



Fiscal Year 2007 Budget Message to the Residents of Arlington County

The Arlington Budget: Values and Value

Christopher Zimmerman, Chairman, Arlington County Board

The budget adopted by the County Board for fiscal year 2007 is a reflection of Arlington values. The Board sought to preserve the County's strong record of fiscal prudence, while maintaining a high quality of life for Arlingtonians and protecting our most vulnerable residents. Working within the confines imposed by Virginia law, and facing cutbacks in Federal aid, the Board crafted a budget that embodies six important principles.

1. Maintain the level and quality of services Arlingtonians enjoy and expect. This budget continues our commitment to a broad range of high quality services, including libraries, parks, public transportation, recycling, fire and police protection, and many more. Most programs will be maintained at about the same level and quality as the previous year, although the budget reflects the rising cost of providing basic government services (especially for energy, employee health insurance and other benefits, and construction materials).

2. Continue to protect the most vulnerable. Our community is facing the impact of federal cutbacks in safety-net programs, including mental health, mental retardation, child and family services, and transitional housing, threatening the most vulnerable members of our community – just when housing, health, and energy costs are sky-rocketing.

Arlington will not turn its back on those among us in greatest need. And so, the Board acted with compassion and responsibility, replacing some lost federal money with local dollars, and boosting funding in a number of key areas. As a result of these actions, the fiscal year 2007 budget contains:

- Provision of more than \$1 million for non-profit service providers, to help deal with the rising cost of salaries, benefits, and operations.
- Approximately \$40 million for housing programs, an increase of almost 9%. This includes County funding to bring affordable housing programs to more than \$12 million – the equivalent of 2.5 cents on the tax rate, a greater commitment to the production of affordable housing than any other jurisdiction in the area.
- An increase of over \$1 million in rental assistance and supportive housing for low-income, disabled populations, and a more than \$600,000 increase for transitional housing, supportive services, emergency shelter services, and residential services for special needs populations.
- An increase in the County's "Living Wage" provision.

3. Continue our Commitment to Our World Class Schools. Like most local governments, Arlington's largest single expenditure is for schools. The public school system represents more than a third of total general fund spending, and accounts for almost half of local tax dollars.

We can all be proud of the continuing accomplishments of our students and schools. Achievement has been rising for all student groups, while the achievement gap has narrowed. SAT participation has increased, without a decline in average scores. SOL pass rates have increased, and more kids are taking advanced classes.

Arlington's commitment to schools is especially significant given that this County gets less help than other jurisdictions under the state funding formula. In Prince William County, for instance, more than half the cost of schools is paid by the state, while Arlington pays 80 percent of the cost of educating our students.

4. Ensure competitiveness for public safety personnel. Arlington County has a well-earned reputation in the area of public safety based on a long-standing commitment to recruit, train, and retain the highest caliber personnel. In recent years the County has done much to ensure that they are appropriately compensated. As recently as last December, the Board acted on recommendations from the County Manager to increase pay levels.

However, the growth of neighboring communities, increasing competition from federal agencies, and pending retirements faced by all departments, have created an extremely competitive environment for recruiting and retaining firefighters, police officers, Sheriff's deputies, and emergency communications personnel. Even with the actions of recent years, we faced a potential crisis in public safety recruitment, and even worse, a siphoning off of our best talent, including some only recently trained. To maintain the standards Arlingtonians have come to expect, the Board made a significant shift in our budget amounting to about \$10 million. This was a necessary measure, but it does push the growth in County expenditures higher than the Board desired, and adversely impacted the latitude for tax relief.

5. Maintain Our Capital Infrastructure. An important element of fiscal prudence is maintaining a sufficient level of capital funding in the operating budget. This is funding to repair and renew physical plant and other infrastructure, apart from debt funding (e.g., bonds). The Board increased levels of funding for this "pay as you go" capital to over \$10 million, which will help maintain current facilities and prepare for the opening of new facilities over the next few years. It will also help to protect the County's triple-triple A bond rating, which saves taxpayer dollars on the overall capital program.

6. Provide tax relief, mitigating the burden on homeowners, and targeting relief where it is most needed. Virginia law makes it very difficult for local governments to provide equitable tax relief. Nonetheless, we continue to find ways to make our tax system fairer, to spread the burden more equitably. In recent years we have instituted programs that have attempted to target higher levels of tax relief to those in our community who need it most. In particular, elderly homeowners living on fixed incomes; persons with disabilities; and lower-income homeowners, for whom the rapid run up of assessments might genuinely impact their ability to stay in the county.

This year, we are enhancing our tax relief programs, by: raising the income eligibility threshold; substantially raising the asset limit for the senior and disabled relief programs; and providing greater relief for larger households. Our goal is to ensure that no one in Arlington can be forced out of their home because of the real estate tax bill.

The Board also reduced the real estate tax rate by 6 cents, bringing it to 81.8 cents. For most homeowners this is not sufficient to offset the rise in assessed value, so most of us will have a higher bill than last year. The Board will continue to work for General Assembly action that would allow local governments like Arlington to offer a homestead exemption which will give us another essential tool to provide targeted tax relief to homeowners. Arlington remains the best value for the dollar among local jurisdictions. A greater share of our tax burden is carried by the commercial sector, relative to homeowners, than any of our neighbors. This is the fiscal benefit of "smart growth." Arlington remains the only jurisdiction in Northern Virginia that does not charge a consumer utility tax. Because of the assessment method used for automobiles, we have one of the

lowest personal property taxes, even with this year's increase. And more households will receive significant targeted tax relief than ever before.

The budget is the single most important policy document that a governing body enacts annually. Obviously, the budget has to be "balanced" fiscally. The Arlington County Board works equally hard to adopt a budget that also is balanced in policies, programs and values. We are committed to a diverse community, which means diverse needs and interests. The 2007 budget seeks to address these different needs and interests in a manner that is prudent and sustainable.