.

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

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