

ARLINGTON COUNTY CIVIC FEDERATION
Revenues & Expenditures Committee
Budget Savings & Efficiencies Resolution for FY2020
June 5, 2018

Whereas, the County Manager maintained the current property tax rate in the FY2019 budget by cutting positions, programs and services, and by raising non-real-estate taxes and fees (Ref: County Manager’s Fiscal Year 2019 Proposed Budget, Manager’s Message pp. 7-14);

Whereas, the County Manager has advised (Ref: County Manager’s Fiscal Year 2019 Proposed Budget, p. 16) that “future budget challenges will require further review of community priorities to evaluate services and programs” and that “anticipated budget gaps ... driven principally by expenditure growth continuing to outpace revenue growth” (p. 15);

Whereas, the County Manager has suggested possible areas for future budget review (Ref: County Manager’s Fiscal Year 2019 Proposed Budget, pp. 15-17) that include the following: reducing or eliminating direct services to residents, examining service levels of programs, continuing support to non-profit partners, levels of employee compensation and benefits, changes to taxes and fees, and further collaboration with schools;

Whereas, the County Board Chair advised with respect to future budgets: “The pace of growth in needs is outpacing growth in assessed value. We have to find a way to show commitment to our values through better measuring of outcomes and impact not just input of dollars spent.” [May 1 edition of the Arlington Connection attributed to Katy Cristol]

Whereas, the County Board’s Auditor has completed his first review of County operations (EMS overtime – ref. <https://countyboard.arlingtonva.us/wp-content/uploads/sites/22/2018/03/County-Auditor-Report-Highlights-ECC-Overtime-3-19-18.pdf>) with recommendations to reduce overtime costs;

Whereas, the County Board’s Auditor has identified additional areas for review in the 2018 audit work plan, including:

- Fleet Management
- Fire Department Overtime
- Police Department Overtime
- Sheriff’s Department Overtime

(<https://countyboard.arlingtonva.us/wp-content/uploads/sites/22/2016/03/FINAL-Audit-Work-Plan-for-FY-2018.pdf>);

Whereas, the 19.4% commercial vacancy rate continues to reduce the proportion of taxes paid by the commercial sector (Ref: County Manager’s Fiscal Year 2019 Proposed Budget, Manager’s Message, p. 7);

Whereas, shrinking commercial tax revenues put an increasing burden on residential property taxes (Attachment B charts);

Whereas, increases in mortgage interest rates and changes in the tax code (e.g., state and local tax “SALT” caps and mortgage interest caps) create a greater level of uncertainty for residential property values;

Whereas, failure to identify expense savings and revenue enhancements may result in unsustainable increases in residential property taxes and/or undesirable cuts to programs and services;

Therefore be it resolved, that the Arlington County Civic Federation encourages the Arlington County Board, County Manager and staff to improve revenue streams and examine and identify savings and efficiencies in the County budget by 1) offering incentives to staff to identify such measures, 2) increasing resources to the County Board’s Auditor, 3) improving and enhancing Open Data portal to deliver information more rapidly and efficiently and 4) through a process of community engagement.

Attachments: A) Manager’s recommendations (from FY 2019 proposed budget)
 B) Charts: Changes in Assessed Value of Real Estate in Arlington County
 C) Chart: Relative Tax Burden, Commercial vs. Residential

R&E Committee members voting to support the resolution: Burt Bostwick, Duke Banks, Frank Emerson, Roger Morton, Suzanne Smith Sundburg, John Tuohy and Jerry Auten. Voting against: None

R&E Committee members not voting: Paul Holland, Cindy Rheame, Terry Showman and Tim Wise.

Attachment A: Manager’s recommendations (FY2019 proposed budget, pp. book 16-17 web 23-24)

COUNTY MANAGER'S MESSAGE

FUTURE BUDGET PRESSURES

The County's future budget challenges will require further review of community priorities to evaluate services and programs. Possible areas for future budget review will include: reducing or eliminating direct services to residents; examining service levels of programs; continuing support to our non-profit partners; levels of employee compensation and benefits; changes to taxes and fees; and further collaboration with schools.

Direct Services: changing or eliminating direct services to the community will impact residents and businesses.

- Close the Lee Community Center: consolidate Senior Adult Programs and relocate other programs.
- Close the Glen Carlyn and/or Cherrydale branch libraries: while these locations are valued by the immediate neighborhoods, they have lowest circulation levels and each location has costly maintenance challenges.
- Review and update the Cultural Affairs business model in Arlington Economic Development.
- Studying Human Services programs to either realign funding or adjust staff caseloads.
- Realigning service levels within the Courts and Constitutional offices, which were held constant in the FY 2019 budget.

Delivery of services: Evaluating the delivery of services could mean that a non-government entity begins providing the service or that the service is reduced or eliminated.

- Explore alternative service delivery for traffic and parking enforcement.
- Consider reducing public safety support for special events.
- Changes to levels of service for Police responses to non-emergencies such as minor theft and reductions to district teams.
- Reductions in Parks and Environmental Services crews including those that provide maintenance in the parks and repaving of the sidewalks.
- Fewer recreation programming options.

Support to non-profits: the County partners with over 90 unique organizations on over 130 different programs, providing over \$25 million in funding from local, state, and federal sources, primarily in the areas of housing, disability, seniors, and health and counseling services. Further evaluation of the support provided, services delivered, and outcomes achieved could allow for changes in what funding is awarded and organizations are supported. Reductions in support could have direct impact on residents in a variety of areas.

Employee compensation: any changes to compensation will need to be weighed against the commitment to provide competitive compensation in order to maintain a talented and effective workforce.

- Reduce annual increases to employees.
- Make changes to the healthcare plan design and possibly offer incentives to employees to move off County health insurance.
- Examine other benefits, such as retirement plans.

Taxes and fees: increases to taxes and fees can both place a greater burden on our residential taxpayers but also affect our competitiveness and ability to recruit and retain new businesses to our community, which could further erode the 50/50 split between our residential and commercial real estate tax base.

- Increases to Vehicle Personal Property and Business Tangibles tax rates increasing the residential tax burden and affecting our commercial competitiveness within the region.
- Implement a License Plate Penalty Fee: we currently charge individuals with out-of-state license plates a \$100 tax in addition to the Personal Property Tax that is due. Both Fairfax County and the City of Alexandria also charge a \$250 penalty to these individuals. However, it is anticipated that this penalty fee could disproportionately affect our immigrant population.
- Increase fees for alarm system registration and false alarm fines following the implementation of a new system for tracking alarms.
- Increase other parking ticket and moving violation fines in collaboration with the Virginia Supreme Court.

- Complete a study of all development and permit fees.
- Eliminate the vehicle personal property decal and transition to a vehicle registration fee similar to Fairfax and Loudoun Counties.

Collaboration with schools: could yield efficiency, better service delivery, and savings for both the County and APS.

- Explore contracting crossing guards;
- Facilities planning;
- Shared technology network support; and
- Whether some school children ride ART instead of APS buses.

The discussion of budget priorities cannot ignore that some programs and services would benefit from additional resources, but given the current budget climate, will not receive them. These range widely from streetlight maintenance to library materials to community engagement resources. Any opportunities to more appropriately fund these priority areas will be considered through reallocations.

Attachment B: Changes in Assessed Value of Real Estate in Arlington County

**CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY
Calendar Year 2017 to Calendar Year 2018**

(In millions, numbers may not add due to rounding)

	Single-Family		Apartment	Commercial	Total
	Houses	Condominium			
Percentage of CY 2017 Tax Base	37%	14%	20%	29%	100%
CY 2017 Tax Base	\$27,402	\$9,976	\$14,991	\$21,019	\$73,388
Assessed Value Change	\$1,165	\$251	\$455	(\$894)	\$977
CY 2018 Tax Base (Excluding New Growth)	\$28,566	\$10,227	\$15,446	\$20,125	\$74,365
Percent Change	4.3%	2.5%	3.0%	-4.3%	1.3%
New Construction	\$60	-	\$253	\$106	\$419
Percent Change	0.2%	0.0%	1.7%	0.5%	0.6%
CY 2018 With New Construction	\$28,627	\$10,227	\$15,700	\$20,231	\$74,785
Percent Change CY 2017 to CY 2018	4.5%	2.5%	4.7%	-3.7%	1.9%

**CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY
Calendar Year 2016 to Calendar Year 2017**

(In millions, numbers may not add due to rounding)

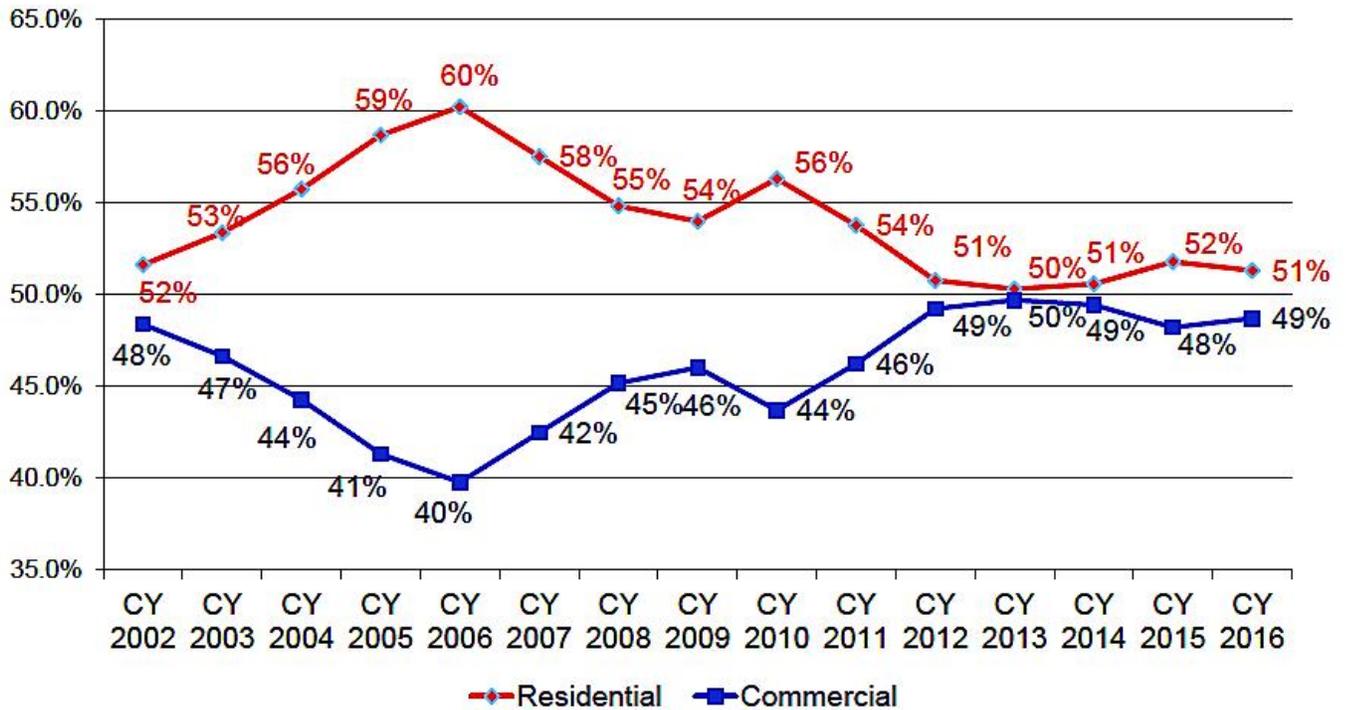
	Single-Family		Apartment	Commercial	Total
	Houses	Condominium			
Percentage of CY 2016 Tax Base	37%	14%	20%	29%	100%
CY 2016 Tax Base	\$26,592	\$9,880	\$14,465	\$20,338	\$71,275
Assessed Value Change	\$776	\$87	\$295	\$422	\$1,579
CY 2017 Tax Base (Excluding New Growth)	\$27,368	\$9,966	\$14,760	\$20,759	\$72,854
Percent Change	2.9%	0.9%	2.0%	2.1%	2.2%
New Construction	\$35	-	\$349	\$193	\$577
Percent Change	0.1%	0.0%	2.4%	1.0%	0.8%
CY 2017 With New Construction	\$27,403	\$9,966	\$15,109	\$20,952	\$73,431
Percent Change CY 2016 to CY 2017	3.0%	0.9%	4.5%	3.0%	3.0%

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY
Calendar Year 2014 to Calendar Year 2015
(In millions, numbers may not add due to rounding)

	Single-Family		Apartment	Commercial	Total
	Houses	Condominium			
Percentage of CY 2014 Tax Base	37%	14%	19%	31%	100%
CY 2014 Tax Base	\$24,300	\$9,278	\$12,450	\$20,371	\$66,400
Assessed Value Change	\$1,292	\$433	\$584	(\$537)	\$1,773
CY 2015 Tax Base (Excluding New Growth)	\$25,593	\$9,712	\$13,034	\$19,834	\$68,172
Percent Change	5.3%	4.7%	4.7%	-2.6%	2.7%
New Construction	\$93	-	\$375	\$9	\$476
Percent Change	0.4%	0.0%	3.0%	0.0%	0.7%
CY 2015 With New Construction	\$25,686	\$9,712	\$13,408	\$19,843	\$68,649
Percent Change CY 2014 to CY 2015	5.7%	4.7%	7.7%	-2.6%	3.4%

Attachment C: Relative Tax Burden, Commercial vs. Residential

**General Fund Comparative Tax Burden
Residential vs. Commercial Tax Base**



Note: If we include the Stormwater Fund and Transportation Fund, the percentages for tax burden would shift: Commercial 50%; Residential 50%.