Arlington County Civic Federation
Report on Revenues and Expenditures
April 2, 2002

Motions

1. The Arlington County Civic Federation recommends to the Arlington County Board that it adopt a Fiscal Year 2003 General Fund Budget that is balanced at $618.2 Million [an increase of $32.5 Million -- 5.6%-- over the FY 2002 Revised Budget]. This would be accomplished by:

a) Beginning with the County Manager's original revenue and expenditures estimates;
b) Reconsidering the implications of the County Manager and Schools Superintendent "agreement" on the level of the transfer to the Schools; and
c) Allocating proposed compensation ($5.8 million) and strategic initiatives ($2.2 million) contingents;
d) Estimations of carryover and additional FY'02 and '03 revenue and expenditure changes;
e) Adjustments to reflect new priorities as noted herein, including additional fees of $0.4 Million associated with program changes;

The real estate property tax rate would, within the advertised rate, be reduced to $96.3 cents per $100 of assessed value. With the recommended rate, the average single family home owner's tax bill would increase by approximately $299 rather than $461.

2. The Arlington County Civic Federation recommends to the Arlington County Board a number of procedural improvements in budget presentation and in program operation as well as expressing its thanks to the Board for adoption of a number of past Federation recommendations, such as summary presentations for program areas crossing departmental boundaries.

3. The Arlington County Civic Federation recommends to the Arlington County Board that it direct the County Manager to issue the Mid-Year Review and recommendations on the use of proposed budget contingents early in the public review process of future budgets.

The President of the Federation is authorized to transmit approved motions and supporting information to the County Board, the School Board, the media, and other interested parties and to offer to make Federation Committee members available to explain the motions, recommendations for procedural improvements, and supporting text.

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Overview

On February 9, 2002, the County Manager presented the County Board with a proposed FY 2003 budget. It followed earlier County Board guidance.

Proposed expenditures [including contingents of $8 million]	$610.3 Million (+4.2%)
Proposed revenues at current rates of [including part of the FY'01 fund balances]	$610.3 Million (+4.2%)

Expenditures for basic County services (including contingents) were projected for a 1.6% increase; in the aggregate, all other expenditures (including transfers) were also projected for an increase.

On March 9, 2002 the County Board voted to advertise the real estate rate at the current rate of $1.023 per $100 of assessed valuation.

Major Factors

A. Increased Expenditures:

Basically a continuing services budget.

B. Increased Revenues:

The following FY'03 revenue projections are not fully comparable to those of FY'02 because the County noted in a footnote that it proposes to "net out" tax refunds rather than show them as separate expenditures.

? Because of increased assessments and new building, real estate tax collections would increase by 14.1%. Personal Property tax collections would increase by 3.6% at the current rate. Overall, local taxes were projected to increase by 8.4%. Revenues from the Commonwealth were to decrease by 1.5% and those from the Federal Government by 4.1%. The Transient Tax, which goes into the travel and tourism promotion fund, would decline by 13.7%.

? The current water/sewer rate of $4.58 per thousand gallons is proposed to increase by $0.12 due to increased costs to the County and the County's share of capital improvements to the Dalecarlia Reservoir. The household solid waste rate would increase by $7.04 from $219.48 to $226.52 a year.

? As in past years, the Committee believes that there are incremental opportunities for increases in fees which would move some County programs which serve only a few persons closer to full fee recovery.

C. Distributable contingents:

- $5.8 million was reserved for staff compensation changes; COLA's and/or other adjustments/reclassifications. The Manager was to have presented a recommendation in March; and
- $2.2 million was reserved for Strategic Options; options up to $5.4 million were presented for three programmatic areas and one area noted "analysis in progress".

Committee Review Process:

The Revenues and Expenditures Committee agreed at the start of its examination of the budget that our review would be conducted on the following terms:

- Base budget programs would be examined for excesses (including duplication) or underfunding;
- Normal inflation allowances (including step increases) would be expected;
- Withdrawn Commonwealth or Federal funds would be replaced with local funding where necessary;
- The Schools funding level would follow the budget agreement between the County Manager and the School Superintendent;
- Some modest increases would be considered for priority new initiatives, particularly in public safety;
- Some early decisions were to be made tentatively; subject to review after County staff responses to Committee questions were received and reviewed. None were received.
- A realistic estimate of carryover funds from FY'02 would be developed without reference to the County Manager's unwillingness to incorporate an estimate in his budget; and
- The Committee would then recommend a real estate tax rate that would balance the resulting budget. This is our standard procedure whatever the changes in assessments have been over the past year, with the focus always on taxing the exact amount required to fund County operations, regardless of changes in real estate

assessments.

Using these procedures, the Revenues and Expenditures Committee makes the following recommendations:

Summary of Recommendations

(in millions of dollars with rounding)

Expenditures:

County Manager's BASE BUDGET……….……………………………......................................$610.3

1. Transfer to the Schools: Schools' Committee Recommendation
   (Consistent with Schools Superintendent/ County Manager "Agreement")............……….0.0
2. General Government...………………………………..……..-$0.2
3. Courts and Constitutional Offices............................…………………………….…………...0.0
4. Public Safety...............................…..………………………………………….................+$1.9
5. Public Works.................................…………………..............……………………………..+$0.5
6. Environmental Services.. ……………………………………… 0.0
7. Human Services……a) General……..…………………..…......……..0.0
   b) LPA/CAP Programs………………………………………………..+$9.3
8. Libraries………………………………………………...0.0
9. Economic Development…………………………………..0.0
10. Community Planning, Housing, and Development…..................……………………………..+$0.7
11. Parks, Recreation, and Community Resources…..….................……………………………..+$0.4
12. Non-Departmental & Debt Service............………….............………………………………-$4.3
13. Regionals/Contributions and METRO................…..............…………………………………..-$0.5
14. Pay-As-You-Go Capital..........................…............………………………………….. 0.0

TOTAL: $618.2

Revenues

County Manager's BASE BUDGET...................................………………………………......$610.3

15. Carryover…………..………………………………………….+$25.0
16. Miscellaneous Fees and Revenues…………………………………..................................+$0.4
17. Recognition of Changed Commonwealth Funding...................……………………………..+$1.1

TOTAL: $636.8

Surplus of revenues over expenditures +$18.6

18. Net Committee Balancing Recommendations............…………………………………… - $18.6

Explanations of Recommended Changes

M ='s millions, K ='s thousands of dollars

(1) Transfer to the Schools (0.0):

The County Manager's proposed transfer to the Schools including: Operations, Comprehensive Services Act, Capital, Debt Service, Community Activities Fund, and Other of $231.7 million

See the report of the Schools Committee, beginning on page 10. For illustrative purposes, this recommended transfer of $231.7 million is equal to about: a) 37.5% of recommended General Fund revenues, b) 82.3% of net real estate tax revenues at current rates, and c) 48.6% of the Manager projected FY'03 'local tax revenues'. It is the largest single programmatic category in the County's budget.

(2) General Government (-$190K):

The Committee does not support the proposed addition of $100K for a federal lobbyist contract. Instead, it supports the addition of $65K for a grants writer. The recent LPA/CAP issue shows the importance of actually applying for existing funds rather than lobbying for new special programs. This change would reduce proposed expenditures in FY'03 by $35K.

The Committee does not support the proposed FY'03 separate new project for recruiting and outreach costing

$155K; the project's coverage should long have been a part of the County's efforts. If any additional funds were to have been required, they should have been included within the Organizational Support Division which is already projected for a 9% increase in FY'03.

The Committee notes that County/Schools consolidation efforts that affect units such as the Human Resources Department must be closely monitored for their expenditure implications.

(3) Courts and Constitutional Offices (+$14.3K):

The Committee again recommends that the Alcohol Safety Action Program (ASAP) be made as self-sufficient as possible from the fees that it charges participants, a net tax savings of $35K. The County's taxpayers should not subsidize non-indigent drunk drivers. For certain indigents, the costs of possible recovery exceed recovery.

At the request of the Federation's Public Services Committee, this Committee recommends the addition of 1 FTE for an additional court security deputy at a cost of $49.3K. Overall court security has been intensified since September 11, 2001. In addition, there is the need to provide security for: a new investigative grand jury, recent changes in the truancy code, and an increase in involuntary mental commitments.

(4) Public Safety (+$1,942.3K):

The following four recommendations are the Committee's response to the County Manager identified strategic options for public safety.

A) An additional fire systems building inspector: This position responds to the increase in the number of high-rises in Arlington, the need to inspect annually, and the need to test fire systems annually. We recommend that $43.3K be expended and one addition FTE be hired.

B) We support staffing the remaining engine companies with four person crews. Three engine companies are currently staffed with only three-person crews. The National Fire Protection Association issued NFPA standard# 1710 mandating four-person staffing. (The District of Columbia was considering five-man staffing because of injury data.) This is comparable to an OSHA requirement. Arlington County is presently in violation of this standard, achieving four-person staffing on paper only. Studies indicate a 36% higher injury rate for firefighters on 3-person staffed engines. Additionally, firefighters are technically not allowed to enter a building until they have the two-in, two-out staffing. This adds time to response, resulting in greater potential loss of property and life. Response times for units are also "Selected Service Indicators". The percent of fire responses under 4 minutes was 65% in FY '01; an estimated 60% in FY '02; a flat-line estimate of 60% in FY '03. We are concerned about the reduction in responsiveness. This recommendation would cost $911K in FY'03 and require twelve additional FTE's.

C) We support the Fire Department acquiring two HAZMAT vehicles. Our Fire Department's HAZMAT teams currently use suppression vehicles assigned to Stations 4 and 9. Because of increasing HAZMAT demands and associated equipment needs, these vehicles are no longer adequate to meet the demands. It should be noted that the individual in Arlington responsible for HAZMAT AND emergency preparedness has now had that obligation removed from him, freeing him to concentrate on EPrep. Chemical spills occur with increasing frequency, and the issue of biological containment remains a large question after the events of September 11th. Available Federal funds, estimated at $400K, can and should be used to acquire these vehicles (also shown as increased revenues in (16) below). They would cost $28K each year, beginning in FY'03, to maintain. No additional FTE's are required.

D) Rather than accept the Manager's first recommendation which would utilize far too much staff overtime, the Committee accepted an optional future recommendation regarding the staffing of EMS services. We support $560K and 8 FTE's to convert a peak EMS unit to full time operations.

Arlington County should consider developing a program that would enable at least a certain percentage of officers to live and work in Arlington. The County should make the Police Department a focus of the County's "Employer of Choice" initiative now in progress. The County should provide uniformed personnel with free or significantly reduced-price parking. The County needs to reexamine the retirement system. The County, and specifically the Police Department, needs to incorporate CPTED into all building designs at early phases of development.

For the Emergency Communications Center, a thorough analysis of the efficacy of adding a 311 option to the 911 system, as many other metropolitan areas have done, appears both timely and prudent. We are concerned about improvements to ECC facilities that the County plans to move "soon".

(5) Public Works (+$511K):

Public works continues to provide a comprehensible and well-thought-out budget package. Every year we find evidence of responsible management of resources and attempts to achieve efficiencies.

Last year we called for improvement in the DPW street and crosswalk marking program, and appreciate the allocation of an additional $30K this year to improve that function, particularly to meet the needs of the Safe Routes to School program and initiate the bikeways on streets program. We are pleased that DPW is also studying alternatives for speeding up the marking of new traffic calming measures.

This budget raises parking meter rates from 75 cents per hour to one dollar in short term areas and from fifty cents per hour to 75 cents per hour in long term areas. This rate change will result in an additional $850K in meter revenue (tax).

The transit program's net tax support will increase in FY'03 by 12% ($296,342), among the higher increases in this budget. This is due to the addition of a new Arlington Transit (ART) bus route to supplement and eliminate Metrobus route 10 B, C and D north of the Ballston Metro station. Ridership on the new route has quickly exceeded projections. Arlington's Metro subsidy will be reduced by eliminating the route. The failure to provide as a performance measure the subsidy per passenger trip and a comparison with the Metro subsidy is a glaring omission in the DPW budget presentation.

The Specialized Transit for Arlington Residents(STAR) program supplements the MetroAccess program. While it is encouraging that utilization is rising every year, costs are still very high. We recommend that Public Works review the per-trip costs, which improved only slightly to $30.20 in FY 2002 and an estimated $29.80 in FY'03, to determine if there are not more efficient ways of providing this service. Direct subsidies to the program participants through refunds of taxi fares might reduce the program costs considerably, for example.

There is still almost no funding in this budget for installation of the new Carlyle streetlights. We do not believe that NCAC funding should be considered a substitute for funding under a Public Works program, and recommend that a long-term conversion and new installation strategy be laid out in the County Manager's new CIP.

Proposed Increase; The Neighborhood Traffic Calming program has achieved an unanticipated level of public acceptance, and demand for the measures has shot up. Delays for installation are running more than a year after approval by the Neighborhood Traffic Calming Committee, even though the program will only increase in FY'03 from 11 to 12 new streets. This program needs a funding and staff increase to reduce the bottleneck and deliver these safety measures to neighborhoods on a more timely basis, utilizing contract help if necessary. The measures mostly involve reconfiguration of street surfaces and signage, and they should be paid for from PAYG capital. We recommend adding $400K, including 2 additional FTE's to the current operating budget for this purpose, with additional funding under the next County bond issue if necessary or another PAYG increase next year. We appreciate the DPW response to our suggestion last year for more objective performance and workload measures for this program.

Strategic Options: Transit: The budget contains a section on strategic options for new ART transit routes in FY'03. Although the cost of implementing new bus routes is not as great as might be expected, we are concerned that discipline in increasing expenditures in any area is necessary if we are to make up for the loss of State revenues and still not unduly increase Arlington's property tax burden. For this reason we recommend only one or two of the new routes be added each fiscal year. In FY'03 that would mean an increased expenditure of $197K to implement the Ft Myer Heights-North Highland shuttle route to Metro, and a net revenue increase of $86K (farebox revenues exceed costs) for taking over the current Metro route 22 in North Arlington. The net tax support for transit would increase by $111K.

(6) Environmental Services ($0.0):

The total DES budget estimate for FY'03 was prepared at an increase of 2%, with net tax support rising by only 1%. The Household Solid Waste Rate, a full-recovery passthrough tax, would have risen from $219 per household per year to $226. In the interim after the budget was prepared, the County's recycling contractor demanded a very large increase in their contract, prompting the County to seek other bids. It appears likely that a contract can be signed that will increase the Household Solid Waste Rate to no more than $243, an increase of $24 per household. We continue to support full cost recovery for this function, regardless of the final rate.

The Waste-to-Energy facility is still running at a deficit, and will probably trigger further increases in the Household Solid Waste Rate in coming years.

The County and the City of Alexandria have received a Federal grant of $1 million to make environmental improvements in Four Mile Run below I-395. The first stage will be a study of the hydrology of the stream and development of recommendations for improvements. The grant does not require local matching funds, but there may eventually be improvement costs not covered by the Federal funding.

Utilities Fund: In FY'02 the County looked more critically at maintenance issues at the water treatment plant and discovered that preventive maintenance was underfunded, and most maintenance was reactive. A new program is being developed which should reduce the plant's vulnerability to breakdowns. It will result in higher preventive maintenance costs, but reactive maintenance should be reduced, and the net effect is not yet known.

The Utilities Fund is an enterprise fund, and Arlington's household water and sewer rate rises as costs rise for water and water treatment. In FY'03 it will rise by an average of $9.60 per household to $376, primarily to cover increased costs of maintenance, chemicals and other operating expenses. This places Arlington in fourth place in the area, with seven other jurisdictions charging higher fees, and the range running from $356 to $579.

In past years, there has been much media speculation about a possible additional $20 million in costs to enhance sewage treatment facilities to reduce odors both at the County's plant and at disposal sites. Since no formal proposals have been made either in this budget or for public hearing by the County Board, the Committee has taken no position on this matter at this time. The Committee is willing to consider a further increase in the water/sewer rate at some future date if the additional funds would be held in reserve to cover anticipated, but not yet quantified, costs of system quality improvements.

(7) Human Services (+$9.3M):

A) General: In recent years, this Department has been undergoing almost constant change; a virtually every County Board meeting one or more programs is adjusted. Hence, the Committee has found no significant reform to recommend for cost savings. However, a few explanations regarding possible duplication are awaited from County staff.

B) LPA/CAP: In order to recognize the $4.1 million of FY'03 and $11 million in carryover LPA/CAP monies, they will have to be expended for broadly defined 'human services'; most, but not all will occur within DHS. One limit is maintenance of effort; e.g. not expending funds for services cut below the prior fiscal year's level. All expenditures must be approved by the Commonwealth. For instance, funds could be used: to pay for the proposed acquisition of a new management information system for DHS, 2) to replace the post-9/11 revenue losses of non-profit contractors with DHS, and/or 3) to replace the loss of programs funded by the Arlington Health Foundation.

It may take many months of staff effort to properly allocate these funds. But, the Committee estimates that only $1.9 million of FY'03 and $7.4 million of carryover would have to be in categories which would be considered to be new spending for this budget process. After full public participation in deciding how to spend this amount, the Committee supports using the unmatched Federal funds (passed through the Commonwealth) to enhance services to needy Arlingtonians.

The Committee believes that the County has not aggressively enrolled eligible Arlingtonians into the 'State Child Health Insurance Program' [[now FAMIS]. This new program can provide equal, or better benefits, using State/Federal funds for Arlingtonians than are now provided out of local funds. In addition, the Committee was very disappointed not to see clear evidence in the text that the County is undertaking necessary planning efforts to prepare for the termination of benefits due to occur under Federal welfare reform. That event could be very costly for the County and clients.

(8) Economic Development (0.0):

Many questions remain unanswered, but no recommendations are made at this time.

(9) Libraries (0.0):

The Committee was concerned to note that the numbers of Internet sessions from the libraries were decreasing and that a number of performance indicators were incomplete.

(10) Community Planning, Housing, and Development (+$700K):

Last year, the Federation recommended that Neighborhood Conversation be allocated $1 million in PAYG funds for this popular program. The County Board allocated only $500K. Over the past year, neighborhood requests for NC funds have outstripped funding (both bond and PAYG) by a 2 to 1 ratio. Exacerbating this situation is the trend for Public Works to deny neighborhood requests for improved/first time installation of lighting, sidewalks, and curb/gutters and recommend that civic associations apply for NC funds instead. As a result, the large majority of requests for NC projects are now comprised of requests that compete with other legitimate conservation proposals. We recommend an additional $500K in NC funding.

This program has historically struggled with enforcing zoning ordinances, property management codes, noise control, and the garbage, refuse and weed codes. The program continues to be understaffed with a net decrease in FTE's from FY'01 to FY'02. The budget narrative lists nighttime enforcement, an option long recommended by the Federation, as a "future consideration". The Committee recommends two additional FTE's at an estimated cost of $160K and two vehicles costing $40K.

(11) Parks, Recreation, and Community Resources (+$432.1K):

For the most part, the PRCR budget for FY 2003 represents a continuation of the base level of services. Some reorganization has been undertaken in the Cultural Affairs Division to improve efficiency, but Cultural Affairs still has an allocation of 21.9 FTE's and a total budget of $1.8 million. We recommend that the County Manager take a closer look at this function to see if the results achieved warrant this level of expenditures.

Park users and the Federation's Parks Committee have noted for years the need for better maintenance of our tree stock, trails, shelters, signage and many other park features. Only 55% of parks buildings are being maintained to standards, the two nature centers are deteriorating and trail maintenance is below standard on 50% of the County's paved trails. In addition, making facilities ADA compliant is still being put off. We are not recommending additional maintenance funding this year only because new resources would be more efficiently used if the County develops a coordinated maintenance plan first, as it is doing under the County Manager's new CIP proposal.

Carver, Drew and Lee Recreation Centers have been renovated and need funds to expand their programs. New facilities for Langston Community Center and for the Walter Reed Center will be coming on line in the next two years. Fort C. F. Smith Park will open this spring. Master plans are in preparation for new facilities including the North Tract, Greenbrier Park, Arlington Mill Community Center, 13th and Herndon Street, lower Four Mile Run and Bluemont Park. The addition of bond-funded facilities always leads to increased operational and maintenance costs. These rising needs will require curtailment of some PRCR activities or substantial increases in the operating budget in coming years. This situation underlines the necessity of a comprehensive CIP approach as outlined in the Manager's new CIP proposal, where those costs would be factored into the operating budget before approval of the capital spending.

Proposed Increase in Funding: The PRCR staff attempted limited snow and ice removal on the County's trails and sidewalks during the winter of 2001. Given the all-season use of our trails by a wide variety of users PRCR should budget for this activity in cold winters. This winter has been so warm that there have been requests instead to keep more park restrooms open year round due to increased winter use of the parks. There are now three winterized bathrooms in the parks.. We recommend a fund that would be used for snow and ice removal in cold winters and for winterizing one additional park restroom if the winter is warm. We estimate that it would require $50K in additional funding.

Strategic Initiatives: Tree Canopy Restoration: The Manager's budget has funding for several items for a program to restore Arlington's tree canopy, which has declined by 30% since 1970. He has suggested that a master plan to manage the effort will provide a framework for efficient implementation of a tree restoration program, including a full inventory of the pruning and tree care needed to maintain the trees on Arlington's streets and public properties. For perhaps the first time in Arlington budgetary history the cost of producing this plan has been explicitly broken out: $143K to produce the plan, plus $78.4K for one FTE in the first year and $64K per year in ongoing costs to support that position to implement the plan. We support that expenditure as an addition to this year's budget. In addition, there are options to increase the current tree planting program ranging from $5K to $250K, and additional options to expand the invasive plant control program and to develop a master plan for beautification of Route 50 with trees. Pending the preparation of the master tree plan we would support only a modest increase in planting funds of $38K, providing that Parks can present a plan to ensure the care of the new trees by watering until they are established. We also support expansion of the invasive plant program for $58.7K, since this will result in the preservation of many park trees now under attack from ivy and vines. The total additional funding recommended for FY'03 is $318.1K.

Although this is well below the Federation's recommendation last year for increased parks maintenance we believe that the new CIP approach and the tree master plan will result in more efficient spending for this function beginning next year, and that any further increases should be conditioned on the improvement in planning.

In light of our inability to deal with park maintenance funding for the past several budget cycles, we again propose splitting Parks out into a new Department as it had been in the past. There is a bias within any organization that deals with both maintaining physical facilities and providing program resources to clients that tends to favor the client needs. Although we expect and approve of this bias toward the human need first, in the case of Parks it will inevitably lead to under-maintenance of facilities unless the Parks function is a separate Department.

Parks should provide in the budget a more definitive schedule for making our facilities ADA compliant. The vague statement that this needs to be done at some future time is insufficient.

(12) Non-Departmental/Debt Service (-$4,260K):

The Committee is eliminating the $2.2 million strategic initiatives contingent here to fund specific priorities elsewhere in the budget.

The "Health Adjustment" forecasts a 10% employer premium increase for FY'03; for an amount of $1,804,000. Based upon the adjoining estimate on the same page that retiree health costs would increase by only 6%, a smaller dollar amount increase seems warranted for a reduced increase (savings) of $720K.

The Committee supports using the entire Compensation Contingent of $5.8 million for compensation purposes; the equivalent of a 3% COLA. In March, the Manager was to have presented a recommendation to the County Board on how this was to be distributed. The Committee chose not to recommend a distribution until it reviews the Manager's recommendation, but recognizes that additional compensation enhancements, beyond COLA, are necessary to recruit and retain high quality staff in very competitive occupational categories including, but not limited to, public safety staff. This amount will be added to payroll accounts throughout County agencies from this contingent as the budget is approved. Also note the Committee's procedural recommendation regarding a compensation study below.

Affordable Housing Investment Fund Contingent: Consistent with the last four years' recommendations, reduce the local contribution of $2,010K (for a total contingent of $3,000K) by $1,000K. No funds necessary for Federal matching would be reduced. Repayments and Federal funds into contingent will generate considerable funds for FY'03. Further use of Industrial Development Authority is also a possible source of funds for affordable housing projects. Even with this proposed reduction, over $24 million in expenditures (an increase over FY'02 and an increase over inflation) and over $1 million in tax relief will occur for housing in FY'02 plus any IDA funds used. Also, the Fannie Mae program for $10 billion in housing funds for Northern Virginia should be more actively used by Arlington County; ownership is preferable to rental.

Retirees Health Insurance: Reduce expenditure estimate by $74K to more accurately reflect FY'01 actual and FY'02 projected costs plus premium increases approved for FY'02. Reduction reflects better managed care; e.g. greater reliance on 'primary payer' of MEDICARE.

Debt Service: The County has historically issued bonds and therefore begun debt repayments AFTER the dates used for budget planning; thus a reduction of $266K is reasonable based upon the accuracy of past Federation projections. Further, the County might achieve significant savings by refinancing outstanding debt at the current low interest rates.

(13) Regionals/Contributions and METRO (-$501K):

Expenditures are scheduled to increase by 7% -- a rate exceeding the inflation rate. The most troublesome entry is the 'passthrough' for the Arlington Community Access program (cable TV)of $422K. Whereas the County's contract with the cable provider specifies a direct payment, there is no County revenue actually received and available for passthrough'. The Committee recommends an elimination of this amount.

The Committee recommends that an additional $17K be devoted to the Virginia Adult Probation and Parole program to provide for a supplemental request currently in process and $600 ($1K) be added to the Health Systems Agency allocation to accurately reflect 2000 census population for the County's per capita contribution. Cumulatively, a net savings of $62k.

Many previous Federation recommendations were acted upon and cost savings achieved. However, modest long-term savings are possible for the County by better management of regional agency reserve funds and constant updating of population-based assessments because Arlington's share of the regional population is declining.

For METRO: (1) the current estimate of the "audit adjustment" is not realistic based on prior fiscal year experience; at least $97K of additional funds can be reasonably expected, and (2) the County should actively work within METRO Boards for better employee productivity and long-term savings in workman's compensation costs to achieve long-term reductions in operating costs.

(14) Pay-As-You-Go Capital (0.0):

No changes are recommended.

(15) Carryover (+$25.0M):

There are three pieces to the Committee's estimate:

1) The County Manager's Mid-Year Review of revenues, expenditures, and balances was presented to the County Board on March 23; the Committee accepted its estimates of additional revenues of $12.6 million as a starting point. Of this amount $6.5 would be due to the Schools under the Manager/Superintendent Agreement. Remainder: $6.1 million.
2) In addition, the Committee recommends the recognition of an additional $8.7 million of; carryover; of which $0.8 million would be due the Schools under the Agreement. Remainder: $7.9 million.
3) Carryover recognition of the recent LPA/CAP (local public assistance/cost allocation program) award to the County of one-time funds in FY'02 of $11 million (additional FY'03 funds shown in #17 below) virtually none of which can be approved by the County and the State and expended in the remainder of FY'02. Of this amount, it is estimated that $3.6 million need not be separately itemized in DHS expenditures above ((7B).

In recent years, the Committee recommendations on carryover have always been below (sometimes significantly) the actual amount available in post-fiscal year audits.

(16). Miscellaneous Fees and Revenues (+$0.4M):.

An additional $400K in available Federal funds is recognized in conjunction with the HAZMAT vehicle purchases discussed in (4) above.

No revenues are counted from the sale of County property to the Navy League for a development project on Wilson Boulevard; it has not yet occurred and may not occur. If and when it does occur, the one-time funds should be utilized for land purchase and/or capital improvements.

(17) Recognition of Changed Commonwealth Revenue (+$1.1M):

The County's current estimation of reduced Commonwealth funding for FY'03 is $3 million. However, this excludes the recently awarded $4.1 million FY'03 LPA/CAP award through the Commonwealth of new Federal funds (the $4.3 million figure some may have heard was before Commonwealth overhead deductions). The net change for FY'03 is estimated to be no less than +$1.3 million.

(18) Net Committee Balancing Recommendation (-$18.6M):

A change of 1 cent in the rate equals slightly over $4.1 million; three payments worth of change (June 2002, October 2002, and June 2003).

To raise the amount of revenues needed to cover the expenditures recommended above, the Committee achieved a balance by:

1) Recommending a reduction of 6 cents in the real estate tax rate; reducing revenues by $24.6M.
2) Expending otherwise projected Schools non-operating funds in the amount of $6M. This would come from: a) the proposed "reserve" of $5 million in the School Board's approved budget; b) the $400K additional carryover shown as due the Schools in the Manager's Mid Year Review but not in the Schools budget; and c) the Committee estimated $800K in additional FY'02 carryover above the carryovers currently allocated in the approved budget to be achieved by the end of the fiscal year. None of these three pieces are reflected the above Committee revenue summary due to accounting practice.

   Minus $24.6M and plus $6M net to minus $18.6M.

NOTE: Accounting adjustments in many specific line items would have been necessary when final Commonwealth and Federals transfer revenues have been determined in the Manager's proposal and are necessary in the Committee recommendations. The Committee repeats its commitment in its earlier stated process guideline that: withdrawn Commonwealth and Federal funds, including for the Schools, would be replaced with local funding where necessary. This report represents broad Federation policy guidance; if approved by the County Board many staff changes are necessary to implement the policies.

Procedural Improvements

The Committee recommends (not in priority sequence) that:

1. The County Board should direct the County Manager not to procure other services (e.g. consulting services) from the County's external auditor.

2. The County Board should direct the County Manager to change the County's external auditor at least every five years.

3. The County Board, through an entity such as the Environmental and Energy Conservation Commission, conduct a study for volume/weight based charging for solid waste pickup as well as reviewing the current efficacy of special pickup charges.

4. In order to offer a market rate competitive benefits package, the County should conduct a study of selected occupations each year to review regional competitiveness. To the extent feasible, such a study should be conducted by all local jurisdictions on a regional basis. The Federation recommends that public health nurses be selected as one of the priority occupations for review.

5. Whenever a Program Change Proposal/Strategic Initiative Proposals is presented which will require expenditures in more than one fiscal year, it should be accompanied by: a) a "fiscal impact" analysis for future fiscal years, and b) an itemization of performance/workload measures which will be used to evaluate it if it is accepted.

6. Prior to the next County bond referendum: a) a 'Master Debt Plan' should be developed, with full public participation, and published with projections of debt service incorporated into the budget, and b) a consistent County policy should be developed, with full public participation, on the criteria for the use of bond proceeds to fund any County operating staff and on the manner in which bonds costs are to be presented to the voters.

7. Routine maintenance costs for County facilities must be shown as a part of the base budget and not presented as Program Change Proposals/Strategic Initiative Proposals. Such costs should always be in the fiscal impact statements when new facilities are approved by the County Board and/or the voters of Arlington.

8. While the Committee generally found the proposed budget well organized and presented, there are a number of specific problems that will be identified in writing to the Department of Management and Finance. In particular:

- the Federation urges consistent budget presentations including the current budget year's Adopted Budget.
- the year-to-year percentage increase should be calculated using the prior year's Adopted budget amount in addition to the prior year's revised budget amount.
- a consistent presentation would provide more meaningful trends. Use of the revised budget amount has consistently produced lower year-to-year changes for public review.

9. The contribution to the Arlington Community Access Corporation shown in the Regionals/Contributions section of the budget is unclear. In future years, the monetary relationship of this contribution to the County's net revenues from the cable licensing fee should be better explained to the taxpayers.

10. As a part of its Capital Improvement Program, the County Board should create a five year plan to fully fund all improvements in County, including Schools, facilities necessary to achieve full compliance with the access requirements of the Americans With Disabilities Act.

11. The Department of Human Services should initiate a study to determine which components of its day care licensing, training, and inspection services are suitable for full recovery of costs through fees.

12. Since an important part of the budget process is to determine how well individual programs are serving the community, the County Board should create a policy statement itemizing guidelines for determining measures of user satisfaction and when levels of satisfaction are to be collected by County operating units.

13. Performance measures are needed whenever a County service, such as a solid waste collection route, is contracted out.

14. The County should add a Citizens Fund for Arlington mechanism where taxpayers could contribute for either the general fund or for specific funding needs such as schools, traffic calming, libraries, affordable housing, parks, the arts, the Columbia Pike initiative, enhanced e-government or other purposes.

15. The scope of the program review mandate of the Fiscal Affairs Advisory Commission should be usefully expanded to include the functions of a citizens' Inspector General.

16. A new table should be added to the proposed budget to highlight changes between the adopted and revised versions of the current fiscal year budget [analogous to the existing overview table in Tab A page 5]

17. The County should not net out tax refunds from projected revenues and expenditures in its budget presentations.

18. The County should include reasonable estimates of carryover when projecting revenues for future fiscal years.

19. Even if no proposals are made for changes in operating reserves, their current status should be shown in proposed budgets.

20. Since the County Board has included utility undergrounding as a part of its approved vision statement documentation, an estimate of the full costs of such a commitment should be noted in the proposed budget and capital improvement plans.

21. Any future revenue sharing agreement(s) between the County Manager and the School Superintendent should be subject to full public hearings before ratification by both elected Boards.

Report of the Schools Committee

The School Board has adopted a proposed expenditures budget of $295.6 million. This is an increase of $21.9 million or 8% over the current budget of $273.7 million.

Most of the increase is in the school operating fund. The largest part of this increase relates to the costs of continuing present services in FY'03 ($9.4 million) and for a teacher pay increase ($6.9 million), the first step of the Superintendent's proposed 3-year Teacher Excellence Initiative. An increase of $1.65 million is due to the increased cost of debt service.

All of the revenues received by the schools from whatever source are based on various formulas determined by the federal, state, and county governments. The largest amount of revenue comes from the formula agreed to by the County and School Board that allots 48.6% of county revenues to the School Board. At the existing tax rates and revenue forecasts, this is estimated to be $231.7 million, or 78% of the proposed budget.

The proposed school budget for the first time includes a reserve fund of $5 million. The reserve fund represents additional anticipated revenue due to the schools, based on projections provided by the County in January 2002.

Potential uses could be the establishment of a permanent reserve fund, implementing the final phase of the VRS employee pickup, purchasing one-time items such as textbooks, or enhancing the compensation adjustment.

Now that the County Board has joined the federal and state governments in allocating funds to the School Board according to a formula, the Civic Federation Schools Committee's approach to analyzing the budget has changed. It is likely to change more, if the allocation of County funds by formula becomes a permanent feature of local public school finance.

The Schools Committee of the Arlington County Civic Federation, having reviewed the proposed FY 2003 budget for the Arlington Public Schools ("APS"), makes the following findings and recommendations:

1. **Teacher Pay Initiative**. We endorse the allocation of $ 6.9 million for teacher pay raises, as the School Board has proposed. We agree with the School Board that teachers are the most important variable in delivering quality education. The budgeted pay raise is an important step that clearly demonstrates to current and prospective Arlington teachers the respect and interest the entire community has in them. However, we are not persuaded that, as the Superintendent has proposed, Arlington's teacher salary schedule must be the highest in the metropolitan area at every step and in every lane of the pay schedule. We endorse the proposed budget allocation, as the $6.8 million for pay raises will not make APS the highest paying jurisdiction across the board. APS should offer a competitive compensation and benefits package that also recognizes factors such as favorable school climate, small class size, opportunities for professional development, teacher resources, a safe environment, and other considerations. At present, however, APS appears to have no difficulty either in attracting the kind of teachers it wants, or in retaining them.[1]

The first year of the Superintendent's "Teacher Excellence Initiative" addresses only a pay raise. Other aspects of a comprehensive package are only vaguely mentioned, and are postponed for development and action over the next few years. The Superintendent should include in future versions of the Initiative a definition of "excellence," and measurement factors for achieving it.

2. **Early Childhood Initiative**. We endorse the $289,000 budget initiative to provide educational opportunities for at-risk three and four-year-olds. The earlier that APS addresses the issue of achievement gaps, the more quickly they can be eliminated.

3. **Reserve Operating Fund and Construction Fund "Carry Forward."** The School Board has proposed a $ 5 million reserve fund and a $ 1.1 million "carry forward" for the Capital Projects (construction) fund, based on anticipated increases in County revenues and APS's share of those revenues under the existing revenue sharing agreement.

4. **High School SOL Remediation**. We endorse the $62,900 budget initiative to add 1.2 certified reading teachers in the ninth grade to make available a reading elective for students who failed the eighth grade reading and/or writing SOLs. The needs of students who must pass the SOLs in the next few years or fail to graduate must receive attention. Certified reading teachers are a good, but small, step in that direction. However, APS should obtain and analyze additional information regarding why these students reach ninth grade without being able to read successfully.

5. **Programs Not Funded by Planning Factors**. Over time, Arlington Schools have developed "planning factor" formulas to staff and fund schools. These planning factors are based on the number and mix of students and thus are recognized as a way to foster an equitable distribution of resources system-wide. In addition, over time there have been school positions and funding added that are not based on such planning factors. We recommend that the School Board direct staff to identify positions and programs funded by APS that do not flow from district-wide planning factors before the next budget submission (FY2004). Recognizing the need for equal treatment among schools, the committee recommends that staff establish district-wide planning factors for those identified items or justify the identified differential. We believe this will result in making the School Board's intent more transparent to the school community and allow funding to be more equitably applied. This should not preclude pilot programs, but such programs should not become permanent unless incorporated in a new system-wide planning factor or be otherwise justified.

FY 2003 BUDGET DETAIL
from School Board's Proposed Budget FY 2003, Introduction and Summaries

[1] See Civic Federation Resolution #2002-02-01 of February 5, 2002, calling for the School Board to develop or better utilize a management information system that will enable informed determinations as to whether a proposed salary schedule is likely to achieve its stated recruitment and retention purposes.

	FY 2002	FY 2003	Variance	
Expenditures	**Adopted Budget**	**Proposed Budget**	**Amount**	**Percent**
School Operating Fund	$218,063,301	$235,908,773	$17,845,472	8.2%
Community Activities	$10,703,279	$11,028,405	$325,126	3.0%
Cafeteria Fund	$4,973,292	$5,254,740	$281,448	5.7%
Capital Projects	$5,262,600	$5,437,500	$174,900	3.3%
Comprehensive Services	$3,400,000	$3,400,000	$00.	0%
Grants & Restricted Programs	$14,549,920	$16,140,261	$1,590,341	10.9%
Debt Service	$16,805,306	$18,472,693	$1,667,387	9.9%
Total	**$273,757,698**	**$295,642,372**	**$21,884,674**	**8.0%**
Beginning Balance – Designated For FY 2003 Operating Budget	$800,000	$1,000,000	$200,000	25.0%
Beginning Balance – Designated for FY 2003 Capital Projects Fund	$0	$1,100,300	$1,100,300	100.0%
County Transfer				
School Operating Fund	$183,027,213	$200,160,532	$17,133,319	9.4%
Community Activities	$7,191,219	$7,342,222	$151,003	2.1%
Cafeteria Fund	$0	$0	$0	n/a
Capital Projects	$4,187,817	$3,974,906	($212,911)	-5.1%
Comprehensive Services	$1,750,000	$1,750,000	$0	0.0%
Grants & Restricted Programs	$100,000	$0	($100,000)	-100.0%
Debt Service	$16,805,306	$18,472,693	$1,667,387	9.9%
Total	**$213,061,555**	**$231,700,353**	**$18,638,798**	**8.7%**
Other Revenue				
School Operating Fund	$34,236,088	$34,748,241	$512,153	1.5%
Community Activities	$3,512,060	$3,686,183	$174,123	5.0%
Cafeteria Fund	$4,973,292	$5,254,740	$281,448	5.7%
Capital Projects	$1,074,783	$362,294	($712,489)	-66.3%
Comprehensive Services	$1,650,000	$1,650,000	$0	0.0%
Grants & Restricted Programs	$14,449,920	$16,140,261	$1,690,341	11.7%
Debt Service	$0	$0	$0	n/a
Total	**$59,896,143**	**$61,841,719**	**$1,945,576**	**3.2%**

All Funds

Expenditures	**$273,757,698**	**$295,642,372**	**$21,884,674**	**8.0%**
Beginning Balance	$800,000	$2,100,300	$1,300,300	162.5%
County Transfer	$213,061,555	$231,700,353	$18,638,798	8.7%
Other Non-County Revenue	$59,896,143	$61,841,719	$1,945,576	3.2%
Revenue Total	**$273,757,698**	**$295,642,372**	**$21,884,674**	**8.0%**

Additional Beginning Balance				
Designated as a Reserve	**$0**	**$5,001,350**	**$5,001,350**	**100%**