Arlington

Community Facilities Study

A resource and facilities plan for our future

June 10, 2015

Study Committee Meeting #9: Revenue Projections

ARLINGTON
VIRGINIA

Arlington
Public
Schools

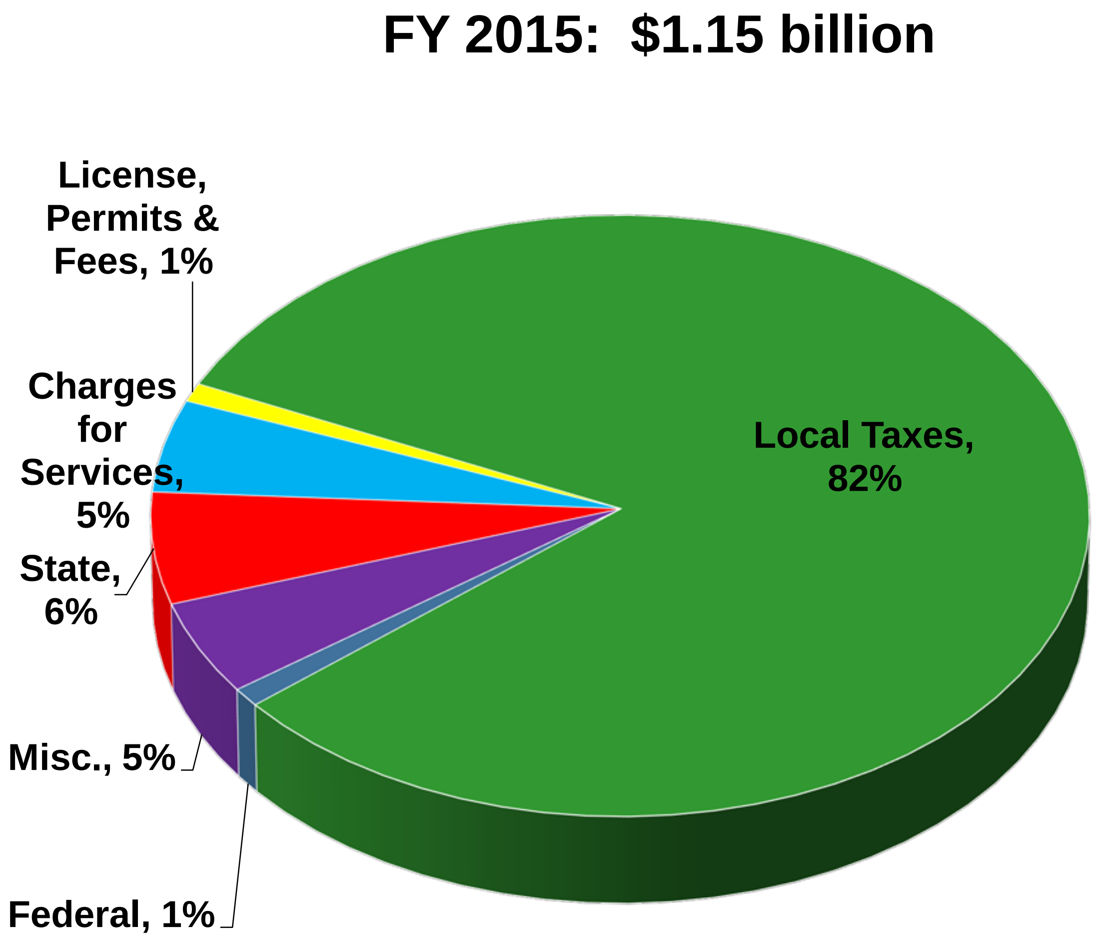
Refresher on Key Takeaways from Revenue Overview

- **Arlington's balance between residential and commercial assessments is unique and provides fiscal and service delivery benefits**

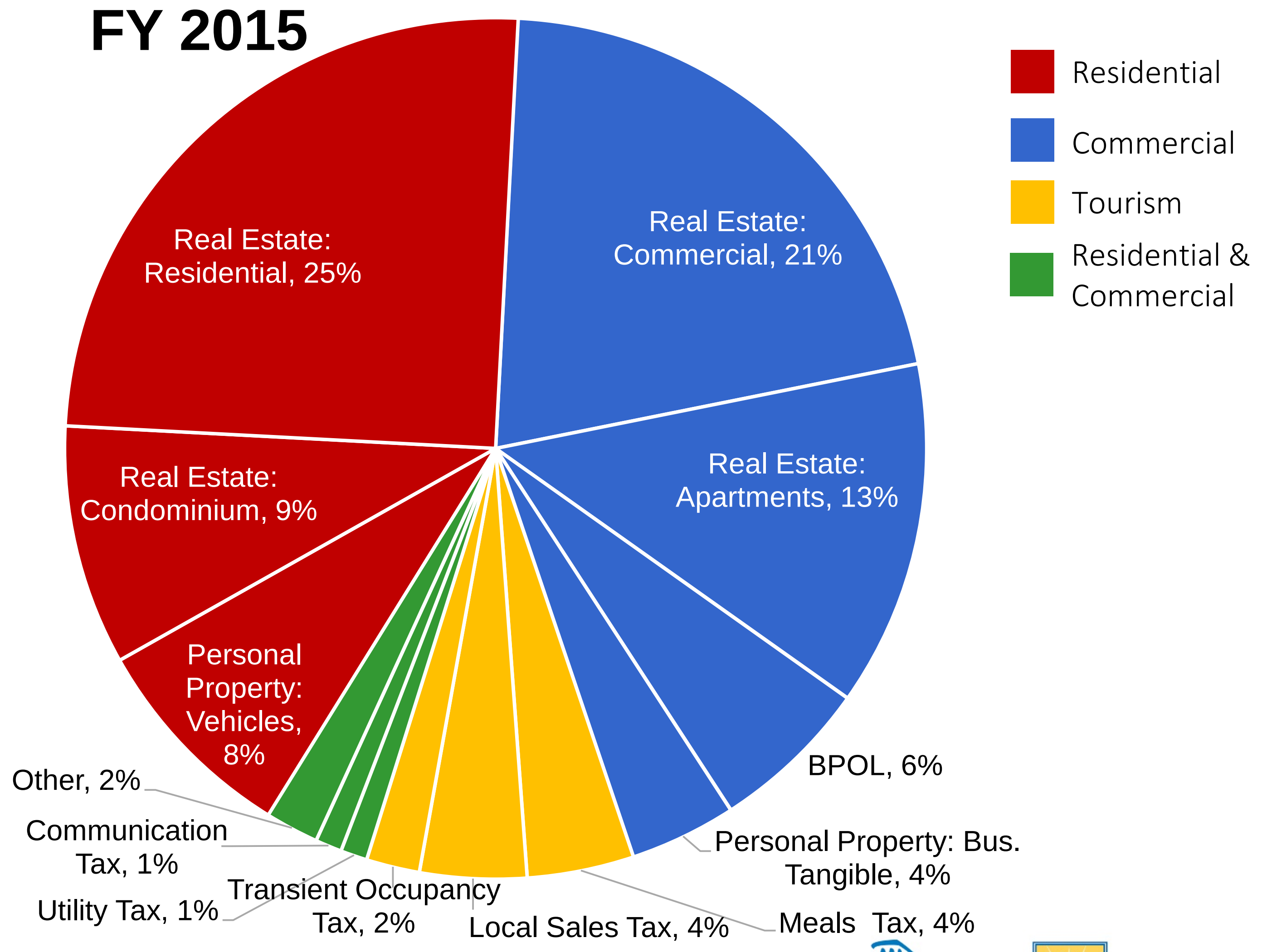
- Legal and policy limitations impact taxing capacity

- Arlington's sound financial practices facilitate service delivery and provide taxpayer benefits

General Fund Revenue By Source



Local Tax Revenue by Source (General Fund)



Five Year Financial Forecasts

Planning Horizon

- County’s five year forecast updated every budget & CIP cycle
  - Typically present two or more scenarios based on economic growth assumptions

Other Jurisdictions

- City of Alexandria – 5 years
- Montgomery County, MD – 5 years
- Fairfax County – two year budget

- U.S. Office of Management & Budget – 3 years

Five Year Financial Forecast Scenarios

Medium / Baseline:

- Stable residential market – averaging 3% growth
- Office and related tax sources (BPOL) – flat or declining through FY 2019 as vacancy rates are worked through; then begin steady recovery
- Other tax sources (sales, meals) – slow, steady growth – 1.5-3.0%
- **Average tax revenue growth over five year period = 2.5%**

Other Assumptions – Same For All Scenarios

- No growth in state / federal
- Inflationary growth in other non-tax sources

Five Year Financial Forecast Scenarios

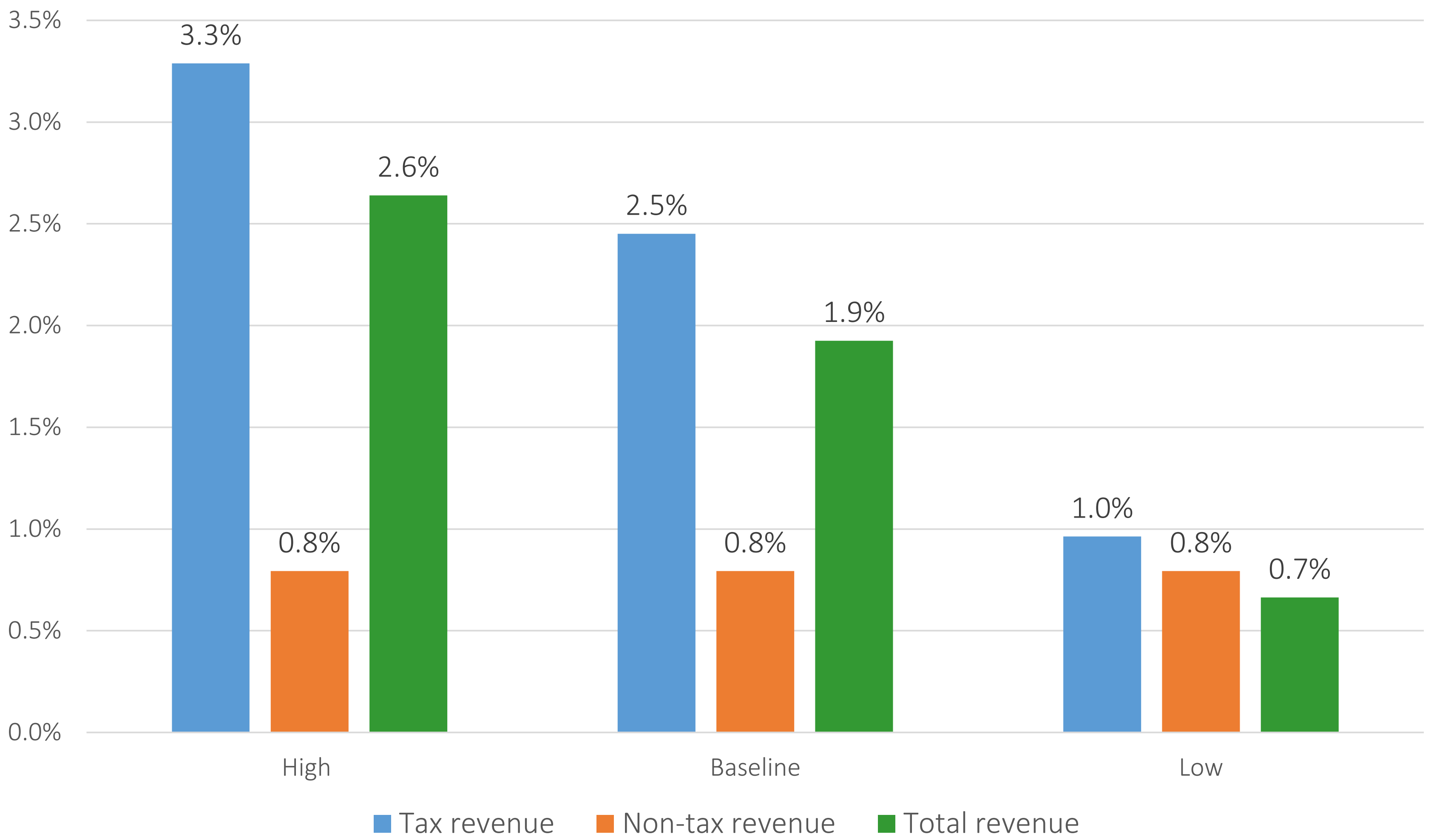
High:

- Continued strong residential market for next 2-3 years (4-6%), then stabilizing to 3%
- Office and related tax sources (BPOL) – Recovery occurs more quickly – stabilized without further losses by FY 2018
- Other tax sources (sales, meals) –accelerated growth – 2-3%
- **Average tax revenue growth over five year period = 3.3%**

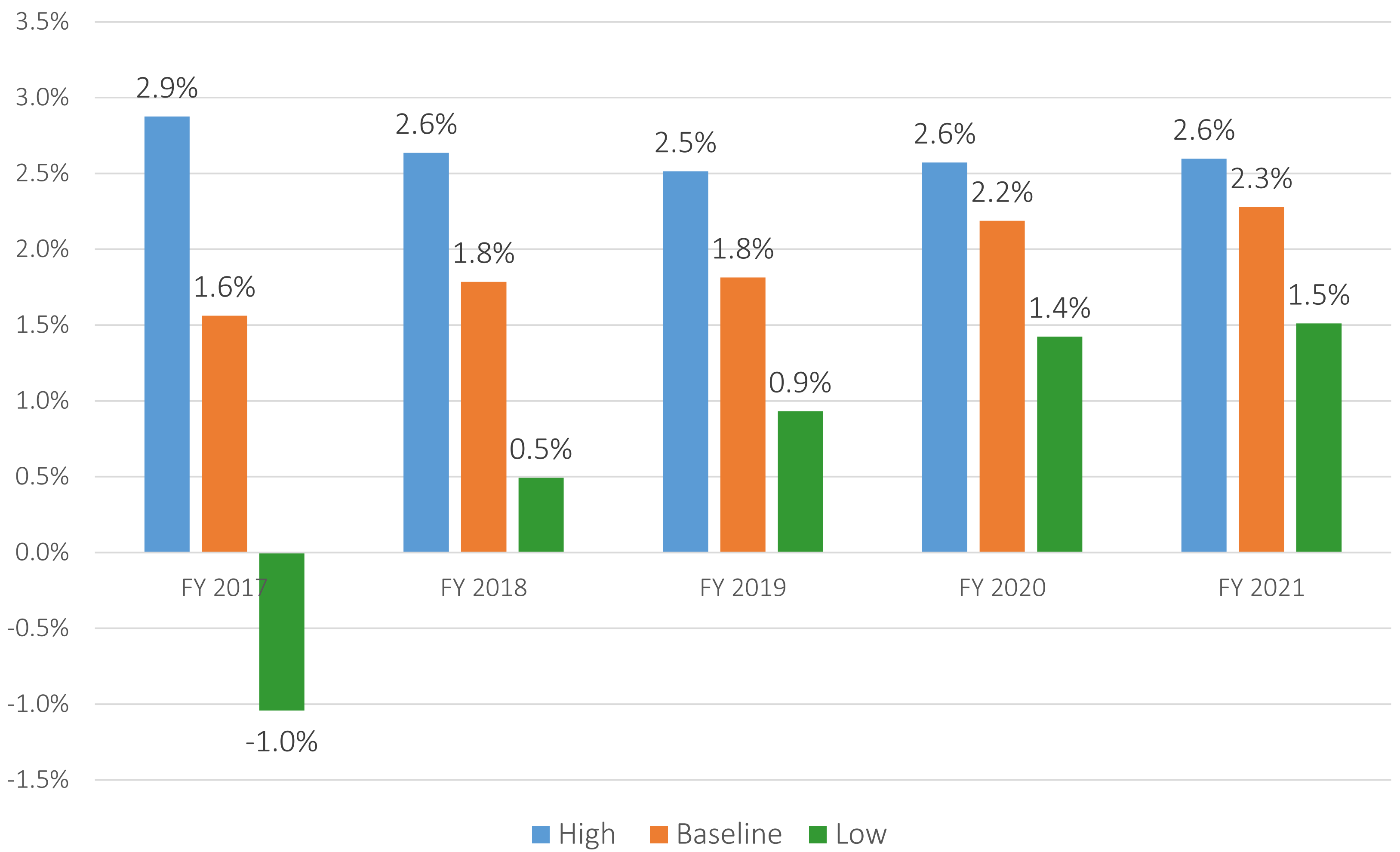
Low:

- Rapid slowdown in residential market – 1.5 – 2.0%
- Office and related tax sources (BPOL) – Protracted recovery with additional losses
- Other tax sources (sales, meals) – no growth or slight declines
- **Average tax revenue growth over five year period = 1.0%**

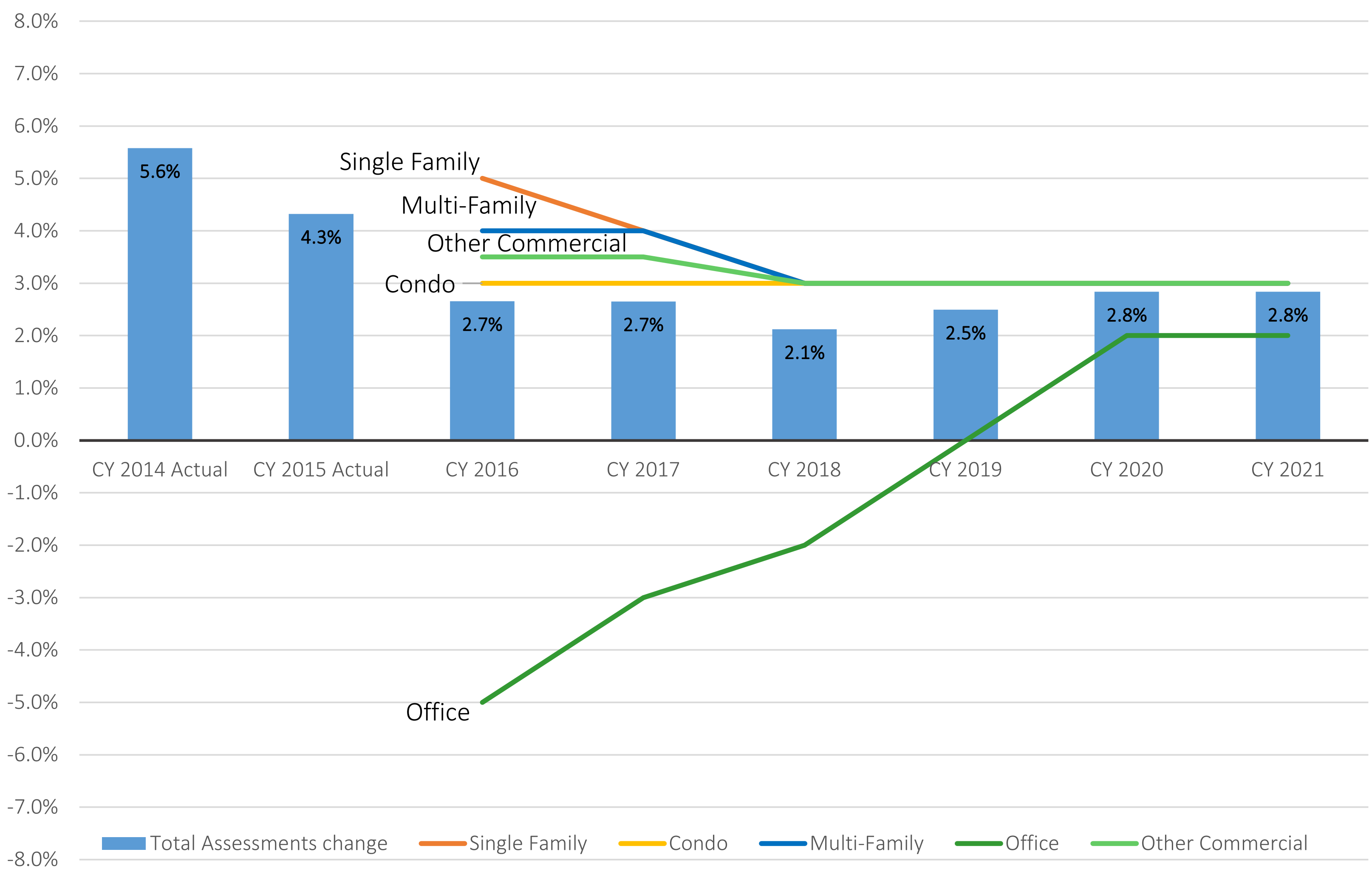
Five Year Average Revenue Growth by Scenario



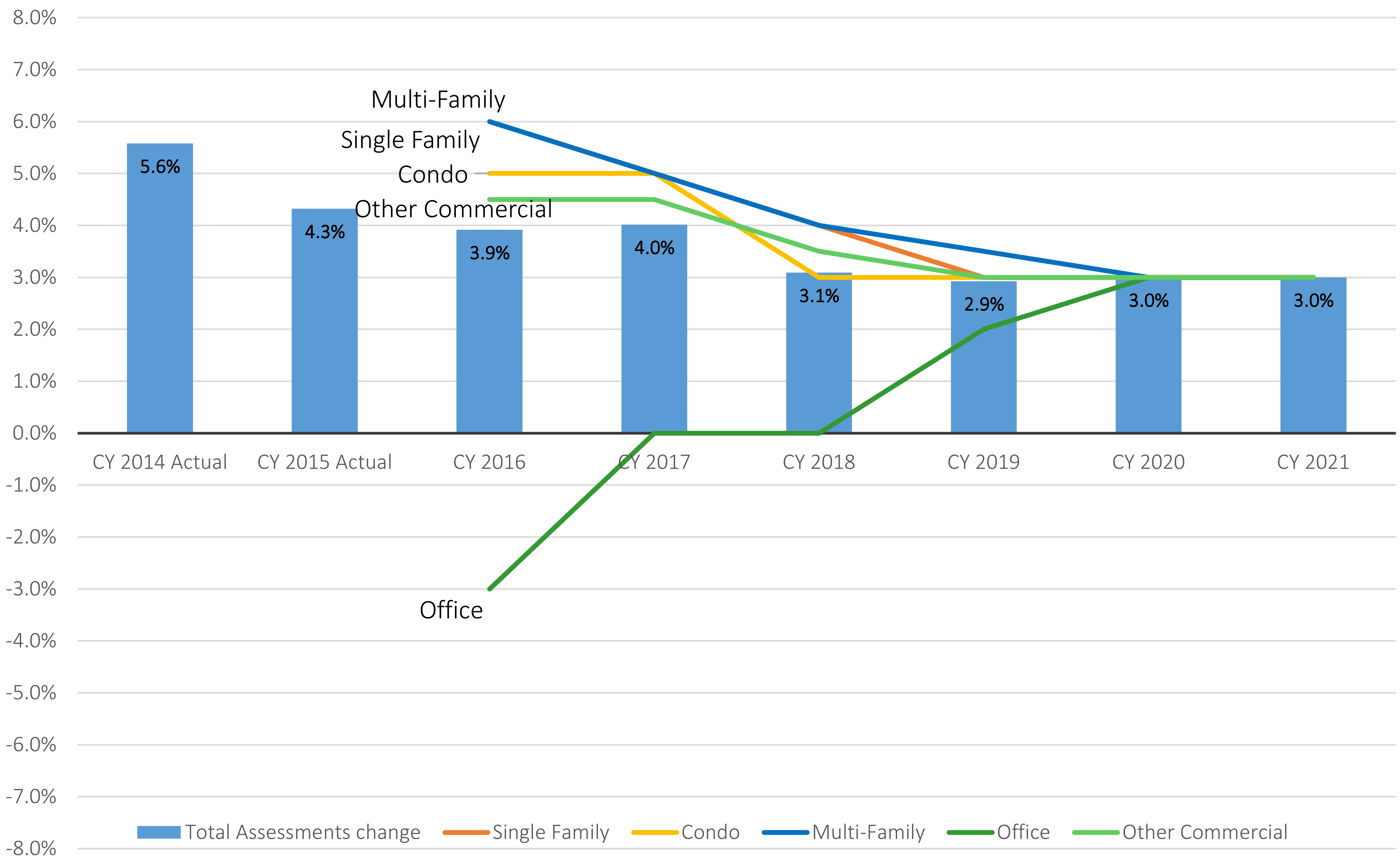
Average Annual Revenue Growth by Scenario



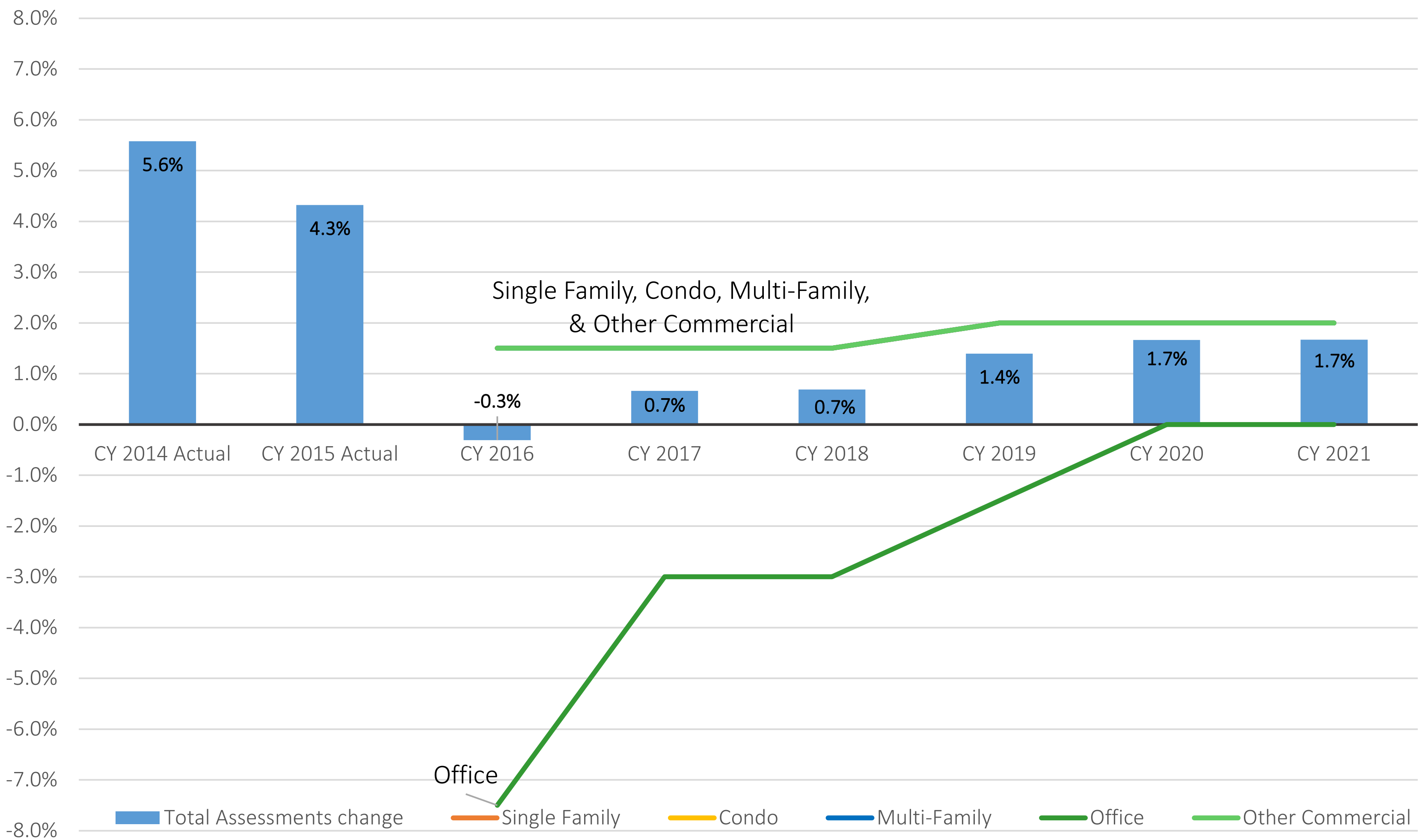
Baseline Scenario: Real Estate Assessments



High Scenario: Real Estate Assessments



Low Scenario: Real Estate Assessments



Expenditure Growth Assumptions

Schools

- Consistent with APS latest forecast through FY 2019; beyond that projections based on expense and revenue growth continuing at the FY 2019 levels
- Revenue sharing based on the current 46.5%
- Enrollment growth and compensation are two significant pressures

County

- Expense assumptions are consistent across all three scenarios
- Budget pressures include:
  - Compensation
  - Health Care
  - Pension & retiree health care
  - Metro
  - Debt service – consistent with adopted CIP levels

Capital Funding In Five Year Forecast

- General Fund only
- Debt Service as % of Governmental Expenditures ranges from 8.2% to 9.5%

Five-Year Schedule of Bond Issuance
June 9, 2015

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Metro	24,600,000	25,000,000	18,000,000	20,000,000	11,295,000	98,895,000
Transportation	2,970,000	2,750,000	1,880,000	1,650,000	3,000,000	12,250,000
Paving	8,900,000	9,400,000	9,500,000	10,000,000	10,100,000	47,900,000
Parks/Facilities Maintenance Capital	8,555,000	8,700,000	9,000,000	8,900,000	9,100,000	44,255,000
Parks & Recreation	1,670,000	15,670,000	16,430,000	20,200,000	4,600,000	58,570,000
Community Infrastructure / NC / Fire Stations	15,936,000	10,330,000	21,500,000	23,300,000	9,250,000	80,316,000
Lubber Run	1,400,000	13,000,000	13,600,000			28,000,000
	64,031,000	**84,850,000**	**89,910,000**	**84,050,000**	**47,345,000**	**370,186,000**
Schools	38,680,000	77,280,000	74,980,000	33,970,000	63,535,000	288,445,000
Total General Fund Issuance	**102,711,000**	**162,130,000**	**164,890,000**	**118,020,000**	**110,880,000**	**658,631,000**

1. Metro assumes an additional $12.6 million of subject to appropriation bonds in FY 18 & FY 19 due to WMATA's purchase of 220 railcars and power upgrades
2. Includes prior year bond referenda that have not been issued yet

Forecast - Continuing Services Projections

Forecast Does Not Include:

- Public Safety
  - Detention Center staffing
  - Emergency Communication staffing
  - Police & Fire demands due to population increases
- Additional Affordable Housing Funding
- Social Service Program Expansions
- New Facility Operating Costs (out years)
- Unanticipated State and Federal Funding Uncertainties

Schools Impact

Enrollment Growth

+

Compensation

Any growth scenario requires additional schools funding in FY 2018 & beyond

The Bottom Line: Combined County & Schools

Assumptions

- Step increases for County & Schools but no other compensation increases
- Continuing services budgets
- Schools numbers based on their 3-year forecast including enrollment increases; continuing trends of revenue & expenditure growth in out years

Baseline

- Annual budget gaps of $0.9M to $32.3M

High

- Annual budget surplus up to gap of $23.7M

Low

- Annual budget gaps of $36.9M to $43.3M

Key Takeaways

- Expectation that real estate assessments will see some growth with residential growth normalizing as office assessments recover.
- Revenue growth is not expected to be robust enough to fully fund County and Schools expenditure pressures.
- Under baseline scenario, near term budget gaps are expected to be manageable for continuing services.
- Forecasts will change …

Questions?