

## *Fiscal Year 2009 Budget Message to the Arlington County Board*

### **To the County Board of Arlington, Virginia:**



Once again, Arlington's balanced, mixed-use economy has enabled us to avoid the dramatic decrease in residential property values that are affecting most Northern Virginia communities. However, a number of costs continue to put pressure on the budget including health care for our employees and retirees, and debt service to meet financial obligations to support capital investment in our community. In order to meet these challenges, this budget for the first time in my seven years as Manager includes almost \$1 million in service reductions along with my first ever recommendation to increase the tax rate. Additionally, expenditures have been constrained across all County Departments that report to me, resulting in a total increase of only 2.1 percent in net tax support.

Significantly, this budget proposes major steps that are critical to maintaining the quality of life in our community, investment for economic growth, and securing our triple AAA bond rating:

- Expanding financial policies to guide the County.
- Dramatically reducing the County's \$516 million liability related to retiree health care for current and future employees (referred to as Other Post Employment Benefits – OPEB) by revising the County's health insurance program. To meet the current and future obligations of the new program, an increase to the real estate tax rate is proposed to fund additional, ongoing annual payments of between \$3.5 and \$5.5 million. During the course of the budget discussion, we will also need to discuss other pressures to ensure a competitive compensation system.
- Creating a Transportation Investment Fund supported by a proposed \$0.125 per \$100 tax levy on commercial real estate to support investment in transportation infrastructure.
- Providing for investment in storm water management and infrastructure to meet environmental requirements and increase system capacity. An incremental rate of \$0.014 per \$100 on the real estate tax rate is proposed for the countywide sanitary district.

Beyond these major policy recommendations, the budget fulfills the commitments of the County across a diversity of programs, including a special emphasis on strategic priorities: affordable housing, emissions reduction, and a healthy and fit Arlington. Nonetheless, uncertainties remain, especially from a major state revenue shortfall recently announced by the Governor.

Highlights of the proposed budget also include the following:

- An increase in the total General Fund operating budget of only 4.4% (total budget of \$924.6 million).
- Consistent with the Revenue Sharing Agreement, an increase in the transfer to the Arlington Public Schools of 5.3% (total transfer of \$348.7 million).
- Full funding for all debt, lease, and other contractual commitments including those that are "subject to appropriation" in the budget. This includes a debt service increase of 11.3% (total debt of \$53.0 million).
- A reduction of 10.55 General Fund positions.

The Fiscal Year 2009 recommended budget offers a sustainable plan for a progressive community. I look forward to discussing these issues with the County Board and the community over the next weeks.



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Ron Carlee, County Manager