

Fiscal Year 2010 Budget Message to the Arlington County Board

To the County Board of Arlington, Virginia:



The Fiscal Year (FY) 2010 Recommended Budget is \$929.5 million, which is down 1.3% from the FY 2009 Revised Budget of \$941.4 million. Total County spending is down 2.4%, excluding schools. The School transfer of \$352.4 million is up \$2.3 million, an increase of 0.65%.

The Recommended Budget follows the County's strong financial management practices. It reduces operating costs, continues a balanced mix of services, maintains reserve funds, and reduces the rate of increased debt service.

We are in better shape than many of our neighboring jurisdictions, but we are not immune to the economic downturn. We have been directly impacted with state cuts and anticipate more to come. Although there may be some relief from the federal Economic Stimulus Package, the recommended budget does not rely on such relief.

Preserving a Balance of Services

The Recommended Budget represents serious "belt-tightening." It does not, however, represent a restructuring of government. The Recommended Budget seeks to preserve the balance of services across many different policy areas and interests that have made Arlington a highly desirable and highly successful community. Consistent with County Board guidance, the Recommended Budget honors the County's vision and legacy -- protecting core services, continuing investments in affordable housing and environmental sustainability, and ensuring a social services safety net for those in need.

Towards these ends, the Recommended Budget is balanced financially by using a combination of revenue increases and expenditure reductions that reflect the economic realities of the Washington region. The reductions are detailed in the following section of the Recommended Budget, which contains no new recommended positions or programs supported by local tax revenues.

Maintaining Low Tax Rates And Fees

The combination of recommended revenue increases includes a 2.7 cent increase in the real estate tax rate and no increase in the personal property tax. A number of fees are recommended for increase.

On average, the combined impact of real estate and personal property taxes on homeowners is a **decrease in taxes of about \$4.05 a month**. Fees that increase \$5.47 a month offset this decrease. The net result of fee and tax changes is an **increase to the average homeowner of \$1.42 a month**. This is an increase of less than one-third of one percent. Arlington will continue to have one of the lowest tax and fee burdens in the region, maintaining its history of providing excellent value. Arlington's real estate tax rate will remain substantially lower than most large Northern Virginia jurisdictions.

The average homeowner would pay an additional \$1.42/month in taxes and fees.

For commercial properties, there are **no tax rate changes proposed for business tangible property, business and professional occupational licenses, or the commercial transportation tax**. The tax rate for the Rosslyn service district is recommended to decrease 0.2 cents and remain flat for the Crystal City service district.

Service Reductions Are Broad Based

Normal cost increases for a sustainable budget are 4-6% a year. Thus, to live within the constraints described above requires a reduction of more than \$23.0 million in the County's operating budget.

To keep reductions in direct services to the public to a minimum, we have made major reductions in managerial and administrative costs and reduced as much overhead as possible. These reductions total \$14.2 million, and remove a significant amount of capacity from the organization. Our ability to pursue new ideas and initiatives, provide special studies and analysis, ensure oversight and accountability, and provide employee development, will all be diminished.

The Recommended Budget also includes a number of efficiencies that are logical regardless of our financial capacity. We are also working with other local governments to find joint opportunities for future efficiencies.

Even with efforts to minimize direct impact on those who live, work, and visit in Arlington, several direct services had to be reduced in a total amount of \$9.1 million. Other services are recommended for retention, but with offsetting fee increases.

No Compensation Increases For Employees

Of particular note is the impact of the Recommended Budget on employees. In order to preserve as many jobs as possible, there is no compensation increase for employees. For the second consecutive year, approximately 500 employees will receive no pay raise. Employees will also pay higher healthcare costs. Employees will no longer have access to tuition reimbursement, educational leave, live-where-you-work grants, or merit awards.

Even with all the efforts to reduce costs, we must also eliminate over 100 positions, about 40 of which are filled. Employees in the filled positions will be offered an opportunity to transfer to another job where possible. Where transfers are not possible, we will offer separation packages and job search assistance. These actions have already been initiated.

The reductions in staffing and other expenses are generally referenced in the Recommended Budget as "eliminations." In most cases, the reductions would have not been proposed in normal economic times. Most of the areas reduced have significant value to the community and/or to the organization. The question is whether they are affordable in a down economy. As the reductions are implemented, we may find that some of the reductions need to be restored in future years, depending on fiscal capacity. All of the "eliminated" positions are separately identified in the budget for future reference, as economic conditions may improve.

The Challenges Ahead

Notwithstanding the challenges we face, Arlington is positioned as well or better than any local government to deal with these economic times. We are in this highly enviable position precisely because of the high quality of life that we have created. Arlington has achieved international recognition by providing a balance of services that makes our community highly attractive and, thus, with the ability to better retain its value while others face sharp declines.

While no government can continue business as usual, we must take care not to undermine that which has made us the community that we are today and the community we want to be tomorrow. While we must make prudent reductions, we must remain focused on providing the best possible services with the significant resources that we have -- and on continuing to move the community forward, consistent with our vision and values.

Respectfully submitted,



Ron Carlee, County Manager