**ARLINGTON COUNTY, VIRGINIA**

**County Board Agenda Item**
**Meeting of November 17, 2012**

**DATE:** November 15, 2012

**SUBJECT:** Fiscal Year (FY) 2014 Financial Forecast and Budget Guidance

**C. M. RECOMMENDATIONS:**

1) Receive the County Manager's Budget Forecast for Fiscal Year 2014.

2) Provide Budget Guidance for Fiscal Year 2014.

**ISSUES:** Providing guidance to the Manager in developing a spending plan for Fiscal Year 2014 that protects our community values while ensuring our long-term financial sustainability.

**SUMMARY:** Based on current economic projections, real estate and other tax revenues are currently projected to increase slightly at current tax rates, while a number of expense pressures grow. The County and Schools are projecting expense increases for FY 2014, that, when combined with revenue projections, will lead to a budget gap of between $25 and $50 million for FY 2014 if current services are maintained and several new facilities/projects are opened or started.

Current projections rely on incomplete revenue data and preliminary cost estimates. Projections will change as more data becomes available and further analysis is completed. Cost estimates could increase and revenue projections could decrease, exacerbating the problem; or estimates could also improve. These projections are based on staff's best analysis with limited information.

**DISCUSSION:**
**Revenue Projections**

Overall, FY 2014 General Fund revenues are expected to increase $4.4 million above the FY 2013 adopted budget, excluding fund balance. This growth assumes approximately 0.5 percent positive growth in real estate tax revenue due to a one percent assessment appreciation

County Manager: BMD/mjs

29.

Staff: Michelle Cowan, Director & CFO, Department of Management and Finance
Richard Stephenson, Budget Director, Department of Management and Finance

projected in CY 2013 and in CY 2014 and accounting for the transfer of funds to the Crystal City Tax Increment Financing (TIF) area. In the aggregate, other tax revenues are projected to remain relatively flat, resulting in total expected tax growth of 0.4 percent. It is anticipated that non-tax revenues will show only slightly positive growth (0.3%) in the aggregate. Modest growth in service charges, license, permits and fees is offset by declines in state revenue, fines, and interest income.

The following table outlines current projections of revenue estimates for FY 2014.

| | **FY 2013 Adopted Budget (in millions)** | **FY 2014 Projected (in millions)** | **% Change FY13 Adopted to FY14 Projected** | **$ Change FY13 Adopted to FY14 Projected (in millions)** |
|---|---|---|---|---|
| **LOCAL TAXES** | | | | |
| Real Estate Tax | $581.6 | $584.3 | 0.5% | $2.7 |
| Personal Property | 99.2 | 100.6 | 1.4% | $1.4 |
| Business Tax (BPOL) | 61.5 | 60.5 | (-1.6%) | ($1.0) |
| Sales Tax | 38.5 | 38.5 | 0.0% | $0.0 |
| Transient Occupancy Tax | 21.8 | 21.8 | 0.0% | $0.0 |
| Meals Tax | 32.8 | 33.7 | 2.7% | $0.9 |
| Other Taxes | $37.9 | $37.8 | (-0.3%) | ($0.1) |
| **Sub-total taxes** | **$873.3** | **$877.2** | 0.4% | $3.9 |
| **NON-TAX REVENUE** | | | | |
| License, Permits & Fees | $10.0 | $10.8 | 8.0% | $0.8 |
| Fines, Interest, Misc. | 19.2 | 18.2 | (-5.2%) | ($1.0) |
| Charges for Services | 48.7 | 49.7 | 2.1% | $1.0 |
| State | 63.7 | 63.5 | (-0.3%) | ($0.2) |
| Federal | 16.8 | 16.8 | 0.0% | $0.0 |
| Transfers in | 2.7 | 2.7 | 0.0% | $0.0 |
| **Sub-total non-taxes** | **$161.2** | **$161.7** | 0.3% | $0.5 |
| | | | | |
| **REVENUE (Excluding Fund Balance)** | **$1,034.5** | **$1,038.9** | 0.4% | $4.4 |
| | | | | |
| **Carryover Fund Balance** | **$17.6** | **$0** | | |
| **TOTAL REVENUE** | **$1,052.1** | **$1,038.9** | | |

Note: Totals may not add due to rounding.

**Real Estate Tax.** Current projections for real estate assessment changes in January 2013 have the total tax base increasing one percent over CY 2012. This percent change assumes modest growth in the residential market, and flat or negative growth in the commercial market. A one percent tax base increase in the out year (CY 2014) is also incorporated into FY 2014 real estate tax projections. More precise figures will not be available until January, when the Department of

Real Estate Assessment completes the annual assessment process. The estimates at this time are based on very limited data.

**Personal Property Tax.** FY 2014 personal property tax revenue, which includes both business tangible and motor vehicle personal property tax, is expected to increase between one and two percent. This growth is primarily the result of new car sales and steady used-car values.

**Business, Professional and Occupational License Tax (BPOL).** BPOL tax revenue is generated by taxes levied on entities doing business in the County and is based on a percentage of gross receipts or a fixed fee. FY 2011 and FY 2012 realized three and two percent revenue growth, respectively. This declining growth in revenue trend is expected to continue, with FY 2014 BPOL tax revenue projected to be flat combined with an increased amount of refunds, which is based on recent data. Overall, FY 2014 BPOL revenues are projected to decline 1.6 percent. FY 2013 actual BPOL revenues will not be available until the third quarter of the fiscal year.

**Other Local Tax Revenues:**

- **Sales Tax, Meals Tax, Transient Occupancy Tax:** Cumulatively, these three large tax revenue sources are expected to increase approximately one percent over the adopted FY 2013 level.
- **Car Rental Tax, Recordation Tax, Utility Taxes:** These local taxes in the aggregate are expected to decline 1% from FY 2013 level. Increases in recordation tax due to increased volume of residential refinanced mortgages with the historically low interest rates are offset by declines in utility taxes primarily due to lower consumption.

**Non-Tax Fees and Miscellaneous Revenue.** Revenues in this category are generated from licensing fees and permits, interest income, charges for services, and fine revenue. For FY 2014 these categories are expected to increase approximately 0.9 percent, primarily the result of increasing service charge and fee revenues, which are partially offset by declining interest income.

**Intergovernmental Revenues.** This category includes state and federal revenue received by the County. Arlington receives funds from the Commonwealth of Virginia for a variety of state-mandated and supported functions and services. The County also receives a portion of some revenues collected by the state. Most federal revenue is received in the form of grants. At this time, FY 2014 intergovernmental revenue is expected to decline. However, the impact from the looming federal fiscal crisis and how it impacts the state and our locality is unknown. We are closely monitoring activity at the federal and state levels regarding future funding. This revenue category will be revised based on information coming from the Federal Government and the General Assembly during the upcoming legislative session. In particular the County will be attentive to future proposals to lower state funding levels for highway aid, prisoner reimbursements, law enforcement aid, and human services programs.

**Expense Projections**

The County provides a wide range of services to residents and the daytime population. The County provides basic public works services including water distribution, wastewater treatment, street maintenance, and storm sewer management. The County also provides a full array of public safety services, comprehensive and integrated human services, and extensive education and leisure services. Consistent with this diversity of services, there are a number of expense pressures ranging from the cost of fuel and asphalt to the cost of software licenses. After sharing local tax revenue with the Schools, the County anticipates a projected expenditure and revenue gap of $25 million. The Schools have a similar size expenditure/revenue gap. Expenditure pressures primarily stem from new facility costs, normal compensation adjustments, increases in other post-employment benefits (OPEB), the County's share of increased Metro costs, debt service, and normal inflationary cost increases. Inflation, as measured by the consumer price index, is currently running at 2.0% nationally (2.8% regionally). No services, other than planned new facilities, are adjusted for increased service demand or need.

Specific cost pressures include:

New Facilities: There are several projects that have been approved by the County Board over the last few years that will begin operations in FY 2014.

- Arlington Mill Community Center: This multi-purpose facility will host a variety of County programs. Projected to open in FY 2014, an additional $2.7 million is needed for full-year funding.
- Connect Arlington / franchise agreement expiration: ConnectArlington, approved as part of the recent bond referenda, is the County's strategic investment to address future telecommunications needs and bandwidth requirements. It will result in creation of a broadband fiber-optic network for education, public safety, transportation, and government use. Construction will occur over a multi-year period, and operating costs will be phased in as different components of the network go live. ConnectArlington operating costs include repair of fiber, project and operations oversight and technology support. In addition, the County's current franchise agreement with Comcast expires on June 30, 2013. Negotiations are underway and cost impacts are not yet known.

Employee Compensation & Healthcare: The County has 3,235 full-time equivalent funded positions approved in the FY 2013 General Fund budget. These positions account for 55% of the County's general fund operating budget. Key to maintaining the County's competitive position, the FY 2014 budget forecast includes merit/step pay adjustments, pay adjustments based on the County's multi-year job study (full year public safety costs), actuarially-required other post-employment benefit costs, and employer share of projected increases in health care. These costs are projected to total $11.3 million.

Costs for Continuing Services: The cost of doing business and providing services in FY 2014 is expected to increase due to contractually-required adjustments and in some cases inflationary adjustments (e.g., utilities). Rent on County leased facilities increase annually along with many other contractual services. After removing FY 2013 one-time costs, contractual, utilities and other non-personnel services are projected to increase $4 million assuming the same level of service.

Other Non-Personnel Cost Adjustments:

- Metro: The County's contribution to Metro is expected to increase due to personnel and other cost increases and the new costs associated with Silver Line operations.
- Debt Service: Based on projected debt issuance (including the building acquisition for shelter and office needs), debt service is estimated to be almost $4.3 million more than FY 2013.
- PAYG & AHIF Funding – Funding decreased for FY 2013 to FY 2014 based on the removal of one-time funds approved in the FY 2013 adopted budget.

Schools Transfer: The adopted FY 2013 budget included a transfer of ongoing funds to Schools equivalent to 45.9 percent of local tax revenue (excluding the Crystal City tax increment fund.) In July 2012 the County Board appropriated an additional $1,456,088 to Schools for the Virginia Retirement System changes imposed on the Schools. Based on this additional local tax funding, the Schools' share of tax revenue has been adjusted to 45.8 percent. The FY 2014 forecast assumes the same percent (45.8%), resulting in a transfer to Schools totaling $401.8 million in ongoing funding, an increase of $1.4 million (0.7 percent) over FY 2013.

The following table compares revenue and expenditure projections for FY 2013 and FY 2014. The FY 2013 adopted budget included a number of one-time items; excluding these items, ongoing revenue is projected to increase by 0.4 percent and ongoing expenditures are projected to increase by 1.2 percent, resulting in a budget gap of $25 million. At this time staff is projecting that assessments will increase 1% in the next calendar year, resulting in a $25 million budget gap for the County.

| | FY 2013 Adopted (1) | FY 2014 Forecast | % Change | $ Change |
|---|---|---|---|---|
| **<u>Revenue</u>** | | | | |
| Local Tax, Fee & Other Revenue | $1,034.5 | $1,038.9 | 0.4% | $4.4 |
| Fund Balance Carryover | 17.6 | - | (-100.0%) | (17.6) |
| **Total Revenue** | **$1,052.1** | **$1,038.9** | **-1.3%** | **($13.2)** |
| | | | | |
| **<u>Expenditures</u>** | | | | |
| Personnel | $350.8 | $362.1 | 3.2% | $11.3 |
| Contractual/Materials/Misc. | 180.5 | 180.1 | (-0.2%) | (0.4) |
| Metro | 25.5 | 28.2 | 10.7% | 2.7 |
| Debt Service | 57.3 | 61.6 | 7.5% | 4.3 |
| PAYG (2) | 12.3 | 10.4 | (-15.5%) | (1.9) |
| AHIF (2) | 9.5 | 6.7 | (-29.5%) | (2.8) |
| Contingents/Regional/Other | 9.7 | 9.3 | (-4.1%) | (0.4) |
| New Facilities/Operations | - | 3.8 | - | 3.8 |
| **Total County Operations** | **$645.6** | **$662.2** | **2.7%** | **$16.6** |
| | | | | |
| Schools Transfer (ongoing) | $400.4 | $401.8 | 0.7% | $1.4 |
| Schools Transfer (one-time) | 6.2 | 0 | (-100.0%) | (6.2) |
| | | | | |
| **Total Expenditures** | **$1,052.1** | **$1,064.0** | **1.1%** | **$11.9** |
| | | | | |
| **Revenue/Expense Difference** | **-** | **($25.0)** | | **($25.0)** |

(1) Adopted Budget revised for July 2012 Board action to increase School funding for VRS
(2) Reduction due to one-time funding in FY 2013 that is not included in FY 2014.

### FY 2015 & Beyond

While this report is focused on FY 2014, the County also prepares multi-year financial projections as the decisions that are made in one year impact future years. We are fortunate in that it is likely revenue growth will be positive over the next few years; across the country, many jurisdictions face an absolute decline in revenue. While positive, it is unlikely that revenue growth will match the growth of ongoing services and the costs of new facilities and programs.

The following pages include two scenarios: 1) moderate growth in tax revenue ranging from 3-4%; 2) slower growth in tax revenue for the next few years (1%) that returns to more normalized levels in the out years as the County recovers from BRAC and the potential impacts of sequestration. In both scenarios, projected expenditures assume continuing the same level of services currently provided with limited expansion for new projects, including Arlington Mill Community Center, ConnectArlington and the proposed new homeless shelter and office space. The scenarios illustrate the total gap at current tax rates and the future (gap)/surplus projected if the FY 2014 budget is balanced with revenue increases or expenditure reductions. All years display real estate tax revenue at current tax rates.

# 6-Year Revenue & Expense Forecast - Slow Assessment Growth Scenario

(Real Estate Assessment Growth: Jan 2013: 1%, Jan 2014: 1%, Jan 2015: 2%, Jan 2016: 2%, Jan 2017: 2.5%, Jan 2018: 3%, Jan 2019: 3%)

| | Adopted FY 2013 | Forecast FY 2014 | % chg | Forecast FY 2015 | % chg | Forecast FY 2016 | % chg | Forecast FY 2017 | % chg | Forecast FY 2018 | % chg | Forecast FY 2019 | % chg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | | | |
| REAL ESTATE | 585,108,577 | 588,881,790 | 1% | 597,756,360 | 2% | 609,782,140 | 2% | 623,611,780 | 2% | 640,920,760 | 3% | 660,313,350 | 3% |
| Less CCTIF REAL ESTATE | (3,550,600) | (4,587,840) | 29% | (5,655,700) | 23% | (6,755,600) | 19% | (7,888,400) | 17% | (9,055,300) | 15% | (10,257,200) | 13% |
| OTHER TAXES | 291,760,359 | 292,859,340 | 0% | 295,787,933 | 1% | 300,224,752 | 2% | 306,229,247 | 2% | 313,884,979 | 3% | 324,870,953 | 4% |
| TOTAL TAXES | 873,318,336 | 877,153,290 | 0% | 887,888,593 | 1% | 903,251,292 | 2% | 921,952,627 | 2% | 945,750,439 | 3% | 974,927,103 | 3% |
| TOTAL FEES & OTHER | 80,684,192 | 81,406,574 | 1% | 83,034,705 | 2% | 84,695,400 | 2% | 86,389,308 | 2% | 88,117,094 | 2% | 89,879,436 | 2% |
| STATE & FEDERAL | 80,500,215 | 80,337,328 | 0% | 78,730,581 | -2% | 78,730,581 | 0% | 79,124,234 | 1% | 79,915,477 | 1% | 81,114,209 | 2% |
| TOTAL OTHER | 161,184,407 | **161,743,902** | 0% | **161,765,287** | 0% | **163,425,981** | 1% | **165,513,542** | 1% | **168,032,570** | 2% | **170,993,644** | 2% |
| **CARRYOVER FUNDS** | 17,606,988 | - | | - | | - | | | | | | | |
| **TOTAL REVENUE** | **1,052,109,731** | **1,038,897,192** | -1% | **1,049,653,880** | 1% | **1,066,677,273** | 2% | **1,087,466,169** | 2% | **1,113,783,009** | 2% | **1,145,920,747** | 3% |
| **EXPENSE** | | | | | | | | | | | | | |
| PERSONNEL TOTAL | 350,834,560 | 362,110,602 | 3% | 374,359,649 | 3% | 385,699,980 | 3% | 397,404,539 | 3% | 409,485,819 | 3% | 421,958,052 | 3% |
| Contractual, Materials & Equipment | 180,491,411 | 180,124,938 | 0% | 184,395,971 | 2% | 188,773,779 | 2% | 193,261,033 | 2% | 197,860,468 | 2% | 202,716,554 | 2% |
| METRO with Silver Line expansion | 25,475,000 | 28,194,000 | 11% | 28,353,760 | 1% | 29,455,910 | 4% | 30,602,147 | 4% | 31,794,233 | 4% | 33,034,002 | 4% |
| Debt Service | 57,318,896 | 61,600,000 | 7% | 66,700,000 | 8% | 69,300,000 | 4% | 71,700,000 | 3% | 75,600,000 | 5% | 77,400,000 | 2% |
| Regionals/Contingents/Other | 9,671,472 | 9,276,015 | -4% | 9,401,323 | 1% | 9,528,509 | 1% | 9,657,604 | 1% | 9,788,635 | 1% | 9,921,631 | 1% |
| PAYG | 12,263,133 | 10,360,810 | -16% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% |
| AHIF Base Funding | 9,480,623 | 6,688,557 | -29% | 6,889,214 | 3% | 7,095,890 | 3% | 7,308,767 | 3% | 7,528,030 | 3% | 7,753,871 | 3% |
| NON-PERSONNEL TOTAL | 294,700,535 | 296,244,320 | 1% | 306,101,077 | 3% | 314,514,898 | 3% | 322,890,361 | 3% | 332,932,176 | 3% | 341,186,867 | 2% |
| SCHOOL TRANSFER- ongoing tax | 400,358,051 | 401,736,207 | 0% | 406,652,976 | 1% | 413,689,092 | 2% | 422,254,303 | 2% | 433,153,701 | 3% | 446,516,613 | 3% |
| one-time funds | 6,216,585 | | | | | | | | | | | | |
| Total SCHOOL TRANSFER | 406,574,636 | | | | | | | | | | | | |
| **OPERATING EXPENSES FOR NEW PROJECTS** (1) | | | | | | | | | | | | | |
| Arlington Mill (ongoing) | | 2,700,000 | | 2,781,000 | | 2,864,430 | | 2,950,363 | | 3,038,874 | | 3,130,040 | |
| Long Bridge | | - | | 300,000 | | 1,450,000 | | 1,493,500 | | 1,538,305 | | 1,584,454 | |
| Technology - Connect Arl. / Other | | 1,058,000 | | 1,080,000 | | 1,176,000 | | 1,189,000 | | 1,201,000 | | 1,214,000 | |
| Homeless Shelter & Office Space | | - | | 750,000 | | 1,250,000 | | 1,287,500 | | 1,326,125 | | 1,365,909 | |
| DHS Consolidation | | - | | - | | 1,270,000 | | 1,000,000 | | 1,520,000 | | 1,565,600 | |
| Street Car Net Operating Costs (2) | | - | | - | | - | | 1,800,000 | | 3,600,000 | | 3,708,000 | |
| NEW PROJECTS & FACILITIES | | 3,758,000 | | 4,911,000 | | 8,010,430 | | 9,720,363 | | 12,224,304 | | 12,568,003 | |
| **TOTAL EXPENSES** | **1,052,109,731** | **1,063,849,128** | 1% | **1,092,024,702** | 3% | **1,121,914,400** | 3% | **1,152,269,566** | 3% | **1,187,796,000** | 3% | **1,222,229,536** | 3% |
| **REVENUE - EXPENSE GAP** | | **(24,951,936)** | | **(42,370,822)** | | **(55,237,127)** | | **(64,803,397)** | | **(74,012,991)** | | **(76,308,788)** | |
| ***Adjusted TOTAL (GAP)/Surplus if FY 2014 budget is balanced with increased revenue or lower expenditures*** | | | | ***(17,418,886)*** | | ***(12,866,305)*** | | ***(9,566,270)*** | | ***(9,209,594)*** | | ***(2,295,797)*** | |

(1) Does not reflect impact of projected new enrollment at Schools, estimated at $5 - $8 million annually

(2) The adopted CIP for illustrative purposes shows operating cost support from the Transportation Investment Fund

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# 6-Year Revenue & Expense Forecast - Normalized Assessment Growth Scenario

(Real Estate Assessment Growth: Jan 2013: 3%, Jan 2014: 3%, Jan 2015: 4%, Jan 2016: 3.5%, Jan 2017: 4%, Jan 2018: 3.5%, Jan 2019: 4%)

| | Adopted FY 2013 | Forecast FY 2014 | % chg | Forecast FY 2015 | % chg | Forecast FY 2016 | % chg | Forecast FY 2017 | % chg | Forecast FY 2018 | % chg | Forecast FY 2019 | % chg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | | | |
| REAL ESTATE | 585,108,577 | 606,770,920 | 4% | 628,248,500 | 4% | 651,996,570 | 4% | 676,698,560 | 4% | 702,268,620 | 4% | 728,865,480 | 4% |
| Less CCTIF REAL ESTATE | (3,550,600) | (4,587,840) | 29% | (5,836,300) | 27% | (7,216,120) | 24% | (8,651,130) | 20% | (10,136,370) | 17% | (11,681,020) | 15% |
| OTHER TAXES | 291,760,359 | 292,859,340 | 3% | 301,645,120 | 3% | 310,694,474 | 3% | 320,015,308 | 3% | 329,615,767 | 3% | 341,152,319 | 4% |
| TOTAL TAXES | 873,318,336 | 895,042,420 | 2% | 924,057,320 | 3% | 955,474,924 | 3% | 988,062,738 | 3% | 1,021,748,017 | 3% | 1,058,336,779 | 4% |
| TOTAL FEES & OTHER | 80,684,192 | 81,406,574 | 1% | 83,441,738 | 3% | 85,527,782 | 3% | 87,665,976 | 3% | 89,857,626 | 3% | 91,654,778 | 2% |
| STATE & FEDERAL | 80,500,215 | 80,337,328 | 0% | 78,730,581 | -2% | 78,730,581 | 0% | 79,124,234 | 1% | 79,915,477 | 1% | 81,114,209 | 2% |
| TOTAL OTHER | 161,184,407 | **161,743,902** | 0% | **162,172,320** | 0% | **164,258,363** | 1% | **166,790,211** | 2% | **169,773,102** | 2% | **172,768,987** | 2% |
| **CARRYOVER FUNDS** | 17,606,988 | - | | - | | - | | | | | | | |
| **TOTAL REVENUE** | **1,052,109,731** | **1,056,786,322** | 0% | **1,086,229,640** | 3% | **1,119,733,287** | 3% | **1,154,852,949** | 3% | **1,191,521,120** | 3% | **1,231,105,766** | 3% |
| **EXPENSE** | | | | | | | | | | | | | |
| PERSONNEL TOTAL | 350,834,560 | 362,110,602 | 3% | 374,359,649 | 3% | 385,699,980 | 3% | 397,404,539 | 3% | 409,485,819 | 3% | 421,958,052 | 3% |
| Contractual, Materials & Equipment | 180,491,411 | 180,124,938 | 0% | 184,395,971 | 2% | 188,773,779 | 2% | 193,261,033 | 2% | 197,860,468 | 2% | 202,716,554 | 2% |
| METRO with Silver Line expansion | 25,475,000 | 28,194,000 | 11% | 28,353,760 | 1% | 29,455,910 | 4% | 30,602,147 | 4% | 31,794,233 | 4% | 33,034,002 | 4% |
| Debt Service | 57,318,896 | 61,600,000 | 7% | 66,700,000 | 8% | 69,300,000 | 4% | 71,700,000 | 3% | 75,600,000 | 5% | 77,400,000 | 2% |
| Regionals/Contingents/Other | 9,671,472 | 9,276,015 | -4% | 9,401,323 | 1% | 9,528,509 | 1% | 9,657,604 | 1% | 9,788,635 | 1% | 9,921,631 | 1% |
| PAYG | 12,263,133 | 10,360,810 | -16% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% | 10,360,810 | 0% |
| AHIF Base Funding | 9,480,623 | 6,688,557 | -29% | 6,889,214 | 3% | 7,095,890 | 3% | 7,308,767 | 3% | 7,528,030 | 3% | 7,753,871 | 3% |
| NON-PERSONNEL TOTAL | 294,700,535 | 296,244,320 | 1% | 306,101,077 | 3% | 314,514,898 | 3% | 322,890,361 | 3% | 332,932,176 | 3% | 341,186,867 | 2% |
| SCHOOL TRANSFER- ongoing tax | 400,358,051 | 409,929,428 | 2% | 423,218,253 | 3% | 437,607,515 | 3% | 452,532,734 | 3% | 467,960,592 | 3% | 484,718,245 | 4% |
| one-time funds | 6,216,585 | | | | | | | | | | | | |
| Total SCHOOL TRANSFER | 406,574,636 | | | | | | | | | | | | |
| **OPERATING EXPENSES FOR NEW PROJECTS [1]** | | | | | | | | | | | | | |
| Arlington Mill (ongoing) | | 2,700,000 | | 2,781,000 | | 2,864,430 | | 2,950,363 | | 3,038,874 | | 3,130,040 | |
| Long Bridge | | - | | 300,000 | | 1,450,000 | | 1,493,500 | | 1,538,305 | | 1,584,454 | |
| Technology - Connect Arl. / Other | | 1,058,000 | | 1,080,000 | | 1,176,000 | | 1,189,000 | | 1,201,000 | | 1,214,000 | |
| Homeless Shelter & Office Space | | - | | 750,000 | | 1,250,000 | | 1,287,500 | | 1,326,125 | | 1,365,909 | |
| DHS Consolidation | | - | | - | | 1,270,000 | | 1,000,000 | | 1,520,000 | | 1,565,600 | |
| Street Car Net Operating Costs [2] | | - | | - | | - | | 1,800,000 | | 3,600,000 | | 3,708,000 | |
| NEW PROJECTS & FACILITIES | | 3,758,000 | | 4,911,000 | | 8,010,430 | | 9,720,363 | | 12,224,304 | | 12,568,003 | |
| **TOTAL EXPENSES** | **1,052,109,731** | **1,072,042,350** | 2% | **1,108,589,979** | 3% | **1,145,832,823** | 3% | **1,182,547,997** | 3% | **1,222,602,891** | 3% | **1,260,431,167** | 3% |
| **REVENUE - EXPENSE GAP** | | **(15,256,028)** | | **(22,360,339)** | | **(26,099,536)** | | **(27,695,048)** | | **(31,081,771)** | | **(29,325,401)** | |
| ***Adjusted TOTAL (GAP)/Surplus if FY 2014 budget is balanced with increased revenue or lower expenditures*** | | | | ***(7,104,311)*** | | ***(3,739,197)*** | | ***(1,595,512)*** | | ***(3,386,723)*** | | ***1,756,370*** | |

[1] Does not reflect impact of projected new enrollment at Schools, estimated at $5 - $8 million annually

[2] The adopted CIP, for illustrative purposes, shows operating cost support from the Transportation Investment Fund