

Report of Revenues & Expenditures Committee to accompany tax rate resolution
(March 31, 2017)

Purpose: The purpose of the resolution is twofold: One, to draw to the attention of the membership that the County has the ability to offset the proposed increase in the tax rate without any cuts or decrease in services; and two, to emphasize that increases in taxes and fees along with the increasing cost of real estate are making it more difficult for lower and middle income families to afford to live in the county.

Impact: The impact of this resolution: A) will not cut programs or services; and B) will allow an effective increase in taxes and revenues due to an increase in assessments.

Sources of alternative funds:

A) The \$150 million Transportation Capital Fund, which will increase by \$29 million in FY 18. This could be used to fund the additional revenue for Metro instead of the Manager's suggested increase in the tax rate. According to p. 48 of the Manager's proposed budget for FY 2018, "Operating program enhancements (outside base program) that clearly document transportation benefits may be eligible for support from the Transportation Capital Fund."

B) Discretionary funds available for assignment or re-assignment from the County's year-end FY 2016 fund balance of \$46 million. It is within the Manager's discretion to use these funds to finance any projected shortfall in County revenues. (Source: FY 2016 CAFR, exhibit 3)

C) APS has a discretionary balance in a 'General Reserve' of \$21.59 million which could be used to finance extraordinary or unusual expenses in FY 2018, instead of the Manager's suggested increase in the tax rate. (Source: FY 2016 CAFR, Exhibit G-1)

D) While less certain than the foregoing sources of funds, Arlington County has generated an average annual surplus of \$29 million over the past 5 years. If Arlington only achieves half that amount in the current fiscal year, that would fully cover the projected two cent increase in the tax rate suggested by the Manager. (Source: ACCF/R&E Resolution and Report approved May 2016)

---Each time the County increases its tax and fee rates, it makes housing less affordable for everyone, but especially moderate and mid-level income families, and those on fixed income.

---With the proposed 2-cent increase, the average homeowner would see the tax and fee burden rise from \$8,305 in calendar year (CY) 2016 to \$8,613 in CY 17—a 4% increase, or about \$492—and will have absorbed **a cumulative, 5-year increase of \$1,613 in additional taxes and fees** (CY 2013–CY 2017).

---R&E is not recommending any cuts. We believe there is sufficient money to fund both core necessities and discretionary programs and activities.

---R&E is also not recommending any increase in the tax rate, as the increase in assessments by themselves will already cause taxes to rise considerably from last year.

---Increased taxes and fees make Arlington a less desirable location for businesses, especially small businesses.

--- As we noted in our resolution of May 3, 2016 adopted by the membership, Arlington County generates an annual surplus equal to \$29 million per year. We suggested, and the membership agreed, that the County should apply a 'fair and reasonable amount' of any annual surplus to reducing property taxes.

---We are at the point where the County needs to be paying more attention to cutting costs and finding savings, rather than relying mainly on an increase in assessments to cover future expenses.

---While publicity and information regarding the County budget tends to focus on the tax rate, and whether it rises or declines, it is not the tax rate that determines whether we pay more in taxes. It is the tax rate times the assessed value of your property that determines what you pay. For example, if there is NO change in the tax rate for next year, we will still be paying more because assessments have risen. The attached chart shows the impact of tax rates, assessed values and taxes paid for Arlington and a number of nearby localities.

---Given the uncertainties associated with the federal budget, this is not the best time for Arlington to be raising taxes and fees when programs may be cut, federal tenants and leases lost, and federal employees losing their jobs and/or benefits.

---R&E offered to consider any suggestions or question from the membership at our Sunday meetings in March, by direct contact or by e-mail. As of the date of this report (3/31/2017), R&E has not received any third party questions or suggestions.

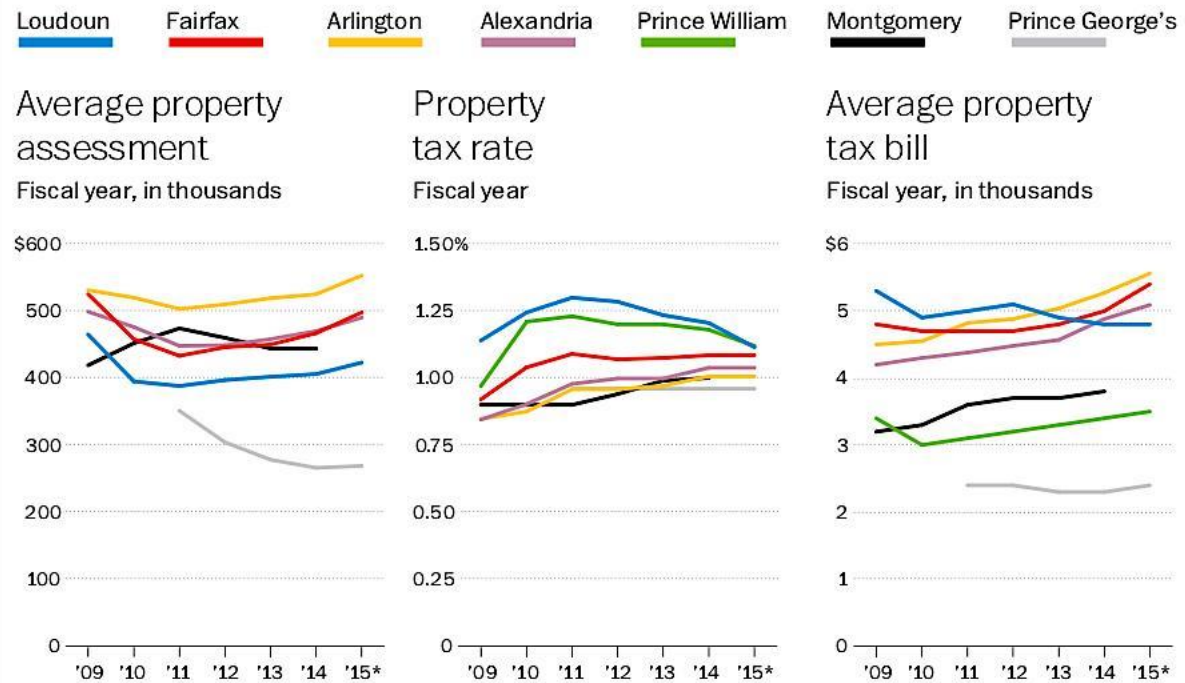
Bottom Line

What we are really asking is that the County work harder to find alternatives to raising taxes and fees, and pay more attention to identifying savings and efficiencies. After a serious and detailed examination of the budget, R&E believes these alternatives are available.

Attachment: Comparative Assessments, Tax Rates and Property Tax Bills

Tax bills climb with home values

Property values are rebounding in most D.C. suburbs and tax rates are on the rise in some places, resulting in heftier property tax bills for many homeowners struggling since the recession.



*2015 rates are not yet final; rates for Fairfax and Loudoun reflect a possible increase in the tax rate that will be voted on later this spring.

NOTE: Data not available for all years for all counties.

SOURCE: The counties. GRAPHIC: The Washington Post - The Washington Post.

Are You Considering Moving Out of the D.C. Area in the Next Five Years? (Poll Closed)

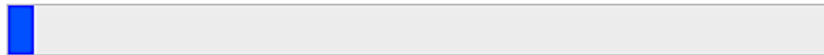
Yes, because of the high cost of living

46.76% (1,257 votes)



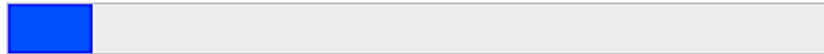
Yes, because of job opportunities elsewhere

3.13% (84 votes)



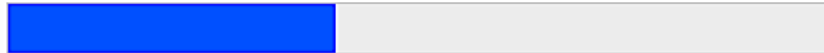
Yes, for other reasons

10.34% (278 votes)



No

39.77% (1,069 votes)



Total Votes: **2,688**

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