

ARLINGTON COUNTY CIVIC FEDERATION
Revenues & Expenditures Report Accompanying Its Tax-Rate Resolution
April 5, 2016

The Revenues & Expenditures (R&E) Committee met five Sunday afternoons since the County Manager released his proposed FY 2017 budget. Committee members also attended or viewed several County Board budget work sessions. In addition, committee members deliberated via numerous e-mail exchanges.

Effective 2014, R&E discontinued preparing a comprehensive review of the county budget. Rather, the committee performs a limited review of the FY 2015 budget. In addition, R&E prepared a resolution recommending that the real estate tax rate be cut by three cents. The resolution passed 23-10-3 at the April 2014 meeting. The Arlington County Board eventually passed the budget with a one-cent cut in the real estate tax rate.

After a limited review of the FY 2016 budget, R&E prepared a resolution urging the County Board to balance the budget with no increase in the real property tax rate. This recommendation mirrored the County Manager's recommendation to the County Board. At the April 2015 Federation meeting, the original motion passed 22-15-0.

Because the County Manager saw an unanticipated growth in revenues in calendar year (CY) 2016, which resulted from a "slightly stronger-than-expected-residential assessment growth and growth in other tax revenue sources," his proposed budget included "a half-cent reduction from the adopted CY (Calendar Year) 2015 rate." Consequently, the \$3.5 million cost for the half-cent reduction is already paid for in his budget.

R&E recommends cutting the real estate property tax rate by a full one cent. The cost of the additional one-half cent cut could be paid for using one or more existing sources. The first, as reflected in the Manager's Mid-Year/Third-Quarter (MY/TQ) FY 2016 Review, is \$1.9 million in debt service savings. Additional sources that could provide funds to pay for the additional half-cent cut in the real estate tax rate include the following:

- Economic and Revenue (Budget) Stabilization Contingent—\$3.0 million. The FY 2015 Comprehensive Annual Financial Report (CAFR) shows an FY 2015 ending balance of \$8.6 million, which increased from \$3.0 million at the end of FY 2014. However, the Manager's proposed FY 2017 budget (page 213) shows that "updated policies" only require a minimum balance of \$3.0 million.
- Average annual surplus from closeout—\$29 million for fiscal years 2011-2015.
- BPOL Tax Reimbursement Contingent—\$2.5 million. The Manager's MY/TQ Review notes that \$5.6 million was set-aside during the FY 2016 budget for the Virginia Supreme Court decision on BPOL tax apportionment. Because reimbursements have been lower than expected, the Manager now recommends "releasing \$2.5 million of the \$5.6 million BPOL refund reserve."
- Other Contingents/Reserves—the Manager's proposed FY 2016 budget (page 213) includes a discussion of at least four County Board contingent funds. However, several other contingents are mentioned elsewhere (e.g., pages 296 and 304). The Budget Stabilization Contingent mentioned above is one of the four contingents listed on page 213, containing \$15.8 million. Moreover, if properly analyzed, it may be possible to use other contingent funds (those listed on page 296 and 304) as an alternate source to pay for the additional tax rate relief.
- FY 2015 Closeout Surplus Funds—\$1.0 million. At the County Board's November 2015 meeting, \$21.8 million were set aside, which included \$1.0 million that was placed into an Unallocated Contingent fund.

So, in total, R&E identifies \$37.4 million that are, or clearly may be, available to pay for the additional one-half-cent cut in the real estate property tax rate—a cost of approximately \$3.5 million.

Sources

Proposed FY 2017 Budget: <http://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2016/02/FY17-proposed-all-in-one-to-post-compressed2.pdf>

Comprehensive Annual Financial Report (CAFR) for FY 2015: https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2015/12/CAFR-FY2015_12022015_online.pdf

Mid-Year/Third-Quarter FY 2016 Review: not yet posted online

R&E Committee Members: (yeas) Burt Bostwick (POC), Duke Banks, Frank Emerson, Roger Morton, Terry Showman, Suzanne Smith Sundburg and Tim Wise; (abstain) Paul Holland; (nay) Jerry Auten