ARLINGTON COUNTY CIVIC FEDERATION
Revenues & Expenditures Committee

April 2, 2019

TO; Membership, Arlington Civic Federation

FROM: Revenue and Expenditure Committee

The Revenues & Expenditures Committee met March 3, 10 and 17 to analyze the County Manager's proposed budget for FY2020. Our resolution states that we support the Manager's recommendations, "with reservations". As detailed below our reservations primarily concern the impact of the proposed tax increases, their timing, and alternatives that the Manager and the Board may wish to consider. The Committee's primary focus was on the General Fund; there was no analysis done for the School Funds.

The Revenue and Expenditures Committee has identified the following items for consideration by the County Manager and the Arlington County Board:

- Adopt a goal to reduce or eliminate the proposed increase in the real estate tax rate, especially the one-half cent programmed for general government activities.
- Consider restoring the reductions proposed for Internal Audit and Arts and Cultural Affairs aggregating to $622,000.
- The proposed increases to compensation are well in excess of inflation as compared to Federal employees, a comparative analysis consistent with the Pay Philosophy adopted in 2018 should be presented and considered.
- The Board should reconsider the increase of the general fund reserve by 0.5% at this time.

The Committee recognizes the efforts of the County Board, County manager and County staff to craft a budget at a challenging time.

ARLINGTON COUNTY CIVIC FEDERATION
Revenues & Expenditures Committee
Report on the County Budged for Fiscal Year 2020

The Committee took into consideration factors leading to taxpayer stress not related to the FY2020 budget and specifically the effects of the increase in assessments and the proposed and advertised real estate tax rates. The Committee did not analyze the largest drivers of the budget – Schools, WMATA or affordable housing.

The Committee has identified a number of possible adjustments to the budget, aimed primarily at eliminating the need for the half cent tax increase for general government operations. It should be borne in mind that the County Manager's proposed budget already includes $5.2 million in staff and program reductions[1].

Real Estate Taxes[2]

The table below outlines the effect on the tax bills of single family dwellings of the County Manager's proposed 1.5 cent increase in the real estate tax rate and the effect if the advertised rate of 2.75 cents is adopted. Note that the increase comes in two parts. The average tax bill will increase even if the rate is unchanged due to an increase in the assessed value of real property.

average assessment 2018	$640,900	$640,900
average Assessment 2019	658,600	658,600
Change	+17,700	+17,700
Tax increase with rate unchanged	178	178
effect of 1.5 cent increase	99	
effect of 2.75 cent increase		181
total increase	277	359
average tax bill 2018 (1.006 rate)	$6,447	
average tax bill 2019 (1.021 rate)	6,724	
average tax bill 2019 (1.0335 rate)	6,807	

The following table shows the real estate tax rates for 2018 and proposed for 2019 for Arlington and our immediate neighbors.

[1] FY2020 proposed budget, pp 10 (18 web)
[2] FY2020 proposed budget, pp 111 book, (119 web)

	2018 rate	Proposed 2019 rate	change	average assessment
Fairfax County	1.183	1.183	0.000	$673,407
City of Falls Church	1.355	1.355	0.000	825,200
City of Alexandria	1.130	1.130	0.000	764,596
Arlington County	1.006	1.021	0.015	658,600
Includes stormwater if applicable				

For more in-depth information regarding real estate taxes. page 111 (web 119) of the County Manager's proposed FY2020 budget is attached to this report.

Taxpayer stress

The proposed increase in taxes comes at a time when many Arlington residents are facing headwinds as a result of issues beyond the control of the State or County Governments.

The Federal "Tax Cuts and Jobs Act" of 2018 established a limit on deductions for State and Local Taxes (SALT) of $10,000. The 'SALT' limit for the deduction of real estate, personal property and state taxes has negatively affected many Arlington homeowners, not only for their federal taxes, but for their state taxes as well. In just one example provided by an R&E committee member, an itemized state tax deduction of $24,369 in 2017 was reduced to $6,000 for 2018 taxes.

The effects of the 35-day government shutdown continue to be felt. While the affected federal employees received retroactive pay, none of the contractors did, nor did businesses receive any compensation for lost trade. And there is no guarantee that there will not be another shutdown in 2019 or 2020.[3] Individuals recovering from the last shutdown are being advised to prepare for another one[4], thus adding to their stress.

The County's proposed increase in the real estate tax exacerbates this already negative situation for many homeowners.

Two recommended items for restoration are discussed below under Internal Audit and Arts and Cultural Affairs. This table summarizes the effects of these reductions and restorations.

[3] "Billions more sought for wall: President's 2020 budget proposal sets up another battle with Congress", Washington Post March 11, 2019 https://www.washingtonpost.com/business/economy/trump-to-demand-86-billion-in-new-wall-funding-setting-up-fresh-battle-with-congress/2019/03/10/c5eec1e6-4342-11e9-90f0-0ccfeec87a61_story.html?utm_term=.9ed84badff68

[4] Federal workers should save now in case of another shutdown in the months ahead, Michelle Singletary, Washington Post, March 12, 2019. https://www.washingtonpost.com/business/2019/03/12/federal-workers-should-save-now-case-another-shutdown-months-ahead/?utm_term=.306867134ac8

Employee Compensation.

Employee compensation is the single largest element of the General Fund budget, making up 41% of the total expenses of all funds and 55% of General Fund operations for FY 2020[5]. The table below compares the proposed budget to the FY2019 adopted budget. The comparison is not perfect due to seven general fund positions being transferred to other funds in the proposed budget.

	FY 2020 proposed	FY2019 adopted	change	
Pay (Salaries)	285,016,035	281,559,005	3,457,030	1.23%
Retirement	66,596,003	65,017,259	1,578,744	2.43%
FICA	21,585,126	21,195,730	389,396	1.84%
Health Insurance - Employees	33,303,689	34,029,699	(726,010)	-2.13%
Health/Life Insurance - Retirees	11,400,000	12,400,000	(1,000,000)	-8.06%
Life Insurance - Employees	425,395	371,746	53,649	14.43%
Commuting & Transportation	2,453,137	2,267,970	185,167	8.16%
Tuition Reimbursement	325,500	325,500	0	0.00%
Unemployment/Short-Term Disability	280,000	280,000	0	0.00%
Workers Compensation	4,218,500	3,130,000	1,088,500	34.78%
Transfer to OPEB Trust Fund	7,000,000	7,000,000	0	0.00%
Miscellaneous	1,424,341	601,797	822,544	136.68%
	434,027,726	428,178,706	5,849,020	1.37%
	pp 97 proposed FY 2020 budget book (105 web)	pp 75 2019 adopted budget		

The Board has adopted a compensation policy to retain competitiveness in the region. Page eight of the budget (web 16) states:

> The Proposed Budget includes general employee increases of 3.25% - 3.5%, public safety increases of approximately 5.5% (some are a bit higher, and others lower depending on how far an employee has moved through his or her pay range), and adjustments to the pay ranges for a majority of job classifications.

[5] See pp 93 (web 102) and pp 97 (web 105) of the proposed 2020 budget.

The increase in salaries also means increases in benefits tied to pay – retirement, FICA, unemployment, disability and workers' compensation. The proposed budget for pay and pay-related benefits is $377,695,664, an increase of $6,513,670 (1.72%) over the FY2019 budget. The proposed increase in pay consists of normal step increases (merit increases) plus a 2% increase to the maximums and minimums of each pay scale. A reduction of the increase from 2% to 1% would result in a reduction in General Fund personnel costs of approximately $1.2 million – a decrease of 0.27% from the proposed General Fund budget.

In addition to the proposed pay adjustments, the non-departmental budget contains the following for items related to the "Employer of Choice Program:"

> *Employer of Choice program funding includes monies set-aside for the general employee compensation maintenance plan in FY 2020 ($1.4 million), the cost to increase the pay ranges for public safety and general employees by two percent ($0.83 million), potential additional liabilities to retirement actuarial costs for pay enhancements ($0.95 million), and contingent funding for Amazon staffing needs funded with anticipated fee revenue ($0.7 million)*[6].

The cost of this program aggregates to over $3 million.

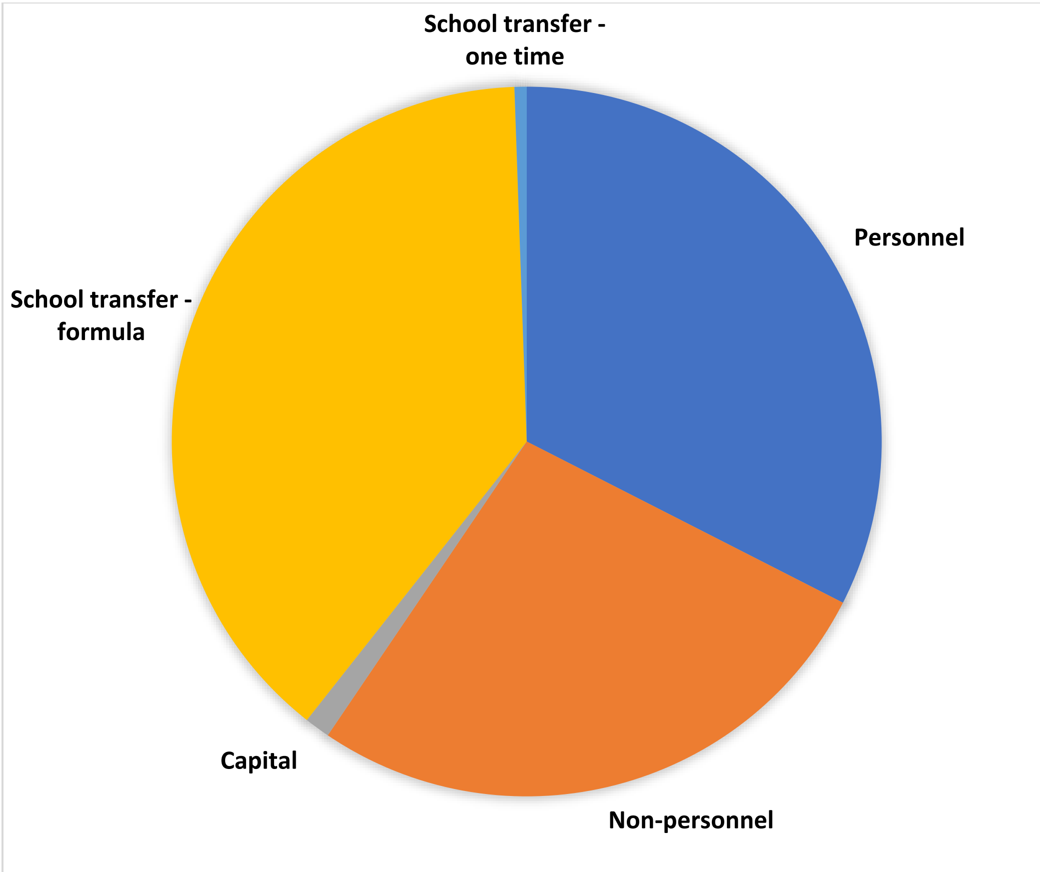
The County Manager has proposed increases consistent with Board guidance to continue with compensation and staffing adjustments,. Since it appears the increases are well in excess of inflation as compared to Federal employees, a comparative analysis consistent with the Pay Philosophy adopted in 2018 should be presented and considered. The Committee did not have the time nor the information to make a reasonable judgment on the merit of the proposed increases

The following chart displays the proposed General Fund expenditures for 2020 at a condensed level.[7]

Personnel	434	32.51%
Non-personnel	360	26.96%
Capital	16	1.16%
School transfer - formula	518	38.81%
School transfer - one time	7	0.55%
	1,335	

[6] 2020 proposed budget pp257 (web 785)

[7] 2020 proposed budget, pp 90 (web 98)



The County Manager has proposed to allow employees to purchase up to four years retirement credit for military service. The cost of the credit will be borne by the employees. Other jurisdictions allow for this, for example the Virginia Retirement System and the City of Falls Church. This is a useful tool for recruitment and has no fiscal impact on the County. The Board should give this serious consideration.

Proposed $87,000 Cut in Internal Audit Funding

Whereas a number of the County Manager's "Options for Additional Program Reductions" in his fiscal year (FY) 2020 budget would have no appreciable impact on services, the manager identified one potential cut that would significantly reduce the county's already anemic internal audit function: Reduce internal audit consulting funds by $87,000, an almost 60% reduction in the budget for outsourcing internal audit reviews to outside contractors.[8]

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[8] Arlington County Manager's Proposed FY2020 Budget (book p. 77/web p. 85): https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2019/02/1-FY20-All-in-One-for-Web-v4.pdf#page=65

Note that the county's internal audit function is separated into two pieces. First is the county's part-time internal auditor who reports to the County Manager and who conducts internal audits and confirms that the county's internal controls are in place and functioning properly. There is also a separate and independent Internal Auditor to the Arlington County Board. The board's auditor analyzes county programs/services and processes to determine whether they are operating as the board intended, and in the most efficient and effective way possible.

Since at least FY2011, when then-County Manager Barbara Donnellan proposed cutting two of the county's internal audit positions[9], the Revenues & Expenditures Committee has been urging Arlington County to strengthen its internal audit function.[10] These cuts left the county with just one 0.5 full-time equivalent (FTE) audit employee — a part-time — to audit the county's books and review its internal controls. In FY2011, the adopted budget was $955.9 million.[11]

In its October 31, 2012, letter to Arlington County management, the county's external auditor CliftonLarsonAllen noted the problem with the internal audit function and provided this recommendation:

> *At present, the County does not have an independent internal audit function. We believe that an organization with the County's size and complexity warrants consideration of an internal audit function.*[12]

Whereas the county's external auditor reviews the county's financial statements annually to ensure that they are free of material misstatement, the external auditor doesn't review everything and must use statistical sampling to spot-check the county's accounts and records. In other words, the external auditor's review is not an appropriate substitute for the county's maintaining its own independent internal audit function.

CliftonLarsonAllen again noted the county's lack of an independent internal audit function on October 29, 2013, urging the county once again to implement an independent internal audit function and listing the benefits of an appropriate audit function.[13]

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[9] Arlington County Manager's Proposed FY2014 Budget (web p. 186): https://budget.arlingtonva.us/wp-content/uploads/sites/18/2013/10/FY-2014-PROPOSED-ALL-IN-ONE.pdf

[10] Arlington County Civic Federation Revenues & Expenditures Committee Report on the County Manager's Proposed FY2011 Budget (4-6-10), p. 5: http://www.civfed.org/budgFY11reptcomb.pdf

[11] Arlington County Adopted FY2011 Budget, p. 5: https://budget.arlingtonva.us/wp-content/uploads/sites/18/2013/10/FY-2011-Adopted-ALL-IN-ONE-BUDGET.pdf

[12] CliftonLarsonAllen 10/31/12 letter to management, p. 1 (electronic copy unavailable online)

[13] CliftonLarsonAllen 10/29/13 letter to management, pp. 1–2 (electronic copy unavailable online)

County management responded to this repeated recommendation by saying that the Arlington County Board had added $250,000 of one-time funds in the FY2014 budget to support a combination of staff and contractors to conduct various audit and internal control reviews.[14]

The manager subsequently converted the "temporary" 0.5 FTE internal audit position to permanent in FY2016 and transferred a 1.0 FTE from another department to create the position of Internal Auditor to the County Board. Ongoing, nonpersonnel funding of $200,000 also was added in FY2016 to support the county's internal audit operations.[15]

This move brought the county's total internal audit staffing up to 1.5 FTEs, which is where it stands today. Given the complexity and size of the county's $1.8 billion budget in FY2020, this level of staff is still very low. And it requires the County Board and County Manager to consistently provide sufficient funding to hire supplemental contractor assistance in order to maintain the county's existing internal audit function.

By contrast, Henrico County, Virginia, which has a biannual (2-year) budget of over $1.25 billion for FY2018–FY2019[16] has an internal audit department comprising 4.0 FTEs (one director and three auditors).[17]

In its *Supplemental Guidance: The Role of Auditing in Public Sector Governance*, the Institute of Internal Auditors (IIA) Global makes a strong case for robust, independent auditing in government:

> *Auditing is a cornerstone of good public sector governance.…*
>
> *An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their public sector entity accountable. Auditors perform an especially important function in those aspects of governance that are crucial for promoting credibility, equity, and appropriate behavior of public sector officials, while reducing the risk of public corruption.*[18]

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[14] CliftonLarsonAllen 10/29/13 letter to management, p. 2 (electronic copy unavailable online) and Arlington County Manager's Proposed FY2014 Budget (book p. 144/web p. 174): https://budget.arlingtonva.us/wp-content/uploads/sites/18/2013/10/FY-2014-PROPOSED-ALL-IN-ONE.pdf

[15] Arlington County Adopted FY2016 Budget, p. 144: https://budget.arlingtonva.us/wp-content/uploads/sites/18/2015/06/FY16A_Final-All-in-One-Adopted-File.pdf

[16] Henrico County Approved Budget for FY2018–FY2019, pp. 25–26: https://henrico.us/pdfs/finance/pdfs/ApprovedBudgetFY2019.pdf

[17] Henrico County Internal Audit website, "Our Staff" web page (accessed 3-12-19): https://henrico.us/audit/about-us/our-staff/

[18] IIA Global, *Supplemental Guidance: The Role of Auditing in Public Sector Governance*, February 2012, pp. 5–6, https://global.theiia.org/standards-guidance/Public%20Documents/Public_Sector_Governance1_1_.pdf

No effective internal audit function can ever be established if it is treated as an afterthought, subject to elimination or significant reduction when money is tight. In fact, the most advantageous time to have a strong, independent audit function is during economic downturns when difficult choices must be made and every dollar count.

Proposed elimination of Cultural Affairs funding:

The FY2020 budget proposes eliminating five positions (four filled and one currently vacant) and the phasing out of one position. in Cultural Affairs devoted primarily to supporting theater arts in the County. The budget document states that "The four community arts groups that utilize the shop will need to find an alternative construction facility space or a vendor to provide scenery production services." And "The three primary users of the Costume Lab – The Arlington Players, Avant Bard (Washington Shakespeare Company), and Signature Theater – will need to find an alternative costume rental company."

The budget envisions a reduction of $18,000 in revenue from the approximately $160,800[19] generated by fees and surcharges paid by the users of the service. It is difficult to imagine that the theater groups in Arlington will continue to pay fees when the services are no longer being provided.

In 2017 the County participated in a project "Arts & Economic Prosperity 5", a nationwide study conducted by Americans For the Arts.[20] The report found, using FY2015 data, that non-profit arts and cultural organizations generated over 4,000 jobs and $7.5 million in revenues for local government.

It is clear that insufficient analysis was performed prior to proposing these severe reductions. The County Manager should delete the reduction and direct staff to undertake a more thorough analysis to consider productive and strategic alternatives in consultation with stakeholders..

Reserves:

From the Manager's FY 2020 Proposed Budget Message:

"I am also proposing a contingent fund of close to $1,000,000 to respond to unanticipated costs associated with Amazon's arrival. These funds are derived from site plan filing fees and other permit fees and may or may not presage a higher ongoing level of revenue.

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[19] County report 250 – Revenue by Fund and Cost Center, ADJ1-18 (at fiscal year end) fund 101, cost center 71000.

[20] The complete report can be found at https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/43/2018/07/VA_ArlingtonCounty_AEP5_CustomizedReport-1.pdf

"Finally, as recognized by the County Board this past fall, we continue to strengthen our financial policies. This past Fall we increased our General Fund Operating Reserve levels from 5.0% to 5.5%, and I will be proposing a formal amendment to our financial policies to memorialize this change. As I noted then, I will come back to the Board in March with suggestions on future increases to reserve levels and discussion of concerns raised this past year by one rating agency. Whatever policies are proposed, I remain confident and excited that we are equal to any of the challenges presented to us as a community.

From the FY2020 Proposed Budget, p.790: Over the last few years the County Board has set aside monies in an economic and revenue stabilization contingent. This existing practice from recent years was formally adopted by the County Board in a revised set of financial and debt management policies in FY 2014 and updated during the FY 2017 budget process. The updated policies include a requirement to maintain a Budget, Economic and Revenue Stabilization Contingent with a minimum balance of $4,000,000 to address unexpected events, such as major weather events or a local/regional emergency requiring immediate incurrence of cost in response; revenue declines and local or regional economic stress. These funds are one-time monies so any funds expended need to be replenished in the following fiscal years per the fiscal policies adopted by the County Board.

Budgeting, Planning & Reserves Major changes adopted in May 2017:

- Changed the name of the Economic & Revenue Stabilization Contingent to the Budget, Economic & Revenue Stabilization Contingent, and increased funding by $1 million to $4 million. The scope was revised to include unexpected events such as weather or local / regional emergencies requiring immediate incurrence of costs.
- Adds a two-year replenishment requirement for the Self-insurance Reserve.
- Makes language consistent that County Board approval is required for a draw from any reserve or contingency fund.
- Adds a requirement that in off-years of the biennial CIP process, the County will conduct a needs assessment. This process will begin in the next 4-6 years.

R&E has frequently questioned the need for the County's levels of reserves and contingencies, both for the general fund and other programs. It is virtually impossible to determine the aggregate total of all these items, let alone whether they are actually needed or being utilized or replenished annually. In the most recent example, the Manager has identified another $1MM contingency, in addition to rolling over a $4MM contingency fund from 2019, and increasing the general fund reserve to 5.5%. Various explanations are offered as to the need for this level of reserves, mainly that 'rating agencies' would like or prefer that cities/counties maintain a certain level of reserves of 'fund balances' in order to justify an AAA rating for their bonds. The not so obvious reasons are: 1) Rating agencies have increased arbitrary levels of reserves over the past few years (Note: The required general reserve in 2016 was only 3.5% [21]– so what has happened to need to increase this level to 5.5%?), and 2) The principal measure rating agencies use is the ability of local communities to raise taxes to cover debt service. Arlington's established limit for the ratio not to

21 https://budget.arlingtonva.us/budget/past budgets

exceed 6%. The actual estimated level for FY 2020 is 5.5%, declining to 4.6% by FY 2028.[22] By this measure, there is little, if any, justification for raising the general fund reserve by another .5%. Note also that Arlington is required by State law to have a balanced budget.

Conclusion

The Committee notes that both Alexandria and Fairfax, which have substantially smaller relative commercial assessments, but similar demographic and inflationary pressures, have been able to propose 2020 budgets with NO increase in their tax rate, relying solely on the increase in assessments.

The Committee further notes that the County "expect to reap $14 in new tax revenues for every $1 it spends on subsidies" [23] Based on that ratio, the County will recoup approximately $322 million ($14 times $23 million) over the next decade, or roughly $32 million a year.

The budget for FY2020 has presented numerous challenges both to County Staff and County residents. Difficult decisions have had to be made, and reasonable people can disagree with some or all of the choices. This report is presented to aid in both the discussions regarding the budget currently under consideration and to form a basis for future years' budget deliberations.

Approved by Revenue and Expenditure Committee March 21, 2019

Aye: John Tuohy, Tina Worden, Duke Banks, Frank Emerson, Burton Bostwick, Suzanne Sundburg, Roger Morton

Nay: None

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22 Chart -FY 2020 Proposed Budget, Web Page 794.

[23] Washington Post 3-17-19 "Arlington Approves Amazon Deal 5-0

Attachment A – savings & efficiency resolution June 2018

Passed by the Membership on 5 Jun 2018
33 ayes, 0 nays, and 3 abstentions

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-Overtime3-19-18.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;

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 Rheaume, Terry Showman and Tim Wise.

Attachment B – Tax revenue page FY2020 proposed budget

REAL ESTATE TAX

Real estate taxes are the largest source of County revenues, generating $767.2 million or 57 percent of all revenues for the FY 2020 General Fund budget and 69 percent of all local tax revenues. Fiscal Year 2020 General Fund revenues reflect a proposed real estate tax rate of $1.008 for each $100 of assessed real property value, a proposed 1.5 cent increase from CY 2018.

Arlington County prorates real estate taxes for the value increase on new construction, a policy adopted in FY 1986. Previously, a property owner paid real estate taxes based on the January 1 value of a structure. No additional tax was assessed if the building was completed during the course of the year. With proration, property owners pay a prorated share of the real estate tax increase during the calendar year, based on when the building is substantially completed.

CY 2019 assessments reflected stable property values with 3.5 percent growth over CY 2018 – driven by growth of both residential and commercial property values. New construction in the County contributed to 0.9 percent of the overall property tax growth.

The combined value of commercial and apartment assessments increased 4.1 percent. Apartment buildings grew by 5.5 percent, which included a 2.8 percent increase from new construction. Hotel property assessments demonstrated strong growth, increasing by 5.9 percent. After declining last year, office property assessments increased 4.3 percent due in part to building completions and leasing activity. Growth was partially offset by general commercial (malls, retail stores, gas stations, etc.), which was down 1.7 percent from the previous year.

CY 2019 residential assessments increased 2.9 percent in the aggregate. Including new construction, single-family houses (including townhomes) increased 3.1 percent, while condominium assessment totals increased by 2.6 percent. The average value of a single-family property increased by 2.8 percent; from $640,900 in CY 2018 to $658,600 in CY 2019. At the proposed real estate tax rate of $1.021 per assessed value, which includes the proposed base rate of $1.008 plus the $0.013 sanitary district "stormwater" tax, the average single-family residential tax bill will increase by about $277, or 4.3 percent, in CY 2019.

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY
Calendar Year 2018 to Calendar Year 2019
(In millions, numbers may not add due to rounding)

	Single-Family				
	Houses	Condominium	Apartment	Commercial	Total
Percentage of CY 2018 Tax Base	38%	14%	21%	27%	100%
CY 2018 Tax Base	$28,620	$10,213	$15,740	$20,411	$74,984
Assessed Value Change	$732	$266	$422	$579	$1,999
CY 2019 Tax Base (Excluding New Growth)	$29,352	$10,479	$16,162	$20,990	$76,983
Percent Change	2.6%	2.6%	2.7%	2.8%	2.7%
New Construction	$146	-	$439	$55	$639
Percent Change	0.5%	-	2.8%	0.3%	0.9%
CY 2019 With New Construction	$29,498	$10,479	$16,601	$21,045	$77,622
Percent Change CY 2018 to CY 2019	3.1%	2.6%	5.5%	3.1%	3.5%