Arlington County Civic Federation
Revenues & Expenditures Committee
Report on the County Manager's Proposed FY10 Budget
Presented 4/7/09

I. Executive Summary

- A balanced budget with a 1.7 cent tax rate increase
- Average residential tax bill remains unchanged
- $1.1M of additional base revenue identified
- $6.6M of additional one-time revenue identified for PAYG
- $692K of Manager's proposed reductions/fee increases rejected
- $2.1M of specific new reductions proposed
- $2.9M of additional reductions proposed to meet County Board budget guidance

II. Background to a Very Different Budget Year

For the fiscal years 2001 through 2009, Arlington experienced robust General Fund budget growth, averaging 7.2% per year, fueled primarily by rapid increases in the real estate assessment base. While calendar year tax rates fell, from $1.023 in 2000 to $0.818 in 2007, before increasing last year to $0.838, rapidly rising average residential assessments (162% between 2000 & 2008) increased the average homeowner tax bill from $2,074 to $4,448 – an increase of 115% in an eight year period. Other revenues also showed healthy growth.

By every measure, County government expanded rapidly over these years. Fiscal year 2010 marks a distinct, abrupt end to this expansionary decade.

The real estate assessment base has stagnated, showing only a 0.4% increase for CY10, with the assessment base for homes and condominiums actually declining. Personal property tax is projected to fall by over $5M (-5.6%). Interest income on county cash balances is projected to drop $4.75M (-38%). Overall, at the same tax rate as 2008 of $0.838, total general fund revenues would drop $15.9M (-1.7%).

A "business-as-usual", continuing services budget for FY10 would have required a dramatic increase in the real estate tax rate. If "continuing services" were defined as the FY09 budget, plus normal inflationary increases, step increases (but not COLAs) for county employees, PAYG capital spending at only its base budget amount, and a full revenue sharing agreement calculation with the schools (giving the schools 49.1% of any tax increase), an increase in the tax rate of 11.8 cents ($0.838 to $0.956, or 14%) would have been required. The average residential tax bill would have risen from $4,448 to $4,972 (12%), at a time when incomes are stagnating or declining.

Faced with these facts, last November the County Board gave guidance to the Manager to produce a balanced budget with a proposed tax rate that kept the average residential real estate tax bill flat, with no change from CY08.

Had this guidance been followed, the proposed real estate tax rate increase would have been 1.7 cents. The Manager's proposed FY10 budget did NOT follow this guidance, but instead is balanced with a 2.7 cent rate increase. On the same day the budget was released, the County Board voted to advertise a maximum rate increase of 3 cents – this vote set the upper limit of the rate increase, which ultimately could be less than 3 cents.

A continuing services budget as defined above would have required $68.3M of additional revenue. One method of analysis as to how the Manager's proposal covered this "gap" is as follows:

Real estate tax increase (2.7 cents)	$15.6M
Spending "reductions"	$23.3M
Exclusion of revenue sharing from schools on 11.8 cent tax increase	$33.5M
Offset by increased "safety net" spending	<$1.5M>

With that as a starting point, the R&E Committee set out to present a meaningful review of the Manager's proposal – and given the nature of the proposal, our task was much different than in recent years. The Manager proposed 136 specific changes to the prior base budget. We have considered each one – some very briefly, some at great length. Our report rejects some of these changes, and proposes modifications to others. We make recommendations of our own (some specific, some general), toward the end of presenting to the Federation what R&E has traditionally done – a recommendation for the real estate tax rate.

In reviewing the budget, our overall goal was to meet the original County Board guidance of producing a budget that kept the average residential tax bill the same as last year. Our deliberations have encompassed 18 hours of full committee meetings, in addition to monitoring all County Board work sessions and meetings of the Fiscal Affairs Advisory Commission. Given the time constraints in producing this year's report to the Federation, we think we've been as thorough as was practically possible in reviewing a very complex proposal. We hope you find this report both informative and thought-provoking, and we hope you will vote to adopt its findings.

III. The Manager's Proposed Spending "Reductions"

To give you the broadest overview of the Manager's proposed spending "reductions", we are including as an attachment to this report the summary pages of the reductions as contained in the proposed budget book. We caution you that these single line descriptions are by definition very short and sometimes misleading in their nature. We refer you to the complete budget book online at this web address:
http://www.arlingtonva.us/Departments/ManagementAndFinance/budget/page68453.aspx
for a more complete description of the true nature of each item.

As we mentioned above, there are 136 separate line items listed, grouped as "service" or "administrative, managerial & overhead" reductions. The $23.3M represents a 2.4% decrease in County spending (excluding the schools transfer). We use the term "reductions" in quotation marks, since several of the line items are actually fee increases. One way to categorize the $23.3M in the Manager's proposal would be:

Spending reductions	$20.998M
Fee increases	$ .482M
Debt service/Arlington Mill	$ 1.820M
Total	$23.300M

We are totally unclear as to why the Arlington Mill debt service was included on the reductions list. Bonds will not be sold this summer for Arlington Mill, due to the current inability of the project's private developer partner to obtain financing for the affordable housing component.

The Manager's proposal eliminates 105 FTEs that were funded in the FY09 budget. Of these 105 positions, approximately 65 are already vacant. This elimination of 105 FTEs represents a reduction in funded positions of just under 3%. R&E notes that in our report last year, we identified 48 positions that had been vacant for a year or more, and suggested that they could be eliminated.

One other item to note here is that 132 of the funded positions in the FY10 budget are currently vacant. If these positions were all filled, the County would have approximately 100 more full-time employees than it does today.

The biggest single line item on the reduction list is $2.7M for the elimination of employee step increases. County employees did receive their regular step increases last year, when there was no "market pay"/COLA adjustment. Alternatives to this line item would have been further FTE reductions and/or employee furloughs, which are being considered by many municipalities. Given the current budget climate and the overall condition of the economy, we support the Manager's recommendation to eliminate step increases this year.

R&E proposes that the following 7 recommendations by the Manager be rejected or modified. The net additional cost of our proposed changes is $692K.

1. (PRCR; park trash removal; $40,645 change) The Manager proposed reducing the park trash pick-up budget by $81,290 (48%). This change would reduce the emptying of trash cans in most parks from every day to every other day. We propose restoring half of the Manager's reduction, which should allow for every day pick-up at our busier parks and/or at peak usage times.
2. (PRCR; invasive plant removal; no cost change) The Manager proposed a $60K savings by eliminating outside contracts for the removal of invasive plants from parks and other county property. The reduction would have reduced invasive removal efforts by 30-50%. We view the removal of invasives as park and right-of way maintenance, and oppose any reduction in current program efforts. We also adopt the position suggested by the Urban Forestry Commission to cover this program restoration for FY10 by reducing the number of new trees budgeted to be planted from approximately 1,300 to 1,100.
3. (PRCR; Gulf Branch Nature Center closing; $100,000 change) Here, the Manager proposed closing the facility for a total savings of $132K. R&E takes note of the demonstrated popularity of this facility; discussions with staff and the County Board are revolving around keeping the facility open, possibly on a reduced schedule, with more volunteer staffing and possible increases in program fees. We concur with such an approach, and propose restoring $100K of the proposed reduction for the continued operation of Gulf Branch along these lines.
4. (DES; leaf collection fee; $187,000 change) The Manager's proposal here was an increase in the trash rate of $5.84 per homeowner per year, to fully absorb the cost of the second vacuum truck pass, as currently provided. Alternatively, the Manager proposed eliminating the second pass. We reject both proposed alternatives, and propose that the second pass continue to be funded from general revenue.
5. (DES; brush & metal collection fee increase; $12,500 change) The proposals here are a 10% ($2) increase for appliance collection and a $0.28/year increase in the trash rate to fund overtime for brush and metal collection. We find these fee increases to be de minimis, and propose continuation of existing service with no increase in fees.
6. (DHS; mosquito program; $227,218 change) The Manager proposed cancelling the mosquito program, with 2 FTEs, eliminating all capacity for surveillance and treating standing water with herbicide, which serve to curtail mosquito growth. We feel this program should continue, and reject its elimination.
7. (DMF; financial analyst; $124,283 change) Given the workload in DMF under the new budget realities, which we see as potentially continuing, we feel this is not the proper time to reduce this department's manpower, and accordingly reject the Manager's proposed reduction.

IV. The Car Decal Fee, Water/Sewer & Trash Rates.

The Manager's original budget proposal included an increase in the annual car decal fee of $1 (from $24 to $25). The incremental revenue from this increase would be $140K.

On March 14, three weeks after the budget introduction, the County Board voted to advertise a much larger increase in this fee – up to $33. The increase from $25 (as originally advertised) to $33 would provide an additional $1.06M in revenue.

We do not oppose the $1 increase, but we do oppose raising this fee to $33. We see this raise as regressive, and add that it is not tax deductible as well.

The water sewer rate is proposed to increase from $10.54/1,000 gallons to $11.20 – an increase of 6.3%. While some increase here is understandable, due to the increased debt service costs on the water treatment plant project, we are confused by the Manager's projection of water/sewer billing revenue, which only increase 2.7%, despite a 6.3% rate increase. Staff has advised us that the explanation is that water usage is projected to drop – which we are skeptical of. While we are not opposing the rate increase, we will monitor the FY10 results of the Utility Fund on these issues.

The household solid waste rate (HSWR) is projected to increase by 6.2%, to a new annual base rate of $326. Included in this figure are the leaf and brush collection increases which we have rejected earlier in this report. The largest component is a $13/year increase for recycling. While we do not object to this component of the increase, we note that county staff advised the Federation in a program earlier this year that increased recycling would also be a "money-saver;" the same claim was made in the most recent edition of *The Citizen*. Our budget review has failed to find anywhere money is being saved by the recycling changes.

V. The Branch Libraries Reductions

Of all of the reductions proposed by the Manager, this item seems to have caused the most confusion. The budget book write-up creates the impression that only $32K is being saved by the half-closures at Aurora Hills, Cherrydale & Glencarlyn. Had that been true, we would have rejected this proposal.

Attached to this report is a supplemental fact sheet showing the County's complete explanation of the fiscal impacts of the closure proposals. Here are partial excerpts from this fact sheet:

Total personnel savings and reallocation from the reduction of branch hours: $434,637. Permanent and temporary staff reallocations and reductions from the three branches are as follows:

Branch With Reduced Hours	Permanent Staff Reassigned (FTEs)	Permanent Staff Expense Reallocation	Temporary Staff Reduction (FTEs)	Temporary Staff Expense Reduction	Non-Personnel Expense Reduction
Glencarlyn	1.50	$95,755	0.25	$9,537	$1,170
Aurora Hills	2.50	$166,252	0.30	$10,934	$2,070
Cherrydale *	2.00	$135,908	0.30	$11,481	$1,530
Total	6.00	$397,915	0.85	$31,952	$4,770

*Permanent Cherrydale Library staff will be reassigned to Westover Branch Library

Highest level of library services in the region
Arlington -- 1 library per 3.25 sq. mi. service area; **1 library per 26,000 residents**
Alexandria -- 1 library per 4 sq. mi. service area; 1 library per 34,000 residents
Fairfax -- 1 library per 19 sq. mi. service area; 1 library per 50,000 residents
Loudoun -- 1 library per 74 sq. mi service area; 1 library per 40,000 residents

The net impact is $435K, as the Manager's proposal actually involves re-assignment of 6 FTEs from the three half-closed locations to other positions within the system, either as needed additional staff (for the soon to open, doubled in size Westover library) or as replacement for other part-time staff positions being eliminated elsewhere. Based on this supplemental information, we support the Manager's proposed reductions.

VI. "Safety Net Plan" Spending Increases

The Manager has also proposed $1.796M of spending increases, mostly related to housing, to provide additional aid in the economic downturn. Netted against this increase is a $471K decrease in the Homeowner Grant program (due to a lower number of homeowners participating), making the increase in net tax support $1.324M.

We have comments on two of the safety net areas.

One, the Manager proposes a $600K increase (14% over the FY09 originally adopted budget) for the Housing Grants program, which provides rental subsidies to low-income working families, the disabled, and the elderly. Arlington is the only Northern Virginia governmental unit that provides such aid out of local tax funds. While we do not oppose this increase, we recommend that this program become "budget capped" – i.e., when it appears that current program recipients will exhaust the annual program budget for a given budget year, the program should be closed and a waiting list started, to avoid Arlington being a "magnet" for recipients. These same recommendations were made by the Affordable Housing Task Force in 2000.

Two, we reject the Manager's proposal for $65K to provide mortgage foreclosure assistance. This would be a new program for the County. We feel such services, which the Manager says is targeted to aid only 10 households, would be duplicative of other available programs and would have little if any prospect of ultimately preventing a foreclosure.

VII. Additional Revenues

We've identified three additional sources of revenue. Two will be discussed here, and the third will be covered in our discussion of PAYG capital in a subsequent section.

First, subsequent to the release of the proposed budget, the finalization of the Virginia state budget (specifically, the adoption of HB 1600 on 2/28) will yield an additional $1,094,566 of revenue to the County. The County budget website confirms this information.

Secondly, the Manager's FY09 mid-year review is now available, and it states that the Manager believes that the FY09 budget will be in balance, due to expenditure reductions made during the course of FY09 offsetting decreases in budgeted revenues. Accordingly, any tax rate increase for CY09 will create a surplus in FY09 due to the effect of the June tax payment. At our recommended rate increase of 1.7 cents, and after giving the schools 48.1% (the percentage for FY09) of the incremental revenue under the Revenue Sharing Agreement, the net increase to the County would be $2.553M.

VIII. PAYG Capital

Although not identified as a "cut" or a "reduction" in the budget book, the budgeted reduction in PAYG capital spending is in actuality the single largest reduction in the FY10 proposed budget.

Broadly speaking, PAYG is funding for either new capital projects of a 10 year life (too short for bonding) or for capital maintenance activities for existing infrastructure that are either upgrades, expansions, or renovations that alter or extend the useful life of the assets.

For FY09, County PAYG spending was budgeted at $17.8M. Of this amount $5.4M was considered part of the recurring "base" budget, and $12.4M was funded from carryover of surplus from a prior year. The FY10 budget contains only $5.4M for PAYG (the "base" amount), since no carryover surplus is projected. But since the "base" budget amount is maintained for FY10, the $12.4M reduction is not identified as a "cut" – despite the fact that it is a very real, 67% reduction in PAYG spending.

Among the areas hardest hit by these reductions are parks projects (down $3.1M), facilities projects ($3.5M), and transportation ($1.9M). Under transportation, the paving cycle is proposed to be extended to 42 years, a level 65% below CY02. We see the paving reduction as particularly unsustainable, requiring increased expenditures in future years.

In our opinion, considerable additional PAYG dollars are required, to be used to restore at least some of the paving schedule and replace badly needed roofs on Fire Station #1 (Glebe Rd.), the Fire Academy & the Aurora Hills Complex.

We've identified two sources for additional PAYG funding.

One, the $2.553M of FY09 surplus that will be created by the CY09 tax rate increase, as we discussed above.

Two, the Economic Transition Fund that was created at close-out from the surplus of budget year FY08. This fund was originally $9.3M, and represents funds that have been historically used for PAYG. $500K was allocated for "safety-net" increases to the FY09 budget. $8.8M remains available. We recommend using $4M of the remaining balance for FY10 PAYG items.

Combined with the base budget PAYG funds for FY10, this could bring total PAYG spending back up to approximately $12M – still well short of the last two fiscal years, but much more in keeping with our capital maintenance needs. Additionally, we recommend the possible use of the commercial real estate tax surcharge for transportation and/or the residential utility tax for certain PAYG projects.

IX. Other Spending Reductions – and Our Recommended Tax Rate

We've identified two other specific areas for expenditure savings. This section will describe those, propose an additional amount of unspecified spending reductions, and discuss our recommended tax rate.

Our first specific reduction is interest on county bonded indebtedness. Of the $53.7M of debt service in the proposed FY10 budget, approximately $16M is interest, which is budgeted based on bonds already issued plus new bonds to be sold this July. The July bond sale is the time the County would also do bond re-fundings (call existing bonds, and refund them with new bonds of the same maturity, but with a lower interest rate). The yield curve for triple/AAA municipal bonds is currently very steep, with much lower yields for shorter maturities. 7-year bonds are currently averaging 2.65%, versus 20-year yields of 4.66%. This market condition should provide us with a golden opportunity to re-fund any bonds outstanding with 7 to 10 years left outstanding. We believe over $5M in annual interest payments could potentially be saved. For budgeting purposes, prudence dictates that only a portion of this potential savings should be included. Accordingly, we recommend $1.7M of savings (about one-third of our estimate) be included in the FY10 budget.

Our second specific reduction is in the PAYG area. The Manager has recommended $350K of funding for the Neighborhood Conservation program, down from $500K last year. Up until several years ago, this program was completely funded by bonding, and consistent with our recommendation of last year, we think it should be again, which would save $350K from the FY10 budget.

This leads us to our balancing tax rate recommendation.

Had the Manager's budget followed the Board's guidance from late last year, an additional $5.8M of reductions (a little over 1% of the County services budget line) would have been proposed. Such a budget would have been balanced with a 1.7 cent rate increase, and would have resulted in the average homeowner's tax bill remaining the same as 2008.

Late last year, the Fiscal Affairs Advisory Commission was told that the budget book would contain a "tier two" list of reductions – cuts that were not included in the budget proposal, but that could be used either in addition to and/or replacements for reductions that were included in the base budget. Such a list has not materialized.

We would have liked to have seen what a list of $5.8M more of reductions would have looked like. As with the list that was proposed, we probably would have rejected some items and accepted others.

Coupled with the fact that the Board's guidance was for a flat average bill – guidance that, given the recession, we fully agree with – we are advocating additional reductions to achieve a balanced budget with a 1.7 cent rate increase, keeping the average residential bill flat. Taking our other recommended changes into account, $2.9M of additional reductions would be required.

Our final reconciliation, taking the Manager's budget proposal and showing all of our proposed changes, is attached immediately following the last page of the narrative of this report.

X. Some Parting Thoughts

As we stated at the beginning, FY10 is a very different budget year for Arlington. While the revenue decreases we've experienced have in no way compared to most of our Northern Virginia neighbors, who are considering much deeper budget reductions than the relatively modest cuts discussed above, the economic horizon indicates that, especially for Arlington, this may not be a one year phenomenon.

While it appears our housing market has stabilized, many experts have expressed concern about commercial property assessments in the upcoming years. The combination of fears of increased inflation, tighter underwriting criteria for commercial loans, maturing loans that were funded by mortgage-backed securities that had aggressive underwriting, and increases in expected capitalization/rates of return, all coupled with corporate down-sizing, could serve to decrease our commercial tax assessment base.

A flat residential market combined with decreases in commercial assessment would cause revenue shortfalls that could be much greater than Arlington is currently experiencing.

So we caution the Federation that the next several upcoming years may require budget reductions similar to this year – or deeper. Our report this year has, by necessity, been mainly reactive to the new budget realities. We suggest that the entire Federation and its various committees may want to explore the possibilities of being pro-active in future years, for Arlington may well need to go down the same road we've just passed again.

Submitted on April 5, 2009 by the Revenues & Expenditures Committee

Robert Atkins
Gerry Auten
Burt Bostwick
Frank Emerson
Wayne Kubicki, Chairman
Roye Lowry
Roger Morton
Tim Wise

Arlington County Civic Federation FY10 Budget Resolution

Whereas, the Revenues & Expenditures Committee has reviewed the County Manager's proposed budget for FY10, and has issued a report to the Federation commenting thereon, which report proposes certain changes to the proposed budget; and

Whereas, the Schools Committee has reviewed the School Superintendant's proposed budget for FY10, and has issued a report to the Federation commenting thereon, which report proposes certain changes to the proposed budget;

Therefore, be it resolved that the Federation accepts and adopts the reports of both Committees, and directs the Federation President to transmit the reports to the Chairmen of the County Board and the School Board.

Arlington County FY10 Proposed Budget
ACCF R&E Committee Reconciliation

Expenditures	Manager's Proposed Budget	$929,466,513	
	Rejected cuts	492,146	
	Debt service/interest reduction	(1,700,000)	
	Foreclosure assistance rejection	(65,000)	
	PAYG/Neighborhood Conservation adjustment	(350,000)	
	PAYG/Economic Transition Fund transfer	4,000,000	
	PAYG/FY09 carryover from rate increase	2,553,375	
	Additional proposed expenditure reductions	(2,945,000)	$931,452,034
Revenues	With no real estate rate increase	$914,166,513	
	Rejected fee increases	(199,500)	
	Add'l VA funds	1,094,566	
	FY09 carryover/rate increase	2,553,375	
	Economic Transition Fund transfer	4,000,000	921,614,954
	Revenue shortfall, before rate increase		$9,837,080
	Revenue for each one cent rate increase		$5,787,998
	Rate increase to balance		**1.7**
	CY08 real estate tax rate		83.8
	Proposed CY09 real estate tax rate		**85.5**

FY 2010 Proposed Budget - Service Reduction Summary

Department	Reduction	NTS Savings	Permanent FTEs
Dept. of Parks, Recreation & Cultural Res.	TJ Art Studio cost recovery	12,090	
Dept. of Parks, Recreation & Cultural Res.	Recreation centers and programs	255,962	3.50
Dept. of Parks, Recreation & Cultural Res.	Summer camps	92,070	
Dept. of Parks, Recreation & Cultural Res.	Skate park	40,259	1.00
Dept. of Parks, Recreation & Cultural Res.	Planet Arlington and Ellipse/visual arts	288,233	
Dept. of Parks, Recreation & Cultural Res.	Summer performances	36,000	
Dept. of Parks, Recreation & Cultural Res.	Arts grants	50,000	
Dept. of Parks, Recreation & Cultural Res.	Technical support to arts organizations	91,884	1.00
Dept. of Parks, Recreation & Cultural Res.	Park and street tree maintenance	495,919	2.00
Dept. of Parks, Recreation & Cultural Res.	Annual flower beds	54,000	
Dept. of Parks, Recreation & Cultural Res.	Invasive plant removal program	60,000	
Dept. of Parks, Recreation & Cultural Res.	Park Rangers	80,061	
Dept. of Parks, Recreation & Cultural Res.	Gulf Branch Nature Center	132,057	1.00
Dept. of Parks, Recreation & Cultural Res.	**TOTAL**	**1,688,535**	**8.50**
Libraries	Branch libraries	31,952	
Libraries	Library programs	367,588	2.75
Libraries	Westover Library		
Libraries	Library material	125,000	
Libraries	**TOTAL**	**524,540**	**2.75**
Environmental Services	Business and multi-family recycling compliance fee	125,400	
Environmental Services	Leaf collection fee (household solid waste rate)	187,000	
Environmental Services	Brush fee (household solid waste rate) and metal collection fee	12,500	
Environmental Services	ART service reductions	115,940	
Environmental Services	Concrete maintenance and repair	594,516	7.00
Environmental Services	Columbia Pike maintenance	45,669	1.00
Environmental Services	Neighborhood and pedestrian planning	105,035	1.00
Environmental Services	Street signs and markings	63,841	1.00
Environmental Services	Inspection contracts	135,000	
Environmental Services	Facility cleaning	71,920	1.00
Environmental Services	Recycling events	7,500	
Environmental Services	**TOTAL**	**1,464,321**	**11.00**
Dept. of Community Planning, Hsg. & Dev.	Planning	169,692	1.60
Dept. of Community Planning, Hsg. & Dev.	Housing Planner	111,868	1.00
Dept. of Community Planning, Hsg. & Dev.	Housing Assistant	44,228	0.50
Dept. of Community Planning, Hsg. & Dev.	Historical affairs	75,000	
Dept. of Community Planning, Hsg. & Dev.	**TOTAL**	**400,788**	**3.10**
Human Services	Clarendon parking	157,806	
Human Services	Adult Day Center programs	387,195	
Human Services	Child care subsidies	176,326	
Human Services	Prescription assistance	6,500	
Human Services	Childcare center inspections	146,283	2.00
Human Services	Substance abuse services	252,772	2.00
Human Services	Mosquito program	227,218	2.00
Human Services	Case management - Whitman Walker Clinic	87,000	
Human Services	Laboratory services	37,184	0.50
Human Services	Women, Infants and Children (WIC) Outreach locations	114,646	2.00
Human Services	Mental health support services for youth and young adults	27,710	
Human Services	Parent Education and Project Family	88,409	
Human Services	Services for older adults	148,674	1.55
Human Services	**TOTAL**	**1,857,723**	**10.05**

FY 2010 Proposed Budget - Service Reduction Summary

Department	Reduction	NTS Savings	Permanent FTEs
Fire	Public education	83,821	1.00
Fire	HAZMAT (Pentagon)	94,607	1.00
Fire	**TOTAL**	**178,428**	**2.00**
Police	Clarendon detail	164,974	2.00
Police	School Resource Officer	81,131	1.00
Police	Crime Prevention Officer	77,538	1.00
Police	District policing	150,290	2.00
Police	Identification Technician	77,108	1.00
Police	**TOTAL**	**551,041**	**7.00**
Sheriff	Deputy Sheriffs	413,179	5.00
Sheriff	**TOTAL**	**413,179**	**5.00**
Juvenile & Domestic Relations Court	School Probation Counselors	45,264	
Juvenile & Domestic Relations Court	Detention Diversion Program	15,649	
Juvenile & Domestic Relations Court	Emergency residential placements	115,932	
Juvenile & Domestic Relations Court	**TOTAL**	**176,845**	
Commonwealth's Attorney	Victim Specialist	72,850	1.00
Commonwealth's Attorney	**TOTAL**	**72,850**	**1.00**
Non-Departmental - Debt Service	Arlington Mill Community Center	1,820,000	
Non-Departmental - Debt Service	**TOTAL**	**1,820,000**	
	General Fund Total	**9,148,250**	**50.40**

FY 2010 Proposed Budget - Administrative, Managerial & Overhead Reduction Summary

NOTE: Reductions are in the General Fund unless otherwise noted

Department	Reduction	NTS Savings	Permanent FTEs
General Fund Employee Pay & Benefits	Live Where You Work grants	115,000	
General Fund Employee Pay & Benefits	Tuition reimbursement	267,500	
General Fund Employee Pay & Benefits	Eliminate step increases	2,720,099	
General Fund Employee Pay & Benefits	**TOTAL**	**3,102,599**	
Other Fund Employee Pay & Benefits	Eliminate step increases	262,107	
Other Fund Employee Pay & Benefits	**TOTAL**	**262,107**	
County Board	Staffing	56,360	0.25
County Board	Non-personnel	9,300	
County Board	**TOTAL**	**65,660**	**0.25**
County Manager	County Management	284,423	2.00
County Manager	Professional staffing	176,547	2.00
County Manager	Non-personnel	48,634	
County Manager	Consulting services	63,100	
County Manager	Special events	4,750	
County Manager	**TOTAL**	**577,454**	**4.00**
Department of Management & Finance	Management	125,406	1.00
Department of Management & Finance	Administrative	415,503	6.00
Department of Management & Finance	Committee for Program Performance	104,500	
Department of Management & Finance	Training, consultants, printing	61,013	
Department of Management & Finance	**TOTAL**	**706,422**	**7.00**
Human Resources	Management	283,132	2.00
Human Resources	Administration - consolidation with DTS, DMF (transfer in to HRD)	(165,445)	(3.00)
Human Resources	Administrative position reduction	105,605	1.00
Human Resources	Training and overtime	98,350	
Human Resources	Operating supplies, memberships	36,000	
Human Resources	**TOTAL**	**357,642**	**0.00**
Dept. of Technology Services	Management	182,788	1.00
Dept. of Technology Services	Administration	361,797	3.00
Dept. of Technology Services	Contractors	422,293	(5.00)
Dept. of Technology Services	External agreements	272,294	
Dept. of Technology Services	Equipment	25,000	
Dept. of Technology Services	**TOTAL**	**1,264,172**	**(1.00)**
Dept. of Parks, Recreation & Cultural Res.	Management	285,554	4.00
Dept. of Parks, Recreation & Cultural Res.	Administration	114,705	2.50
Dept. of Parks, Recreation & Cultural Res.	Overtime and training	70,231	
Dept. of Parks, Recreation & Cultural Res.	Giveaways	20,000	
Dept. of Parks, Recreation & Cultural Res.	Field and gym monitors	60,986	
Dept. of Parks, Recreation & Cultural Res.	Operating equipment and supplies	50,000	
Dept. of Parks, Recreation & Cultural Res.	Technology and other efficiencies	22,811	
Dept. of Parks, Recreation & Cultural Res.	**TOTAL**	**624,287**	**6.50**
Libraries	Management	355,049	3.50
Libraries	Employee development and recruitment	26,900	
Libraries	Operating equipment	10,000	
Libraries	Other non-personnel	45,000	
Libraries	**TOTAL**	**436,949**	**3.50**

FY 2010 Proposed Budget - Administrative, Managerial & Overhead Reduction Summary

NOTE: Reductions are in the General Fund unless otherwise noted

Department	Reduction	NTS Savings	Permanent FTEs
Environmental Services	Management	65,263	
Environmental Services	Administration	130,910	2.00
Environmental Services	Facility planning	79,792	1.00
Environmental Services	Technology support	73,267	1.00
Environmental Services	Custodial and maintenance for recreation centers	24,402	
Environmental Services	Fresh AIRE and Stormwater Management position shifts	217,300	1.00
Environmental Services	Metrobus changes	349,685	
Environmental Services	**TOTAL**	**940,619**	**5.00**
Dept. of Community Planning, Hsg. & Dev.	Non-personnel	85,407	
Dept. of Community Planning, Hsg. & Dev.	Shirlington Employment and Education Center funding shift	48,000	
Dept. of Community Planning, Hsg. & Dev.	AHC, Inc resident services	15,000	
Dept. of Community Planning, Hsg. & Dev.	**TOTAL**	**148,407**	
Economic Development	Technology	141,459	1.00
Economic Development	Administration	61,989	1.00
Economic Development	Retail support	79,112	1.00
Economic Development	**TOTAL**	**282,560**	**3.00**
Human Services	Management	303,752	3.50
Human Services	Administration	253,554	4.10
Human Services	Security	139,083	
Human Services	Cleaning and maintenance	3,500	
Human Services	Operating costs	95,488	
Human Services	Mental health residential services	100,000	
Human Services	**TOTAL**	**895,377**	**7.60**
Fire	Management	527,732	3.00
Fire	Administration	205,133	3.00
Fire	Non-personnel	315,501	
Fire	Recruit class	1,487,938	
Fire	**TOTAL**	**2,536,304**	**6.00**
Police	Contractual services	122,328	
Police	Equipment repair	8,379	
Police	Overtime	86,324	
Police	Travel, training and recruitment (outside services)	168,139	
Police	Operating equipment and supplies	252,717	
Police	**TOTAL**	**637,887**	
Sheriff - Jail Industries Fund	Management	91,978	1.00
Sheriff - Jail Industries Fund	**TOTAL**	**91,978**	**1.00**
Sheriff	Administration	354,942	6.00
Sheriff	Overtime	500,000	
Sheriff	Non-Personnel	9,801	
Sheriff	**TOTAL**	**864,743**	**6.00**
Juvenile & Domestic Relations Court	Administration	30,873	0.50
Juvenile & Domestic Relations Court	Case management system	23,475	
Juvenile & Domestic Relations Court	**TOTAL**	**54,348**	**0.50**

FY 2010 Proposed Budget - Administrative, Managerial & Overhead Reduction Summary

NOTE: Reductions are in the General Fund unless otherwise noted

Department	Reduction	NTS Savings	Permanent FTEs
Circuit Court	Staff restructuring	120,549	2.00
Circuit Court	**TOTAL**	**120,549**	**2.00**
Commonwealth's Attorney	Technology support	59,816	1.00
Commonwealth's Attorney	Administration	14,955	0.50
Commonwealth's Attorney	**TOTAL**	**74,771**	**1.50**
Treasurer	Administration	208,823	1.00
Treasurer	**TOTAL**	**208,823**	**1.00**
Commissioner of Revenue	Management	119,609	1.00
Commissioner of Revenue	Administration	64,852	1.00
Commissioner of Revenue	Tax Auditor	4,401	
Commissioner of Revenue	**TOTAL**	**188,862**	**2.00**
General District Court	Legal costs, claims/contributions	6,870	
General District Court	Other non-personnel	3,519	
General District Court	**TOTAL**	**10,389**	
Electoral Board	June primary	52,795	
Electoral Board	**TOTAL**	**52,795**	
	General Fund Total	**14,151,619**	**54.85**
	Total with Other funds	**14,505,704**	**55.85**

FY 2010 Budget Proposal for Library Branch Hour Reductions

March 2009

Economic realities force budget reductions

Arlington Public Library is committed to providing the best services and collections possible for our customers as we adjust to new economic realities that have prompted budget reductions across County government and across the region.

Even though Arlington is proposing to reduce some branch hours, **library hours at Central Library, Shirlington Branch and Columbia Pike Branch will remain unchanged.** Westover Branch will be closed for approximately three months, beginning July 2009, to transition to a new facility. After the new Westover Branch Library opens, regular service hours will resume at that location.

Arlington is not immune to the economic crisis confronting the nation. Fifty-eight program and service reductions are included in the County's Proposed FY 2010 Budget. Cuts in staff, administrative overhead and other expenses have been spread across departments.

Despite the belt tightening, those of us fortunate enough to serve the residents of the County are **committed to preserving the balance of programs and services that make Arlington a special place to live and work.**

Addressing the greatest needs and demands

- **Circulation is increasing system-wide in 2009**, **up 5.6%** compared with the same period last year.
- **Visits to Arlington libraries have increased 7.6 % in 2009** compared with the same period last year.
- However, **Glencarlyn, Cherrydale and Aurora Hills together account for less than 12% of library circulation in this year and the past year.**
- These same three branches have the lowest customer visits among full-service branches (Plaza, a unique weekday-only operation, is excluded).

FY 2008 Actual Data	Glencarlyn	Cherrydale	Aurora Hills	Columbia Pike	Westover	Shirlington	Central	Website
Circulation (check-outs)	70,288	133,308	149,563	211,086	227,595	255,585	1,269,501	703,304
Percent of System Circulation	2.3%	4.4%	5.0%	7.0%	7.5%	8.5%	42.0%	23.3%
Annual Patron Visits	69,095	91,993	123,785	195,957	167,737	234,311	910,620	-
Percent of Total Patron Visits	3.9%	5.1%	6.9%	10.9%	9.3%	13.1%	50.8%	-

Focusing greater resources on the greatest needs

- Reducing hours at Cherrydale, Glencarlyn and Aurora Hills Branches will enable us to better serve the community at locations where use is greatest, as well as achieve cost savings throughout the system.
- For the FY 2010 budget, we are saving $961,489 in net tax support through service and administrative reductions. Directly and indirectly, reduction of hours in three branch libraries and repurposing of branch staff enabled us to **achieve $434,637** of this savings across the system.
- Each of the three designated branches will be open three days (24 hours) per week, down from six days (49 hours) per week. The Department of Libraries is looking at the best way to accomplish these

reductions, taking into consideration staffing needs and feedback we are receiving from the community at town meetings and on our director's blog.

- The permanent branch positions are not eliminated; impacted staff will be reassigned to work in other branches and Central Library. Reducing branch hours enables the Library system to:
  - Respond to **service demand in the busiest locations.** There are staff shortages throughout the library system due to vacancies, a hiring freeze and position eliminations.
  - Respond to the increased service requirements at the **new Westover Branch Library** that will have twice the size of the existing facility. Two permanent positions reallocated from the Cherrydale branch will serve at the Westover branch.
  - **Reduce utilization of temporary employees** to cover vacation leave, sick leave and other staff shortages across the entire library system.
- Total personnel savings and reallocation from the reduction of branch hours: $434,637. Permanent and temporary staff reallocations and reductions from the three branches are as follows:

Branch With Reduced Hours	Permanent Staff Reassigned (FTEs)	Permanent Staff Expense Reallocation	Temporary Staff Reduction (FTEs)	Temporary Staff Expense Reduction	Non-Personnel Expense Reduction
Glencarlyn	1.50	$95,755	0.25	$9,537	$1,170
Aurora Hills	2.50	$166,252	0.30	$10,934	$2,070
Cherrydale *	2.00	$135,908	0.30	$11,481	$1,530
Total	6.00	$397,915	0.85	$31,952	$4,770

*Permanent Cherrydale Library staff will be reassigned to Westover Branch Library.

Highest level of library services in the region

- Arlington -- 1 library per 3.25 sq. mi. service area; **1 library per 26,000 residents**
- Alexandria -- 1 library per 4 sq. mi. service area; 1 library per 34,000 residents
- Fairfax -- 1 library per 19 sq. mi. service area; 1 library per 50,000 residents
- Loudoun -- 1 library per 74 sq. mi service area; 1 library per 40,000 residents

The budget review process

- The Arlington County Board is holding two public hearings on the budget -- March 24 and 25 -- to obtain community feedback. You can also contact Arlington Public Library at www.arlingtonva.us/library to share your suggestions.
- Arlington County Board adopts the FY 2010 budget on April 28, 2009.
- Visit the County's website at www.arlingtonva.us to learn more about the FY 2010 proposed budget, and about how you can participate in the budget process. Search keyword "FY2010."

REPORT OF THE CIVIC FEDERATION'S SCHOOLS COMMITTEE
ON THE ARLINGTON PUBLIC SCHOOLS PROPOSED FY2010 BUDGET

INTRODUCTION

This is the first year in this decade that the proposed budget for the Arlington Public Schools ("APS") decreases from the previous year, instead of increases. The Superintendent's FY 2010 proposed budget was introduced on February 26, 2009. At the April 2 School Board meeting, he presented revisions to his budget, based on the latest revenue projections from the federal and state governments. The School Board is scheduled to adopt its budget on April 30.

The Superintendent's proposed budget contemplates reductions in revenues and expenditures of 1.3% from the FY2009 appropriated budget, from $444.4 M to $438.6 M, a drop of approximately $5.8 M. Estimated per-student spending decreases $711 from last year's adopted budget, from $19,538 to $18,827.

Significant features of the Superintendent's proposed budget that are retained or increased from FY2009 include:

- ↑ Salary step increases for eligible employees ($6.8 million - County employees get no increases);
- ↑ The pre-kindergarten program for economically disadvantaged students ("VPI" or Virginia Pre-School Initiative) is increased by four classes (after originally proposed to remain at last year's level), due to an additional contribution from the state;
- ↑ The foreign language program at elementary schools ("FLES") is expanded to another elementary school; and
- → Class size and all planning factors remain at current levels.

By contrast, among the major reductions in the proposed budget are:

- ↓ Reduction of one retirement benefit (of several) by 1.9% ($3.4 million);
- ↓ Adoption of new social studies textbooks is delayed ($1.2 million);
- ↓ Reduction in school bus replacements by one-half ($600,000);
- ↓ Elimination of some maintenance projects ($157,000).

RECOMMENDATIONS

The Civic Federation Schools Committee offers the following recommendations:

1. Retirement Annuity Benefit Match. The Committee regretfully concurs with the Superintendent's recommendation to decrease the TSA retirement match (similar to a 401(k) match) for APS staff by 1.9% this year, from 2.3% to 0.4%. The proposed budget specifically

notes that this reduction is for FY2010 only. We look forward to a careful review of this item in the FY2011 budget.

2. Foreign Language Instruction in Elementary Schools (FLES). The Committee rejects the Superintendent's latest proposal to spend $0.36 M in new resources to expand the FLES program to another elementary school. We believe that the data from the program so far indicates the attrition rate is high among FLES graduates who have chosen not to continue Spanish instruction in 6th grade, suggesting expansion of the program to further elementary schools may not be warranted at this time.

We continue to recommend, as we did two years ago, that APS determine the extent to which the current project in the existing schools achieves an acceptable measure of proficiency among students and ensure that proficiency benchmarks are established prior to expanding FLES to other schools.

We believe funds would be better spent on additional core instruction at schools that are not meeting federally mandated AYP standards under the No Child Left Behind Act.

3. Salary Step Increases. The Committee recommends paying a one-time bonus to all APS employees eligible for step increases in an amount equal to the amount proposed for step increases in the Superintendent's proposed budget. We recommend against paying step increases this year, as that would increase the base compensation costs in FY2011 by $6.7M. Paying a one-time bonus will permit eligible employees to receive the same payment the Superintendent proposed, but will not build the additional $6.7 M compensation cost into the base budget for FY2011.

4. Unfunded Retiree Health Benefit Liability (OPEB). The Committee welcomes the Superintendent's latest proposal to add $1.7 M to the schools system's annual contribution for unfunded OPEB liability. We also support his proposal to transfer the $5.1 M that has been set aside over the last two years to an OPEB trust fund. We endorse the Superintendent's proposal to continue discussion on changing retiree health benefits in the future, so that APS' unfunded liability is further reduced.

If significant changes are not made in the benefits, APS' unfunded liability in FY2011 is expected to be approximately $6 M.

5. Cafeteria Fund. The Superintendent is projecting that the Cafeteria fund will need to be supported by $0.7 M in FY2010. While the Committee accepts his recommendation, we are concerned about the direction of this fund for the future. Prior to FY07, the fund was not only self-sufficient, but income-producing. When APS began cooking meals at more schools, costs increased. We recommend that APS determine whether to accept the principle that the service will not be self-supporting for the foreseeable future and, if so, what should be an acceptable level of deficit funding. In this way, proper planning and management of services can be maintained.

ALL FUNDS SUMMARY OF RECOMMENDATIONS

Revenues

$352,377,887	County Transfer
$ 0	Re-Estimated County Revenue (APS Share)
$ 2,800,000	Carry Forward/Budget Savings
$ 51,255,178	Estimated State Revenues - sales tax & other
$ 2,390,393	State Stabilization Fund
$ 12,223,204	Estimated Federal Revenue
$ 911,591	Title I Stimulus Funding
$ 2,349,677	IDEA Stimulus Funding
$ 14,288,570	Estimated Other Revenue
$438,596,500	TOTAL

Reserves (not counted elsewhere)

$ 2,000,000	(reserve fund)
$ 5,103,624	(OPEB reserve)

Expenditures

$356,619,049	(Operating fund)
$ 14,320,253	(Community activities)
$ 6,708,286	(Cafeteria fund)
$ 4,611,669	(Capital projects)
$ 3,650,000	(Comprehensive services)
$ 18,594,176	(Grants & restricted programs)
$ 34,093,067	(Debt service)
$ 0	(Capital reserve)
$438,596,500	TOTAL

Reserves (not counted elsewhere)

$ 2,000,000	(reserve fund)
$ 0	(OPEB reserve - move $5.1 M set aside in reserve fund to trust fund and add $1.1M from Operating Fund to fully fund liability for FY2010)
$ 2,000,000	TOTAL RESERVES

Approved by the Schools Committee:

Anya Gan
Reid Goldstein
Herschel Kanter
Roye Lowry
Kathleen McSweeney
Roger Meyer
Tim Wise
Beth Wolffe, Chairwoman

March 22, 2009