FISCAL YEAR 2017 BUDGET GUIDANCE DIRECTION TO THE COUNTY MANAGER FOR PREPARATION OF THE FY 2017 BUDGET

The County Board directs the County Manager to prepare a FY 2017 budget that reflects current economic conditions, while honoring the County's vision. Specifically, the FY 2017 budget must, at a minimum, fund services that protect the health and safety of our residents, continue our investments in a quality public education, a safety net for those in need, affordable housing and environmental sustainability.

Should either the local, state or national economic forecast change significantly prior to budget submission, the County Manager will update the Board and the community in a timely manner on potential near- and long-term financial impacts that may need to be factored into FY 2017 budget discussions.

In developing his Proposed FY 2017 Budget, the County Manager is directed to:

1. Present a balanced budget that assumes no increase in tax rates. Proposed expenditure or service enhancements that are fully offset by fee revenue or by reallocations are permitted.

2. If total tax revenue growth exceeds the expected growth of up to 2.4%, the Manager should provide the following 3 scenarios: (1) a reduction in tax rates, (2) applying funds toward meeting increased priority demands, such as student enrollment growth, new facilities, affordable housing or other areas impacted by population growth in the County, and (3) a combination of (1) and (2).

3. Present options for (a) program and personnel reductions or eliminations, (b) proposals to eliminate duplication and inefficiencies, (c) additional or alternative early retirement incentives and (d) employee healthcare benefits modifications. With respect to (d), the Manager will propose a process to potentially include an expert consultant on such benefits and ensure that employees are involved in an inclusive and comprehensive manner.

4. Apply the County/School revenue allocation reflected in the FY 2016 budget (53.5% County / 46.5% Schools). The APS final percentage of locally generated revenue will be adjusted through budget deliberations. Given the current tax rate and current projected assessment growth, a minimum of $8.2 million of projected new revenue will be available to APS above the FY 2016 County transfer.

5. Provide a compilation of tax and fee tools that the Board has at its disposal, either on its own authority or as governed by the Commonwealth. The compilation shall include a discussion of the legal parameters of such fees and charges as well as requirements governing the uses and applications of such taxes, fees and charges.

6. Provide a comparative analysis of Arlington's current senior tax relief program to neighboring jurisdictions' programs and propose options for adjusting Arlington's current program.

7. Provide for an enhanced public engagement process that potentially includes one additional County-wide public budget hearing.

8. Ensure that the budget provides for long-term financial sustainability.

9. Preserve the County's triple-AAA bond rating.

10. Fully fund all debt, lease and other contractual commitments including those "subject to appropriation" in the base budget.

11. Explore further collaborations with Arlington Public Schools as well as regional collaborations and partnerships that might lead to cost savings and efficiencies.

FISCAL YEAR 2018 BUDGET GUIDANCE DIRECTION TO THE COUNTY MANAGER FOR PREPARATION OF THE FY 2018 BUDGET

Adopted November 9, 2016

The County Board directs the County Manager to prepare a FY 2018 budget that is balanced and reflects current economic conditions, while honoring the County's vision. While the current projected budget gap is modest, we expect budget pressures in the areas of Metro, state revenue, and schools need to meet increased enrollment.

The budget should assume continuation of the current level of services within the existing tax rate - to include a maintenance of effort and scenarios to fund anticipated needs for the Affordable Housing Investment Fund and Housing Grants and an effort to shift more of that funding into the ongoing base budget. However, it could include proposed expenditure or service enhancements that are fully offset by fee revenues or reallocations. The budget should provide for long-term financial sustainability; preserve the County's triple-AAA bond rating; and fully fund all debt, lease and other contractual commitments including those "subject to appropriation" in the base budget.

In addition to presenting a base budget recommendation as described above, the County Manager is further directed to:

1. Explore further collaborations with Arlington Public Schools as well as regional collaborations and partnerships that might lead to cost savings and efficiencies.

2. Provide for an enhanced public engagement process regarding budget adoption that potentially includes the expanded use of social media and other online resources such as an online survey.

3. Present options:
   A. For program and personnel reductions or eliminations if the Manager is not able to present a balanced budget within the existing tax rate, or
   B. For 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.*

4. Finally, considering several recent and ongoing studies, the Manager should
   A. Identify potential adjustments in certain tax and fee rates as set forth in the recent tax and fee compendium compiled by staff, with special focus on taxes and fees that have not been adjusted for a number of years, which may warrant adjustment based on current service demands and costs, and are allowed under statutory authority.
   B. Provide recommendations for consideration for changes to the Real Estate Tax Relief Program based on the feedback from the Senior and Disabled Real Estate Tax Relief Working Group.
   C. Report back on the status of the outside consultant reviewing employee compensation and benefits, and on options for increasing childcare provisions for Arlington County employees. Funding was set aside in the FY 2017 budget for the two to three year study of employee compensation and benefits.

* Note on possible extraordinary requests from WMATA and/or APS

WMATA: Considering WMATA's significant budget pressures, the uncertainty around what jurisdictional contributions will be, and the likely timing of budget decisions after the County Manager proposes his budget, the Board expects the budget proposal to include an update of WMATA's budget status as well as a range of the expected contributions request and that there will be updates to the County Board during our budget deliberations as more information becomes available.

APS: Because updated budget estimates based on the recent enrollment numbers will not be available until November, the County Manager shall apply the County/School revenue allocation reflected in the FY 2017 budget (53.4% County / 46.6% Schools), although the final percentage of locally generated revenue dedicated to APS may be adjusted through budget deliberations. Given the current tax rate and current projected assessment growth, we expect that approximately $10.2 million of projected new revenue will be available to APS above the FY 2017 County transfer. APS expects budget pressures and enrollment growth to exceed this $10.2 million increase in revenue. Therefore, the proposed budget should include an update of APS's budget status as well as their expected budget gap. As with WMATA, the Board will expect updates during our budget deliberations more information becomes available.

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DIRECTION TO THE COUNTY MANAGER
FOR PREPARATION OF THE FY 2019 BUDGET

The County Board directs the County Manager to prepare a FY 2019 budget that is balanced and reflects current economic conditions, while honoring the County's vision.

Current economic conditions and trends inform the budget forecast for FY 2019 and suggest that the County will continue to see moderate revenue growth. However, there is uncertainty regarding the impact of the state and federal budgets, as well as potential legislative changes to federal income tax policy, on the County, and real estate assessments are not yet known. Further, the projected moderate increase in revenues is not keeping pace with budget pressures in expenditures, creating an expected budget gap of $10 - $13 million for FY 2019. As more is known about economic conditions, state and federal budgets, and expenditure pressures, the County Manager shall update the County Board and the community in a timely manner.

The budget should provide for long-term financial sustainability; preserve the County's triple-AAA bond rating; and fully fund all debt, lease and other contractual commitments including those "subject to appropriation" in the base budget.

The County Manager is further directed to:

1. Propose a balanced budget within the existing tax rate.

2. Include expenditure or service enhancements that are fully offset by reallocations or fee revenue increases.

3. Include a maintenance-of-effort level of funding for the Affordable Housing Investment Fund consistent with the amount included in the County Manager's Proposed FY 2018 Budget ($13.7 million) through the use of one-time and ongoing funds, with an effort to shift more of that funding into the ongoing base budget.

4. Introduce proposals for long-term efficiencies and improvements in service delivery that will continue beyond FY 2019.

5. Include funding for WMATA that:
    a. Does not exceed the proposed 3% cap on annual increases to jurisdictional contributions for the operating budget.
    b. Assumes that increases in WMATA capital funding beyond sustainable growth will come from a new state or regional source in light of Arlington and other Northern Virginia jurisdictions' inability to sustain the FY 2018 levels of capital contributions.

6. Provide funding to Arlington Public Schools (APS) consistent with the Revenue Sharing Principles and apply the County/School revenue allocation reflected in the FY 2018

budget (53.4% County / 46.6% Schools). Given the current tax rate and current projected assessment growth, a minimum of $15.6 million of projected new ongoing revenue should be available to APS for FY 2019.