**Arlington County Budget and ACCF Review**

Background

In past years, the Arlington County Civic Federation (“ACCF”) has engaged in a very intensive and occasionally contentious analysis of the Arlington County general fund budget. ACCF and its committees have struggled to bring together the correct amount of analysis and ‘democracy’ to the process. The process has evolved over the years from a wide-open discussion, amendment and revision exercise, to a more restrained up or down vote on the recommendations provided to the membership by the Revenues & Expenditures Committee (“R&E”). Whereas the review process has been open to any committee wishing to modify the County Manager’s proposed recommendations, and R&E further opened the process to amendment by allowing two alternatives on which the membership could vote, some committees and individuals have felt that the process wasn’t open enough. Instead, they believed individual committees should have the opportunity to present their recommendations directly to the membership, notwithstanding the recommendations of the R&E committee. Without weighing the pros or cons of any of these alternatives -- and there are many for each option -- it has become clear that the process has become unwieldy and contentious. (The foregoing noted, R&E’s recommendations have been accepted each year by a substantial majority of the ACCF membership.)

This Year’s Process

This year, the factors noted above led the Executive Committee to offer a new ‘Special Rule’, which would have allowed for recommendations by individual committees and votes by the membership, albeit with R&E review and commentary provided. Unfortunately, R&E concluded it had insufficient time and resources to engage in its usual analysis and recommendations. Instead individual R&E Committee members would provide reports, which will be for information purposes only. For this reason, other committees will be allowed to present their recommendations directly to the membership for a vote without any screening or analysis by R&E, as was the case in previous years.

R&E Perspective and Requirements

From the R&E perspective, analysis of the County Manager’s proposed fiscal year (July 1- June 30) budget is released near the end of February each year requires the following:

1. Familiarity and expertise with the budget elements and mechanics.
2. Year-over-year experience in reviewing county budgets
3. Reading and absorbing the upcoming fiscal year’s budget (more than 900 pages), the current fiscal year’s Comprehensive Annual Financial Review (“CAFR”, over 200 pages) the previous year’s closeout, plus other relevant reports issued by the Fiscal Affairs Advisory Commission (“FAAC”) and county staff.
4. Attending as many of the County Board-County Manager budget =-related work sessions as possible (this year, there were 12 sessions.)
5. Meeting for at least six 3-to-4 hour weekend session each February-March to review and discuss the budget, while also meeting with and considering the suggested modification of other ACCF committees
6. Reconciling the R&E recommendations with those of the Schools Committee, which develops its budget recommendations independently.
7. Writing the R&E budget report and recommendations and clearing it with individual committee members over a 2-3 day period. (Note: The R&E recommendations must result in a ‘balanced budget’, i.e., revenues and expenditures must match, and the tax rate cannot exceed the rate advertised by the County Board.)
8. Posting the report and recommendations to the ACCF web site the Sunday prior to the April membership meeting.
9. Printing copies of the report and recommendations
10. Presenting and defending the recommendations of the committee at the April membership meeting.

Suffice to say, this is the most labor-intensive activity in which ACCF engages, requiring extensive expertise and experience. ACCF has been fortunate in the past to have individuals with the required time, energy and expertise to lead this effort. However, as this may no longer be the case, it is time to review the process.

The County’s Budget Process

There are a number of moving parts to the county’s budget process, even if the manager’s proposed budget receives the bulk of the attention. During the year, the county produces a mid-year (6 month) review, a third-quarter (9-month) review, an end-of-year ‘closeout’, and the annual CAFR (combined annual financial report reviewed and accompanied by the external auditor’s opinion.) Of these, only the manager’s proposed budget receives any extensive analysis by R&E. The other budget elements are largely ignored, and seldom if ever reported on to the membership. The county’s web site contains a comprehensive graphic showing all the elements of the budget process

<http://www.arlingtonva.us/departments/ManagementAndFinance/budget/file67463.pdf>

A copy of the process is attached to this report.

In summary, each fall, the County Board provides guidance to the County Manager prior to the preparation of the proposed budget. Individual departments are then requested to provide their budget requirements conforming to this guidance. Meetings are also held with various county-appointed commissions, interest groups, and civic associations, and the general public to solicit their input. The manager’s proposed budget is the final product of this process. The manager’s proposed budget then triggers a series of ‘work sessions’ – which include board members, the manager, the Director of the Dept. of Management and Finance, and other county department heads and their staff, FAAC and other commission representatives -- where the County Board is able to question individual departments about their budgets. An opportunity is also given to the general public to make their comments at the budget and the tax rate hearings. Following this, the Board conducts a budget ‘mark-up’ which essentially becomes the ‘adopted’ budget following a formal board vote.

However, the ‘proposed’ budget, the ‘adopted’ budget, and the ‘actual’ budget often vary considerably, and the differences between them receive very little attention.

In addition, the County reviews a capital funding program (Capital Improvement Program or ‘CIP’) every other year, and the county’s capital (or longer’ term) financial requirements are adopted as a guideline for major additions, improvements or repairs.

The ACCF Role

ACCF’s budget review and analysis has served as a useful function in making its members aware of the county’s fiscal needs, which sometimes includes a critical assessment of what is necessary and what is not. The results of this analysis are then forwarded to the County Board along with recommendations for improving the process. Occasionally, some of the recommendations are considered. However, the significance of this exercise is that it is the ONLY independent analysis the county’s budget receives that is widely publicized. Otherwise, there is next to no oversight or critical analysis.

If ACCF is no longer capable of performing the annual budget analysis exercise, or if it is considered too problematic or contentious, then the question becomes what oversight or analysis should ACCF provide, and how to make it effective and independent? At a minimum, the responsibilities of R&E and other committees should probably be a year-round exercise, as the budget and the county’s needs are a year round exercise. There should be ‘dynamic tension’ between advocacy groups and R&E, so that all budget elements receive a full and fair analysis…not necessarily every year, but on a continuing and ‘as needed’ basis. The following are some suggestions for the direction this might take. Or, on the other hand, we could do away with budget oversight and analysis altogether.

Potential Scenarios (not exclusive)

1. R&E resumes its role of providing an annual budget review with recommendations to the membership. This would follow ACCF’s traditional procedure with the traditional ‘Special Rule’ in place. It would require someone with the time, energy and expertise to lead this exercise.
2. Other committees review their portions of the annual budget and make recommendations to the membership without any independent screening or analysis.
3. R&E re-constitutes itself and along with other committees:
4. Conducts case studies (e.g., Arlington Mill, the disposition of annual ‘surpluses’, reserves policies, etc.)
5. Reviews the adequacy of the maintenance of county facilities.
6. Holds panel discussions, debates (e.g., “affordable” housing, paving, etc.)
7. Considers and recommends definitions of ‘safety net’ and ‘core’ programs
8. ACCF conducts no annual or ongoing budget analysis or reviews.

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