

CIVIC FEDERATION

FISCAL STATE OF THE COUNTY



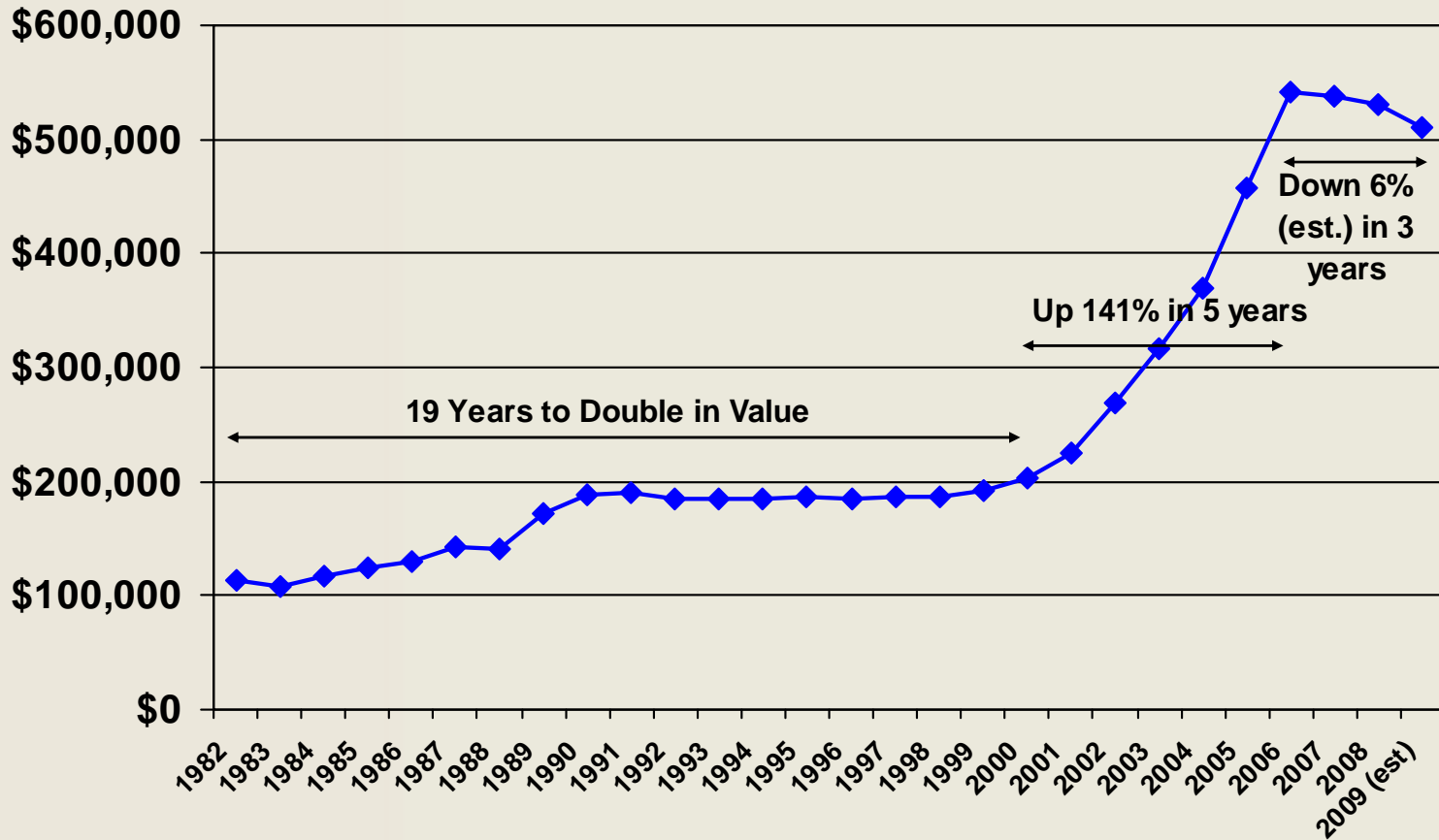
ARLINGTON
VIRGINIA

December 2, 2008

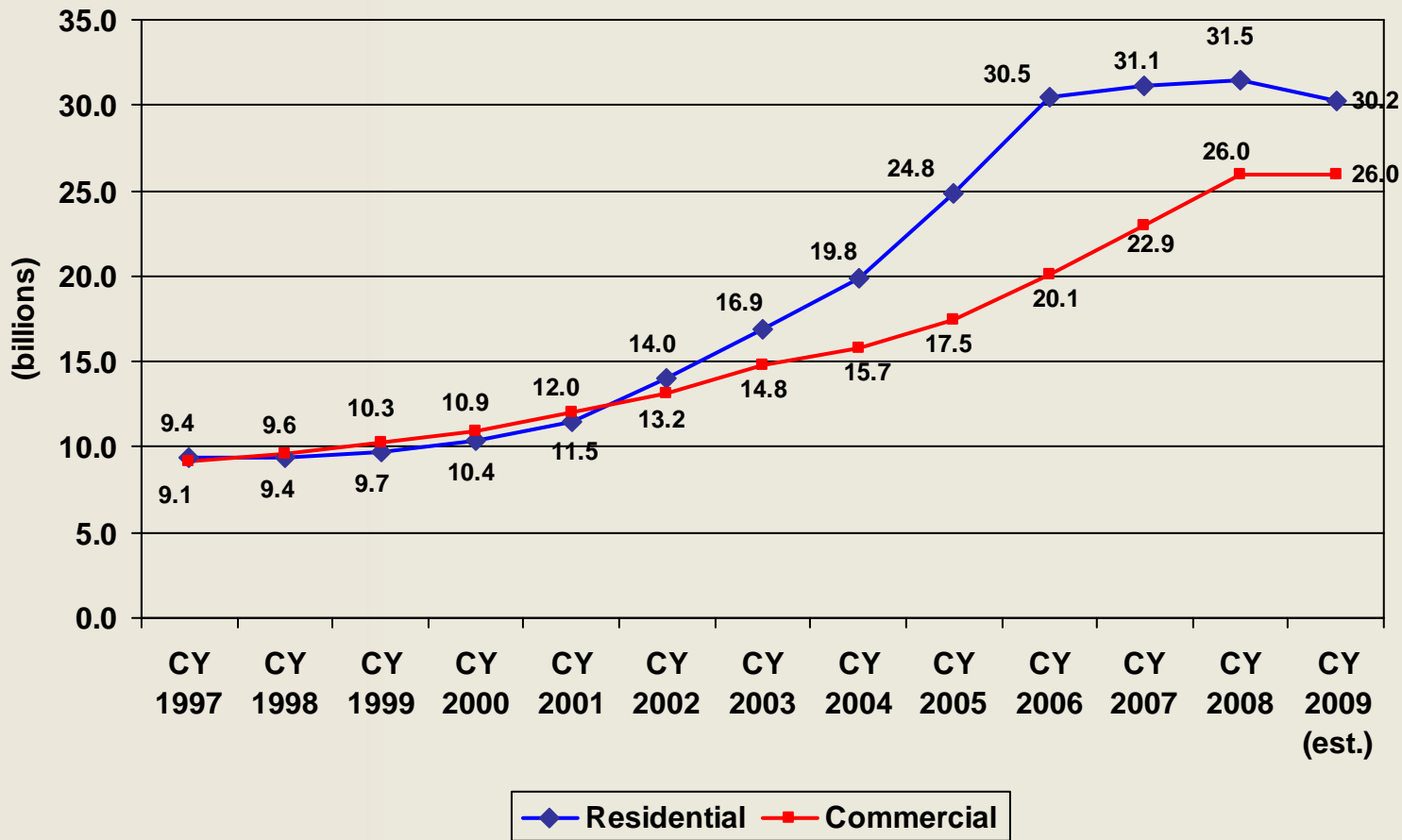
Revenue Could Decline Further*

	FY 2009	FY 2010	
Revenue		\$908.2	
Expenses		\$946.9	
Difference		\$(38.7)	
Additional Potential Loss if R.E. declines by (5%)		\$(7.3)	
Total Potential Loss		\$(46.0)	
FY 2009 Revenue Shortfall Projections	\$(14.0)		
Additional Loss if R.E. Declines to (5%)	\$(3.7)		
Potential	\$(17.7)		
* County Impact (excludes Schools)			

27 Year History of Average Single-Family Home Assessments

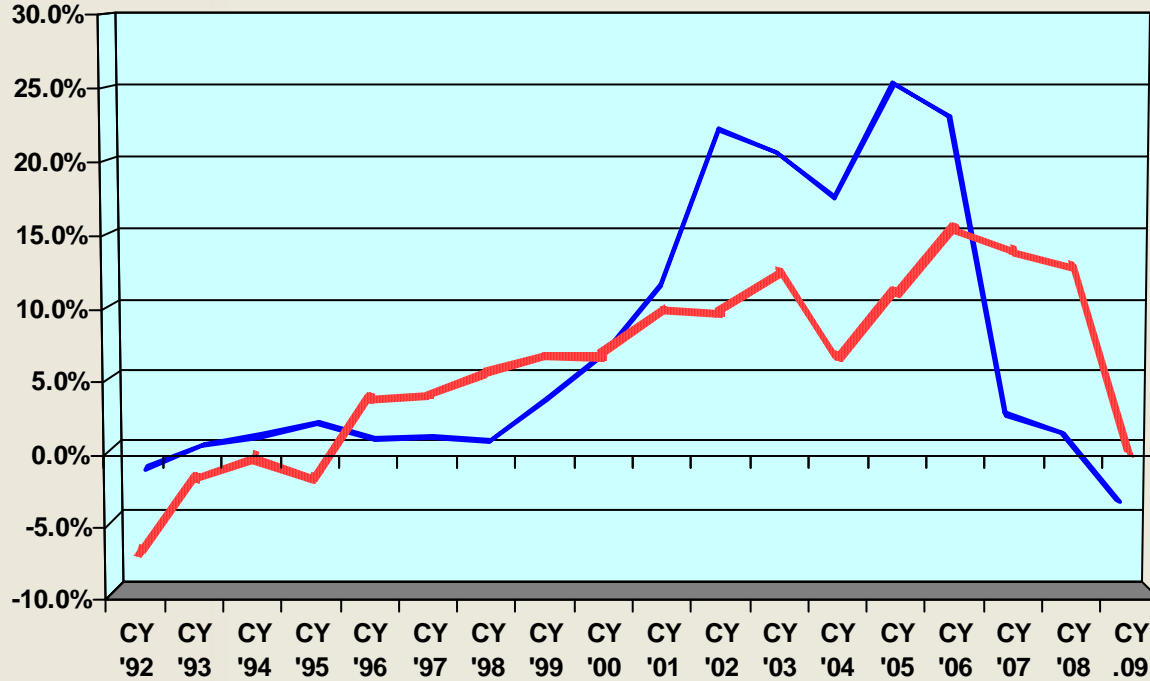


Residential & Commercial Assessment Growth



Assessment Change Comparison Commercial vs. Residential

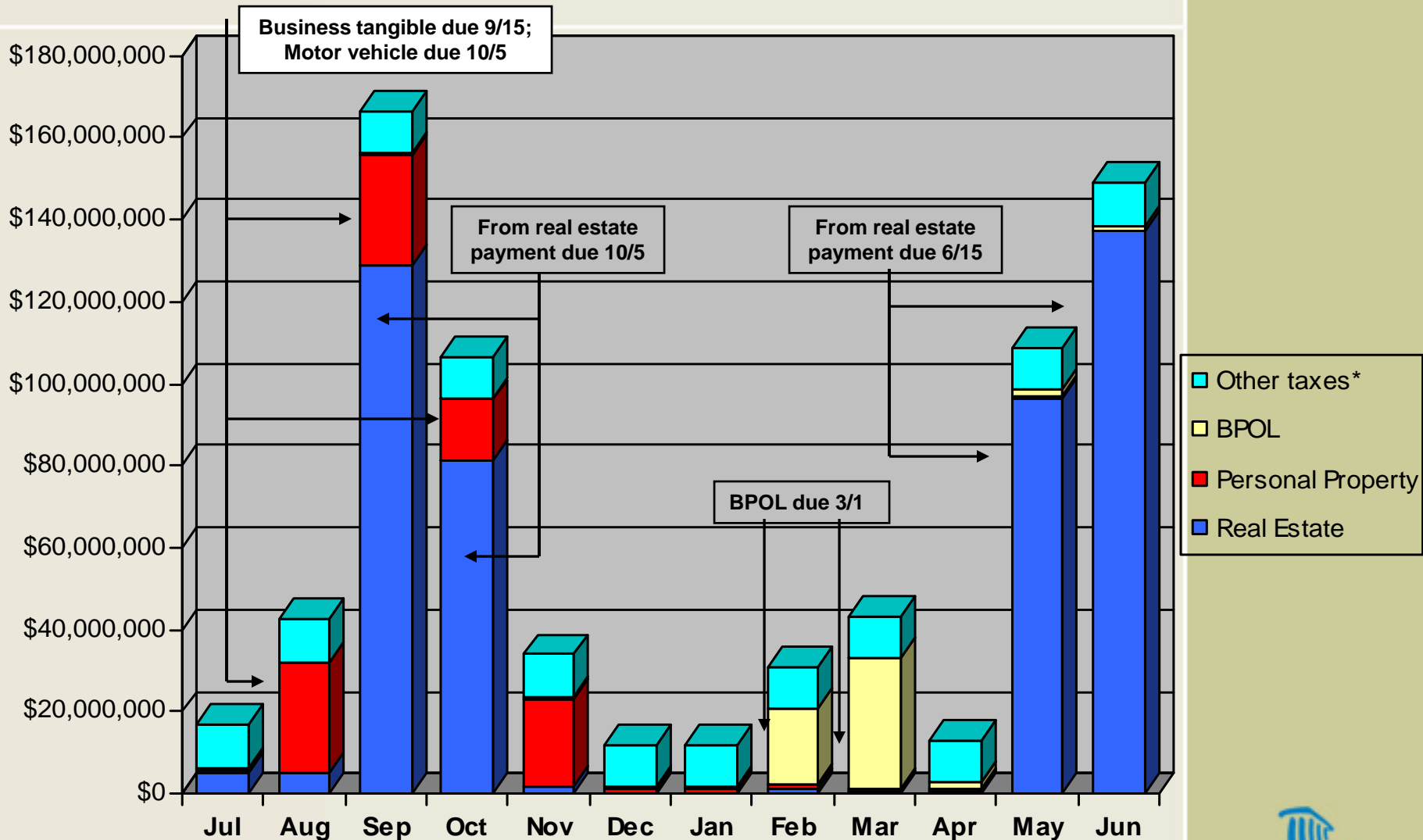
(year over year percent change)



	CY '92	CY '93	CY '94	CY '95	CY '96	CY '97	CY '98	CY '99	CY '00	CY '01	CY '02	CY '03	CY '04	CY '05	CY '06	CY '07	CY '08	CY '09
Commercial	-6.9%	-1.9%	-0.4%	-1.9%	3.6%	3.9%	5.5%	6.6%	6.6%	9.8%	9.6%	12.4%	6.6%	11.0%	15.3%	13.8%	12.7%	0.0%
Residential	-1.7%	0.0%	0.6%	1.5%	0.4%	0.5%	0.2%	3.2%	6.4%	11.1%	22.0%	20.4%	17.3%	25.2%	22.9%	2.1%	0.8%	-4.0%

■ Commercial ■ Residential

Cash Flow of Local Tax Revenue in FY 2008



* Other taxes include sales tax, meals tax, transient occupancy tax, recordation tax, utility tax, and other smaller taxes.

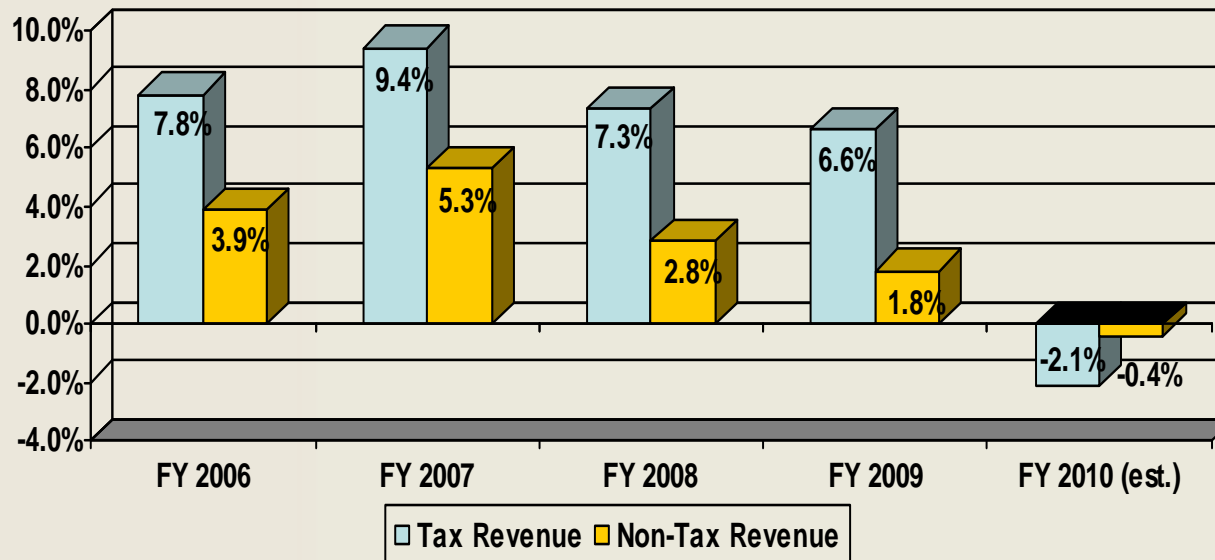
Revenue Growth

FY 2009 Adopted to FY 2010 Projection

FY 2010

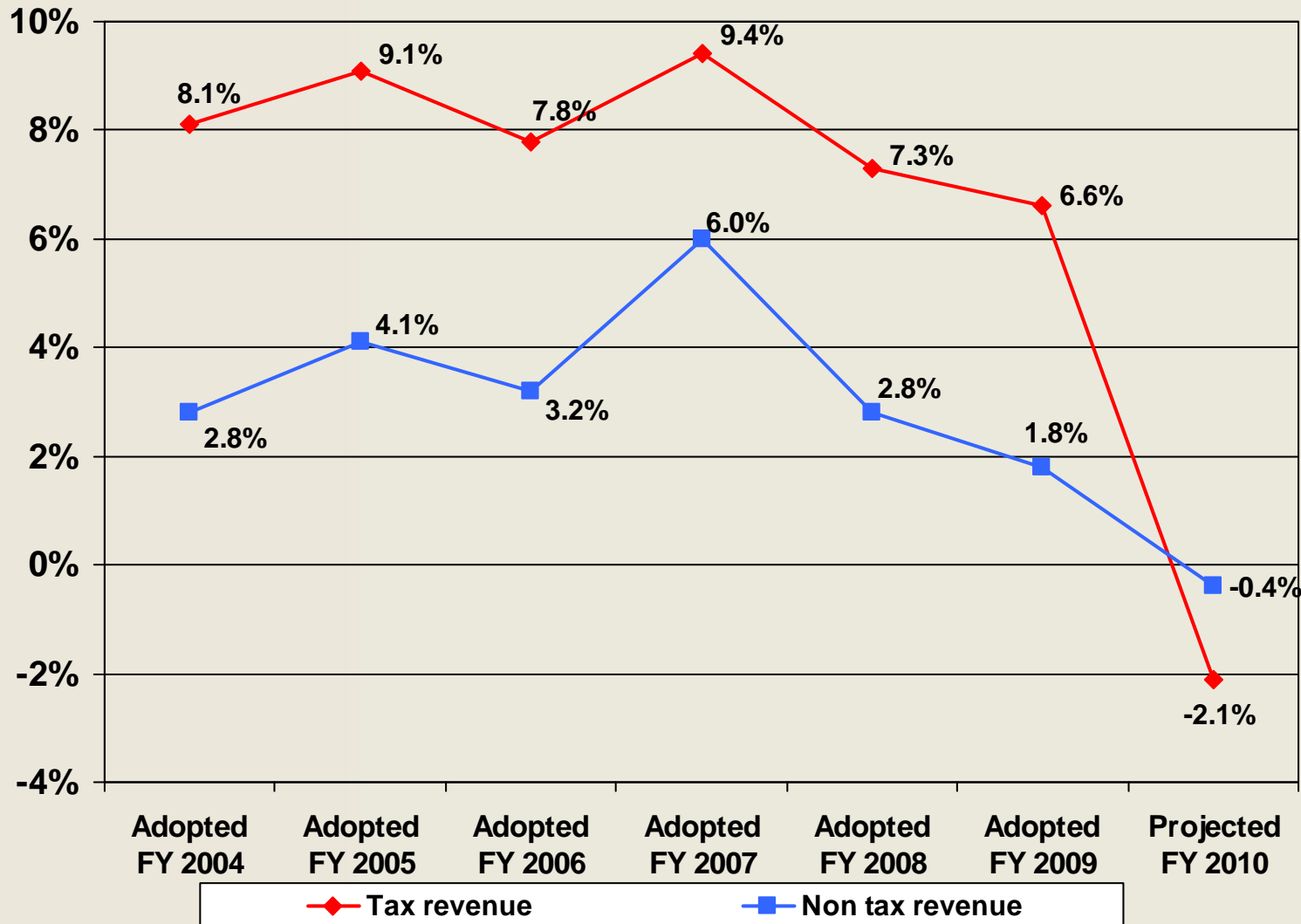
	<u>Total Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
▪ Real Estate	\$466.5 mil.	(\$ 19.7 mil.)	(4.0%)
▪ Other Taxes	\$280.3 mil.	\$ 3.3 mil.	1.2%
▪ Fees & Local Revenue	\$ 72.4 mil.	(\$ 1.9 mil.)	(2.6%)
▪ Federal & State Revenue	\$ 85.3 mil.	\$ 1.1 mil.	1.4%
▪ Total Revenue*	\$908.2 mil.	(\$17.0 mil.)*	(1.8%)

*Excludes fund balance

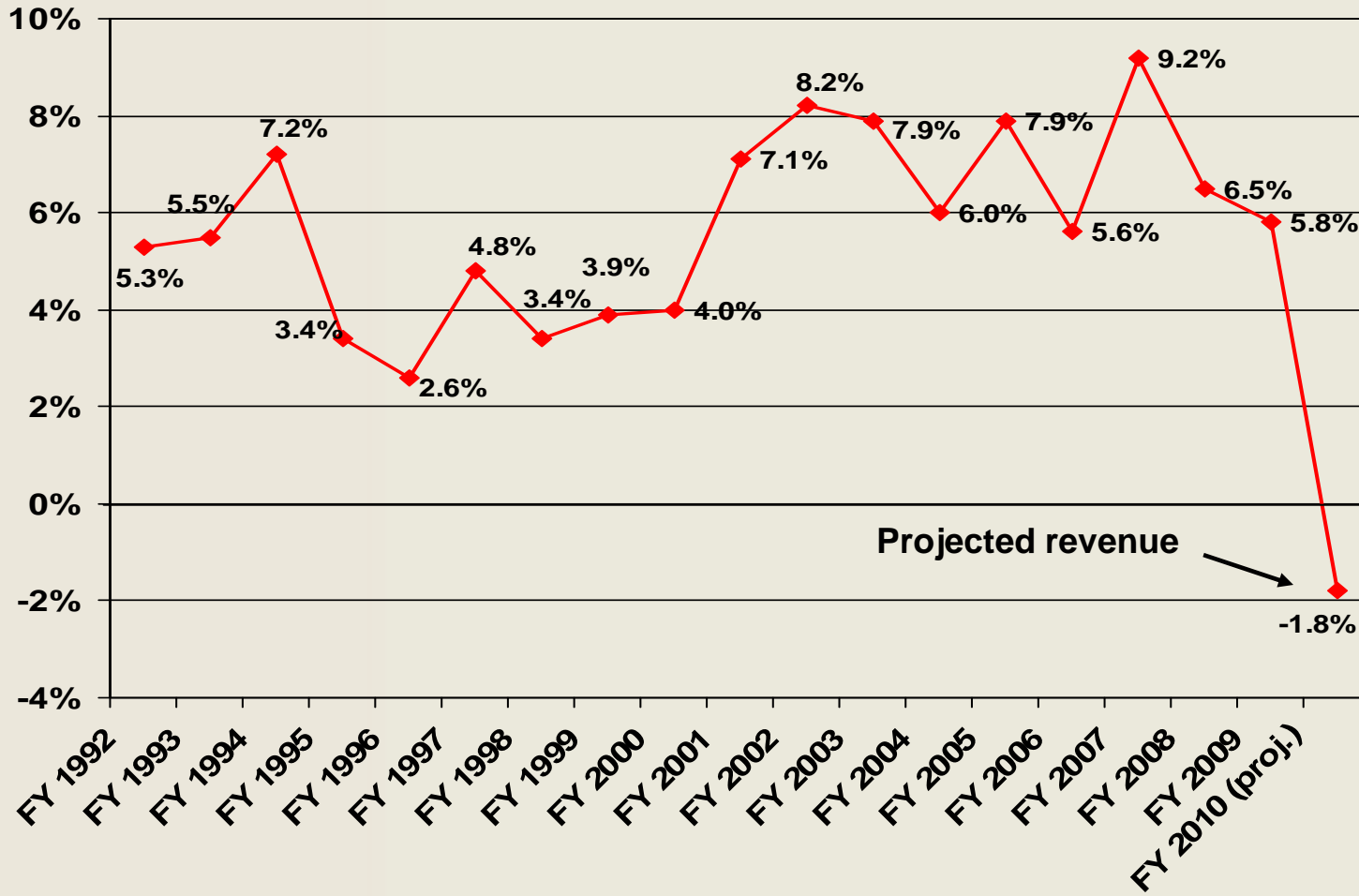


Budgeted Tax & Non-tax Revenue

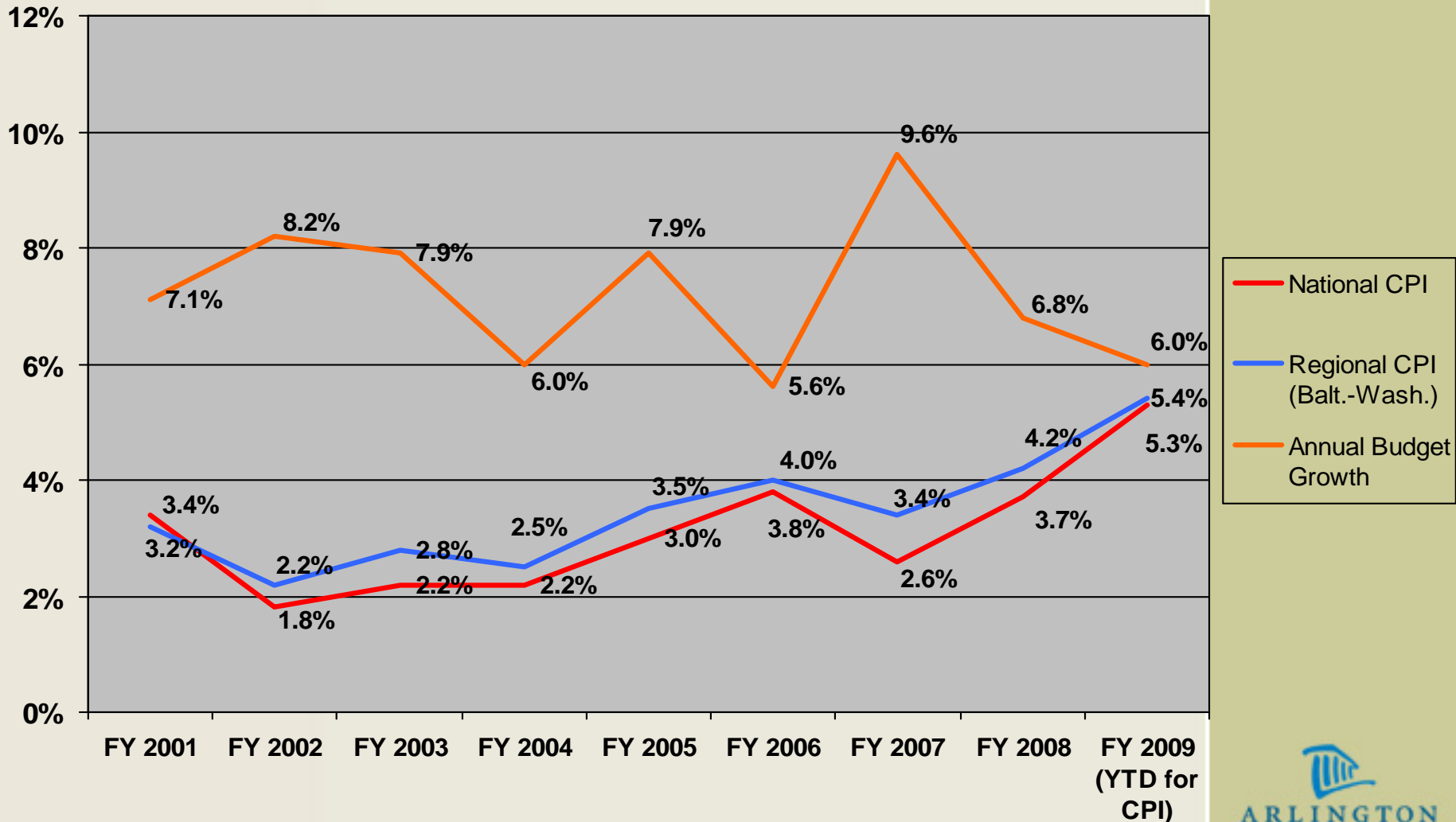
FY 2004 - FY 2010



Budget Growth FY 1992 - FY 2010



Average Consumer Price Index Increase vs. Adopted General Fund Budget Growth FY 2001 – FY 2009



Source: BLS

Expenditure Pressures

■ Compensation

– Salaries & Benefits

- 54% of the General Fund operations in FY 2009
- No market pay adjustment in FY 2009.
- In FY 2010, 800 employees at end of pay scale.

– Health Care – Double digit increases expected.

– Retirement – First full year of enhanced benefit.

– Retiree Health Care (OPEB)

■ Operating Costs

– Metro - Up 8.0% over FY 2009 to \$21.6 million

– Debt Service – Projected at 9.5% growth; \$57.9 million

■ Capital

– Base funding for PAYG is \$5.2 million

– Adopted CIP for FY 2009 is \$23.2 million

Revenue Could Decline Further*

	FY 2009	FY 2010
Revenue		\$908.2
Expenses		\$946.9
Difference		\$(38.7)
Additional Potential Loss if R.E. declines by (5%)		\$(7.3)
Total Potential Loss		\$(46.0)
FY 2009 Revenue Shortfall Projections	\$(14.0)	
Additional Loss if R.E. Declines to (5%)	\$(3.7)	
Potential	\$(17.7)	
* County Impact (excludes Schools)		

County Board Guidance

1. There shall be no increase in the average real estate tax burden on homeowners above the CY 2008 level.
2. Ensure long-term financial sustainability, anticipating no greater than flat revenue growth over at least a three year period.
3. Preserve the County's triple AAA bond rating.
4. Fully fund all debt, lease and other contractual commitments, including those "subject to appropriation" in the base budget.
5. Add no new positions or programs supported by local tax revenues, unless bringing existing services in-house can be shown to save money.
6. Eliminate discretionary expenses and inefficiencies while protecting core services.
7. Comply with the Revenue Sharing Agreement with the Schools.

Further Guidance

- Evaluate strategic choices such as investments in maintenance capital that would reduce on-going operating expenses.
- Where possible, present fee options that could offset the potential elimination of a non-essential service.
- Present alternatives that reduce costs through consolidation, mergers, contracting, partnerships, and other service mechanisms.

What Are We Doing?

15

- Cutting discretionary expenses
- Freezing non-essential positions
- Identifying management and administrative reductions
- Examining opportunities to consolidate or partner
- Developing service reductions
 - What is essential / core?
 - What is strategic?
 - What is a “balanced community”?