

SUMMARY OF PLANNING PROCESSES and FINANCIAL POLICIES

PLANNING PROCESSES

The County's Comprehensive Plan consists of nine elements:

- General Land Use Plan
- Master Transportation Plan
- Stormwater Master Plan
- Water Distribution System Master Plan
- Sanitary Sewer System Plan
- Recycling Program Implementation Plan
- Chesapeake Bay Preservation Ordinance and Plan
- Public Spaces Master Plan
- Historic Preservation Master Plan

Under the Virginia Code (§ 15.2-2230), the Comprehensive Plan must be reviewed at least every five years to determine if it needs to be amended.

The objective of the General Land Use Plan has been to encourage the redevelopment of older commercial and industrial areas of the County into new or renewed retail areas, mixed use neighborhoods, as well as areas of major high rise office development. This is accomplished in part by concentrating the densest development along the Metro (subway) corridors. The principles of the plan are designed to fulfill the County's most important objective – achieving and maintaining the County's financial sustainability. The General Land Use Plan has guided development in the County which has resulted in a more balanced mix of residential and commercial properties in the tax base than in many jurisdictions, helping to ease annual fluctuations in real estate tax revenue due to changes in the real estate market and resulting assessment levels.

The County's six-year Capital Improvement Program lays out a multi-year plan for prioritizing and funding projects which contribute to the implementation of these various plans. The County's annual budget appropriates capital and operating funding for projects in support of the plans.

FINANCIAL POLICIES

The County Manager's Proposed Budget is developed within the framework of a number of financial policies. These policies help ensure that the County government is a responsible steward of public funds, and that funding is available to provide necessary services to the community. The key policies are summarized below.

Balanced Budget Arlington's practice is to adopt an annual General Fund budget in which the budgeted revenues (including any prior year fund balance being utilized for one-time purposes) and expenditures are equal (a balanced budget). In the County Manager's proposed budget, however, projected revenues may exceed projected expenditures in order to provide the County Board additional resources to fund priority initiatives not included in the base proposed budget. Expenditures, however, may not exceed revenues.

General Fund Operating Reserve In 1985, the County Board adopted a resolution establishing a General Fund Operating Reserve. In 1997, the Board set a goal of funding the reserve at a level equivalent to two percent of the General Fund budget. This goal has been met and maintained annually. The Operating Reserve may be used only in extraordinary circumstances and then replenished as soon as fiscally feasible; the reserve has never been used.

Self-Insurance Reserve The County also maintains a self-insurance reserve to complement the County's purchased insurance coverage.

General Fund General Contingent It is County practice to include in each year's budget a General Fund General Contingent appropriation to be used to cover unforeseen expense items or new projects initiated after a fiscal year has begun. Funding may be allocated from this contingent only with County Board approval.

Debt Policy The County's debt policies, which serve as the foundation for the County's high grade credit ratings and which underlie the assumptions made in the Capital Improvement Program, include rapid payback of general obligation debt, maintenance of a low ratio of general obligation debt to the market value of taxable property, and a moderate ratio of debt service to general expenditures. The specific ceilings set for these ratios are outlined in the Debt Service narrative in the Proposed Budget (Volume 2, Section L). Also outlined in the Debt Service narrative are the variable rate debt guidelines adopted by the County Board in 2005.

Retirement System Funding The County uses an actuarially accepted method of funding its pension system to maintain a fully-funded position. The County's contribution to employee retirement costs is adjusted annually as necessary in the budget to maintain full funding.

Vehicle Replacement Fund Following established County policy, the annual budget for the County includes a depreciation charge for each County vehicle in order to maintain a replacement fund. Thus, the full replacement cost for a vehicle never has to be absorbed by a single year's budget, minimizing annual fluctuations in vehicle costs and ensuring that funds will be available as needed to replace aging vehicles. The vehicle replacement fund is maintained in an accounting fund separate from the General Fund.

Capital Improvement Plan Every two years, the County reexamines its six-year plan for pay-as-you-go and bond financing for its entire capital improvement program, including the needs of the Arlington County Public Schools. Projects are analyzed based on an assessment of community need, tempered by affordability. In determining the financial capability of the County to undertake the projects identified, there is an analysis of the impact on debt capacity factors in light of the ceilings outlined in the debt policy, and the impact of various spending levels on the real estate tax rate. Projects are also analyzed for their impact on operating expenditures. Projects must also be analyzed for their appropriateness for bond financing vs. pay-as-you-go. The major criteria on which the bond vs. pay-as-you-go decision is made is based on the useful life of the project – bond funded projects typically have a useful life at least as long as the period over which the bonds will be repaid (generally twenty years).

Investment Policy Arlington County, as an instrumentality of the Commonwealth of Virginia, is limited to investments permitted by Sections 2.2-4501 et seq. of the Code of Virginia. In addition, the County Treasurer has a formal, written investment policy which further governs the types of allowable investments and procedures for investing the County's operating funds. The County Treasurer is responsible for the investment of County's operating and bond funds, and operates under a written investment policy that provides policy guidance on the placement of investments. The County has also established a Finance Board pursuant to Sections 58.1-3151 et seq. of the

Code of Virginia which provides independent advisory oversight with regard to the County's investment holdings, banking relationships, and the legality and probity of investment activities.

The Treasurer's investment policy sets forth a number of investment parameters such as investment objectives, asset allocations, and maximum maturities. The stated investment objectives, in priority order, are: preservation of principal, liquidity and yield. This policy was awarded the Municipal Treasurers' Association's (MTA) Certificate of Excellence in April 1999.