County Manager's Proposed
FY 2027 Budget

Budget Overview for the County / Schools Work Session

March 24, 2026









FY 2026 Mid-Year Tax Revenue Update

Tax Revenue (in millions)	FY 2026 Adopted	Revenue Compared to Budget
Real Estate	$939.2	↓
Personal Property	$150.1	↓
BPOL	$96.2	Unknown but risk
Sales Tax	$56.5	↔
Meals Tax	$67.0	↓
Transient Occupancy (Hotel) Taxes	$29.0	↓
Other Taxes	$45.2	↓
Total Local Taxes	**$1,383.3**	↓

*Totals may not add due to rounding

FY 2026 tax revenues are anticipated to be $10.3 million* less than budgeted.

County Share	Schools Share
$5.5 million	**$4.8 million**

** Numbers above do not reflect any one-time funds that would be generated in FY 2026 from a CY 2026 real estate tax rate increase.*

Shortfall driven primarily by:
hotel, meals, vehicle personal property taxes



Economic & Tax Base Update









Uncertain Economic Landscape

Unemployment
- December 2025 unemployment rate of 3.1% is up 55% compared to December 2024 rate of 2.0%

Commercial Office Vacancy
- Office Vacancy rate of 23.5% as of CY 2025 Q4; around 58% increase compared to same quarter prior to COVID

Housing
- Average home sold price in CY 2025 was up 4% compared to prior year
- Total units sold in CY 2025 was up an average of 7% compared to prior year

30-Year Mortgage Rate
- February average 30-year rate was 6.0%; compared to 6.8% in February 2025

Consumer Price Index (CPI)
- Regional CPI for January was 2.7%; flat with prior year

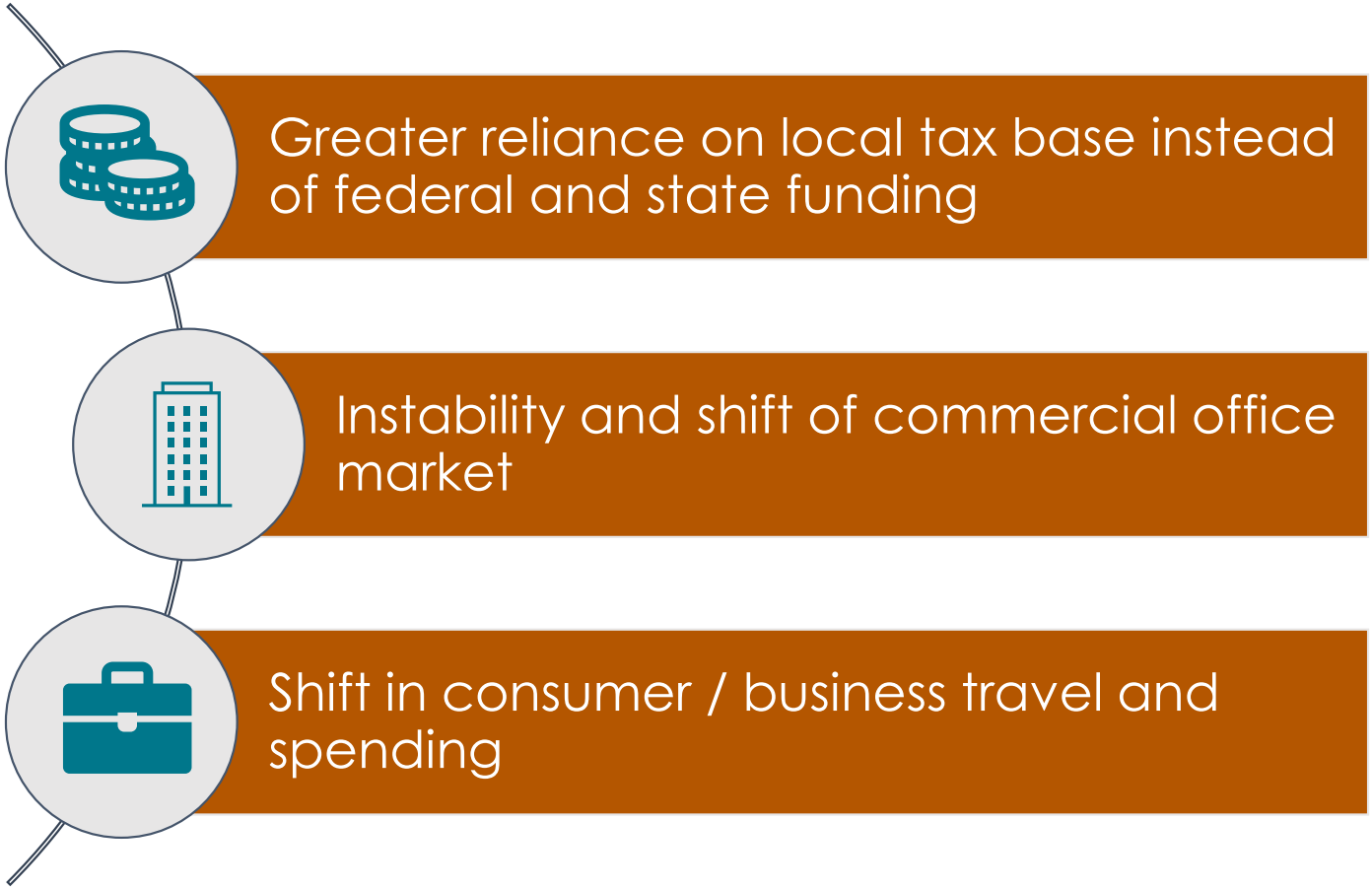
Multi-Family Rent
- CY 2025 Q4 rent was $2,525; a decrease of 0.5% from prior year

Hotel Trends
- January average daily rate was down 16% and occupancy rate was down 19%

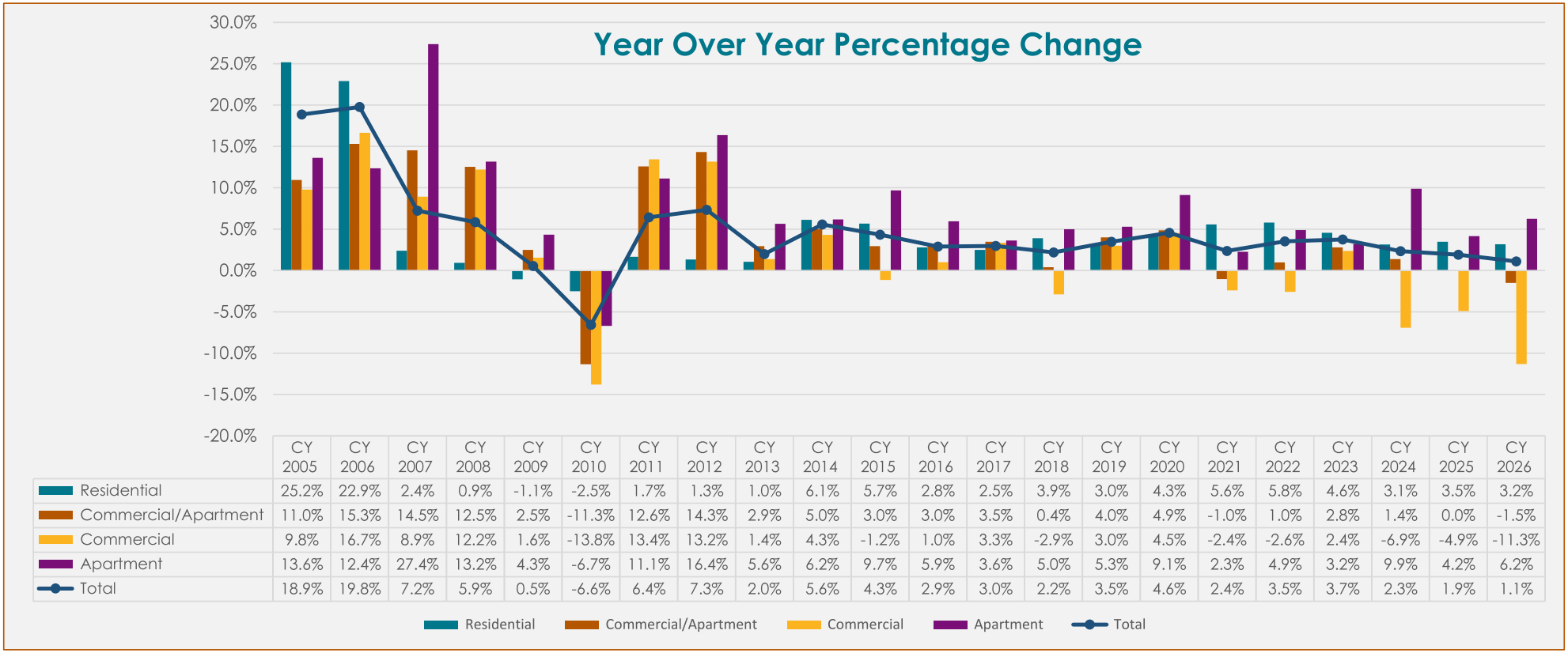
Economically Sensitive Revenue Trends
- Sales tax up 3.3% YTD, Meals tax up 1.7%* YTD, Hotel tax down 10.0% YTD

**Meals tax figure assumes equal tax rate*

Shifts in Local Tax Base



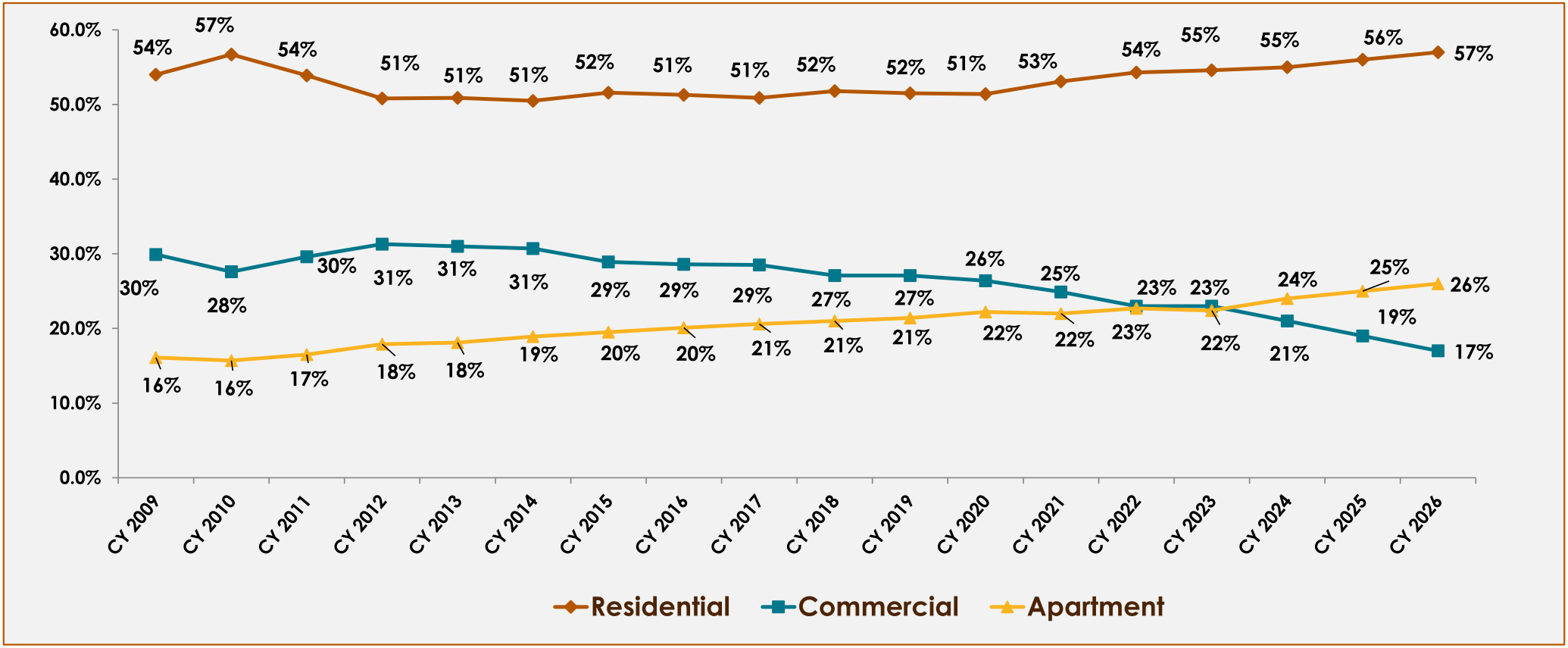
Flatlining Real Estate Assessments



	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Residential	25.2%	22.9%	2.4%	0.9%	-1.1%	-2.5%	1.7%	1.3%	1.0%	6.1%	5.7%	2.8%	2.5%	3.9%	3.0%	4.3%	5.6%	5.8%	4.6%	3.1%	3.5%	3.2%
Commercial/Apartment	11.0%	15.3%	14.5%	12.5%	2.5%	-11.3%	12.6%	14.3%	2.9%	5.0%	3.0%	3.0%	3.5%	0.4%	4.0%	4.9%	-1.0%	1.0%	2.8%	1.4%	0.0%	-1.5%
Commercial	9.8%	16.7%	8.9%	12.2%	1.6%	-13.8%	13.4%	13.2%	1.4%	4.3%	-1.2%	1.0%	3.3%	-2.9%	3.0%	4.5%	-2.4%	-2.6%	2.4%	-6.9%	-4.9%	-11.3%
Apartment	13.6%	12.4%	27.4%	13.2%	4.3%	-6.7%	11.1%	16.4%	5.6%	6.2%	9.7%	5.9%	3.6%	5.0%	5.3%	9.1%	2.3%	4.9%	3.2%	9.9%	4.2%	6.2%
Total	18.9%	19.8%	7.2%	5.9%	0.5%	-6.6%	6.4%	7.3%	2.0%	5.6%	4.3%	2.9%	3.0%	2.2%	3.5%	4.6%	2.4%	3.5%	3.7%	2.3%	1.9%	1.1%

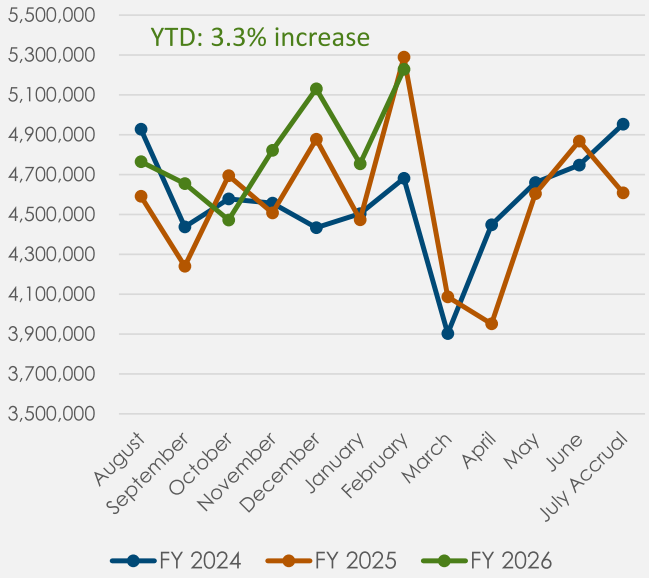
** Percentage changes for each year are based on certified landbook values; except CY26 which is based on January assessment values.*
** Commercial assessments include multi-family apartments, office buildings & other commercial uses (i.e., hotels).*

Share of Real Estate Assessments

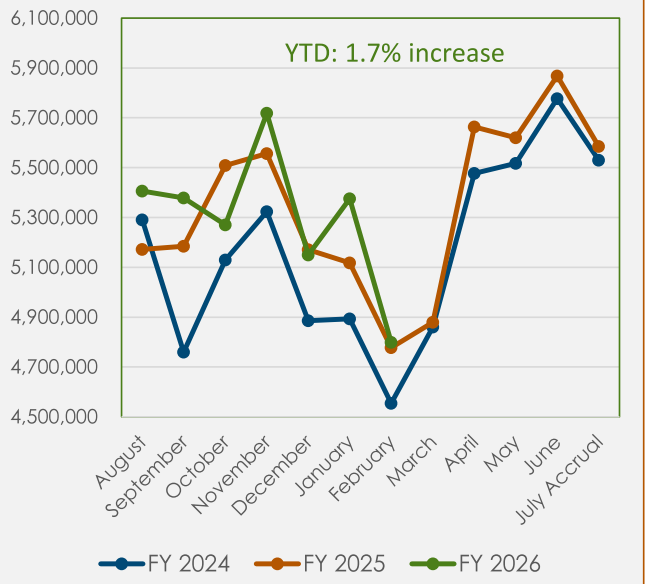


Economically Sensitive Revenue Trends

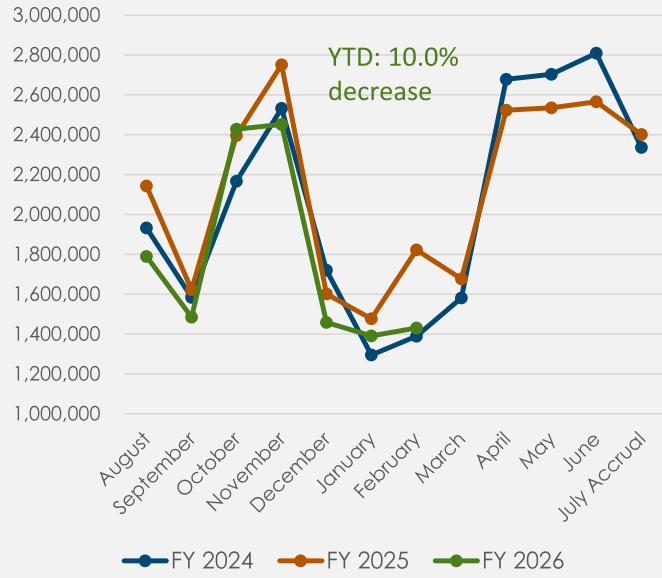
Sales Tax
(revenues represent retails sales two months prior)



Meals Tax*
(revenues represent meal activity one month prior)



Hotel Tax
(revenues represent hotel activity one month prior)



** Prior year revenue amounts are shown at 5% rate for comparison purposes only; actual revenues were at 4% rate for FY24 and FY25*

Addressing Oversupply & Devaluation of Office Properties

Structural challenge with no quick fix, but sustained efforts will yield long term results.

Increase Demand for Office Space

- Focus on business attraction, retention, and small business support in high growth sectors
- Collaborate with BIDs, Partnerships and other entities to increased marketing/PR for Arlington on national scale

+

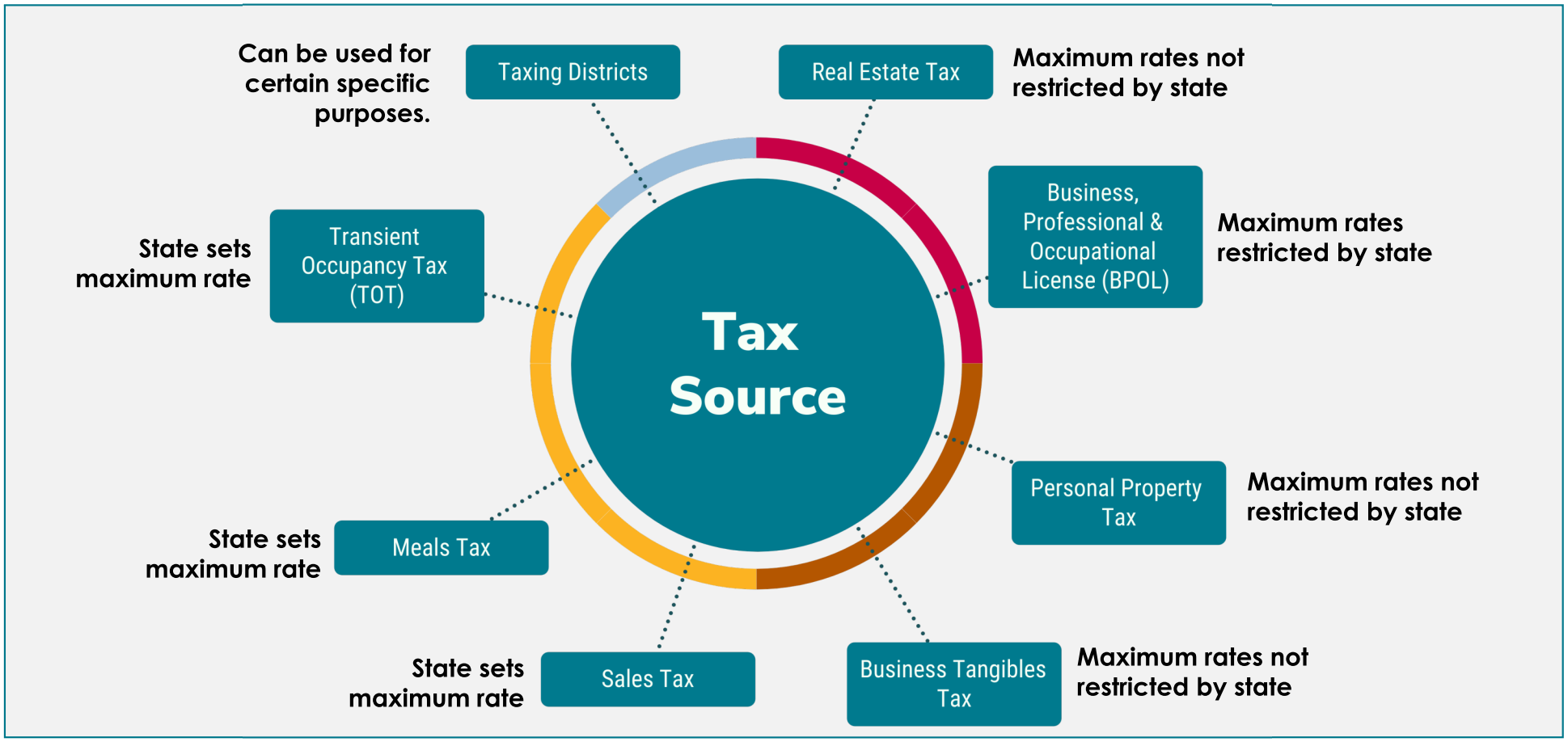
Remove Obsolete Supply of Office Space

- Continue policy reforms to enable reuse, repositioning, and redevelopment
- Focus on placemaking in commercial centers to attract businesses and people
- Explore other public-private partnerships to reinvest in commercial real estate

=

Long term recovery of stronger tax base

Limitations on Our Local Tax Sources



Proposed FY 2027 Budget









Balancing the Budget: $35M-45M Gap

Proposed Service Reductions
($10.6 million, 56 FTEs – 17.5 vacant, 24.0 filled, & 14.5 frozen)

Reduced Debt Service

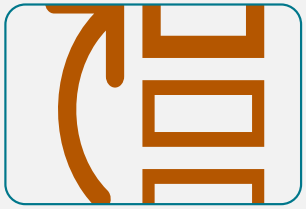
WMATA

Allocation change of Personal Property Tax Relief Act (PPTRA)

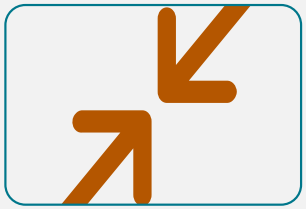
Proposed Increase to Real Estate Tax Rate ($14.1 million ongoing)
The average homeowner may see a $422, 4.8%, increase on their real estate tax bill

Fee changes consistent with cost recovery policies ($2.3M)
Includes fee adjustments across the County

County Board Budget Guidance



Prioritize reductions that do not disproportionately burden vulnerable community members



Propose reductions that significantly reduce the proposed budget gap



Fully fund collective bargaining agreements and losses in federal funding

Manager Recommendation on Not Sharing the Tax Increase with Schools

Over the last 10 years the tax rate has been increased 3 times and divided as follows:

- Split between WMATA and APS (FY 2018)
- School retained > $'s (FY 2020)
- Shared proportionately (FY 2025)

County Challenges:

- $10.6 million in reductions proposed
- Public Safety CBAs: $10.6 million in new ongoing compensation changes for the new Fire & Police Collective Bargaining Agreements
- Human Service / Housing Demands
- Loss of Federal Funding: Over $3.0 million already and potentially more in FY 2027
- Healthcare Costs
- WMATA

Funding has been disproportionately allocated for a variety of reasons in the past

- Past School Needs: growing enrollment, school construction, staffing
- Past County Needs: WMATA, human service programs, housing, eviction prevention, environment

Schools Face Challenges But Have Several Mitigating Factors

- Lower projected VRS costs
- Flattening enrollment
- Potential Increases in State funding

Proposed Tax Rate Increase of 1.5 cents



Loss of federal funding

$3.3 million

- SNAP administrative impact ($1.9 million)
- UASI funding ($1.0 million)
- Senior Meal Program ($40k)
- Cybersecurity ($350k)



Human Services*

$0.8 million in Targeted Prevention/Flexible Assistance funding to assist at-risk households to avoid eviction and provide alternative housing supports

**also covered by reallocations*



Public Safety CBAs

$10.6 million in ongoing compensation changes for the new Fire & Police Collective Bargaining Agreements

Workforce Investment



Collective Bargaining Agreements (CBA)

- Proposed budget meets all obligations of the 3 certified union groups
- Step increases for Fire (IAFF) with an average increase of 10.7% and Police (ACOP) with an average increase of 11.4%
- 3.5% for Service/Labor/Trades with 2% range movement



Salary Increases (74% of workforce)

- 3.0% merit for General & Sheriff Employees
- 3.0% Range Movement
- No COLA



Health Insurance

- 10.0% premium increase assumed for health insurance rates; 5% increase for Kaiser and Delta Dental
- CIGNA plan design changes including deductibles, higher co-insurance amounts, and higher prescription costs

Proposed Service & Program Reductions

$10.6 million in Proposed Reductions

Includes 56 position reductions (24.0 filled FTE cuts, 17.50 vacant FTE cuts, and 14.50 position freezes)

Community Planning, Housing, and Development
($0.3M)
Comp Planner & Historic Preservation Assoc. Planner

Human Services
($1.0M)
Includes capping housing grant program & position cuts

Technology Services
($1.3M)
Includes position cuts

Environmental Services
($1.7M)
Program efficiencies and scaling services

Juvenile & Domestic Relations Court
($0.2M)

Parks & Recreation
($2.3M)
Includes Gymnastics Program, parks maintenance & other position cuts

Human Resources
($0.4M)
Includes positions cuts

Arlington Economic Development
($0.5M)
Restructures communication staffing

Public Safety Communications & Emergency Management
($0.3M)

Libraries
($0.5M)
Eliminate Cherrydale Library

Management & Finance
($0.2M)

County Manager's Office
($0.2M)
Eliminates environmental position

Fire Department
($0.6M)
Rescue Company Consolidation

Police Department
($1.2M)
Freezing non-uniform safety positions

Multiple Departments
($0.1M)
Board Office, Electoral Board, GDC, CAO, and COR

Reductions Made Over the Past Several Years Reducing County Capacity/Services

FY 2026 ($13.0M, 36 FTEs)

- Closed Madison Preschool ($0.1M)
- Reduced frequency of ART Route 43 ($0.4M)
- Reduced eviction prevention ($1.1M)
- Downsized technology staffing and programs ($1.1M) and captured efficiencies of decommissioning analogue phones ($0.6 million)

FY 2025 ($9.5M, 34 FTEs)

- Eliminated ART Route 62, restructured Routes 53 & 61 ($0.7M)
- Restructured the dental program ($0.2M)
- Eliminated personal training program ($0.3 million)
- Eliminated/reduced staffing across 13 departments

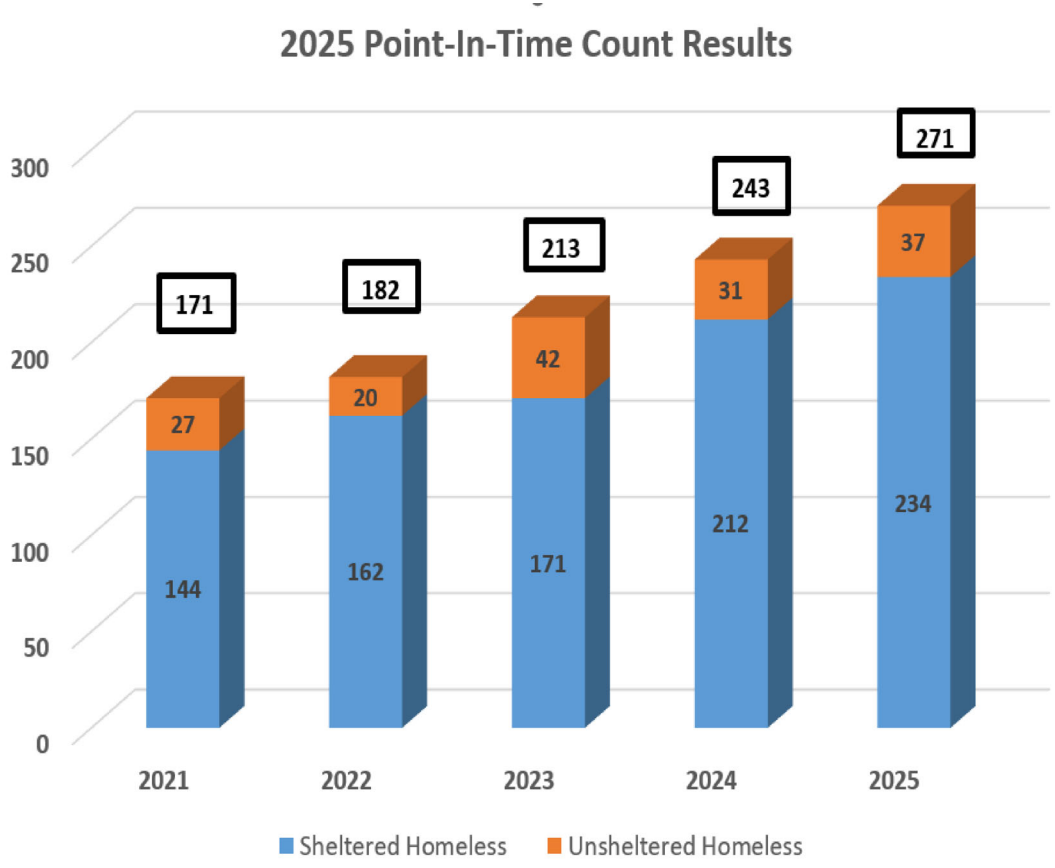
FY 2024 ($5.5M, 20 FTEs)

- Eliminated/reduced staffing across 9 departments, including economic development, planning, communications, recreation, parks, and support staff

Needs that Require Additional Funding

Homelessness is increasing in Arlington

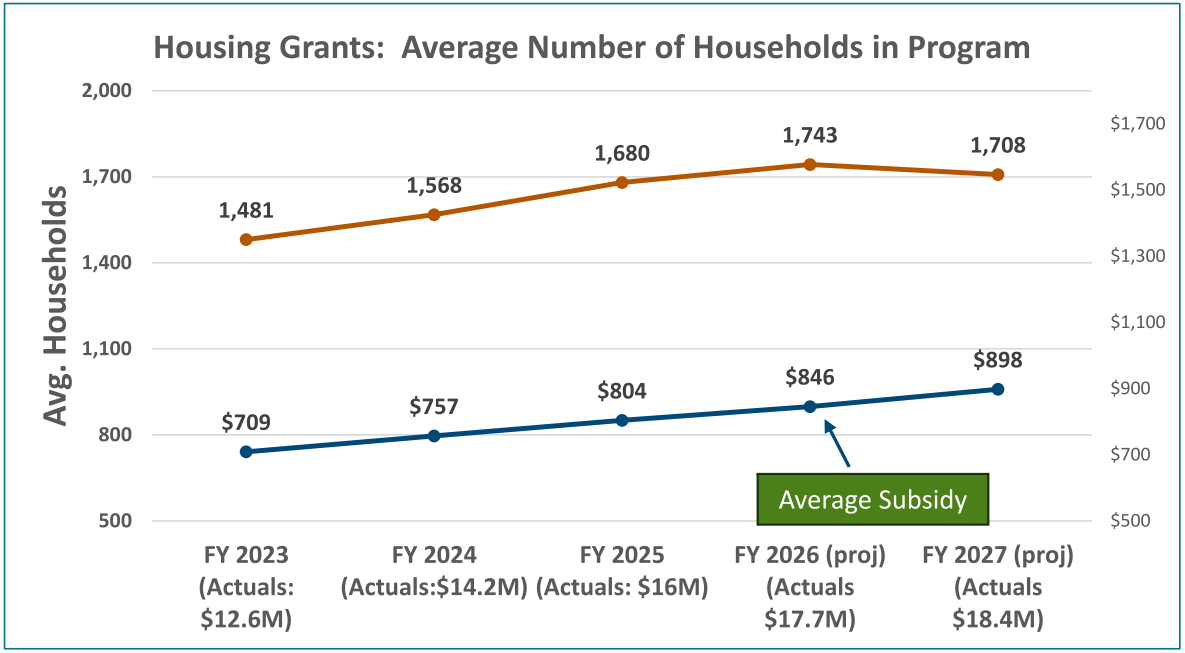
- **From 2021 – 2025, 63% increase in sheltered homelessness**
- **From 2024 – 2025:**
  - Single adults experiencing homelessness increased by 8%
  - Families experiencing homelessness increased by 19%
- **Seniors and disabled people experiencing homelessness have specialized needs**



Needs that Require Additional Funding

Housing Grants

- Proposed budget would cap eligibility
- New fund for targeted prevention / flexible assistance



AHIF

- Create new affordable housing supply
- Maintain aging inventory of affordable housing

Food Security

- Average AFAC weekly visits increased by 7% over last year (3,963 as of Dec. 2025)
- CPI for food prices increased by 3.1%
- SNAP (9,683 clients)
  - New work requirements
  - Dependent exception age reduced from 18 to 14 years old
  - Exclusion of non-residents
  - FY 2027 administrative support reduction of $1.9 million; FY 2028 impact will be larger

Needs that Require Additional Funding

Behavioral Health



- **Emergency Services**
  Fully staffed; 40% of evaluations conducted in community
- **Crisis Intervention Center**
  24/7 therapeutic alternative to ER
- **Mobile Outreach Support Team (MOST)**
  Two fully staffed teams & 2 vans
  Weekdays 8 am to 8 pm
- **School Based Mental Health**

Aging & Disability Services



- **Arlington is growing older**
  - Over 65 cohort grew by 48% from 2014-2024
  - Birth rates have declined since 2017
- **Aging residents have more service needs**
  - Homelessness and housing support
  - Affordable long-term care
  - Poverty & food insecurity
  - Social isolation
- **Developmentally disabled adults need both day and residential programs**

Needs that Require Additional Funding

Transportation

- Expansion of ART bus routes in line with the Transit Strategic Plan
- Parking enforcement

Environment & Climate

- Investments in invasives removal, tree planting & maintenance, natural spaces
- Funding to implement Climate Action Plan

Facilities

- Aging inventory
- Growing maintenance needs

Public Safety & Judicial

- Release frozen positions in Police to get to needed staffing levels & reduce overtime
- Sheriff salary and staffing requests
- Requests from Commonwealth Attorney & Independent Policing Auditor

Electricity Rate Increases & Inflation

Needs that Require Additional Funding



Child Care & Youth Services

- Affordable child care slots
- Out of School Time programming



Parks & Libraries

- Park/Field mowing and maintenance
- Libraries collections, especially e-books
- Conversion of temporary positions to permanent



Planning & Economic Development

- Expanded code enforcement
- Small business investments



Collective Bargaining & Internal Services

- Increase in number of collective bargaining units
- Complexity of financial operations and need for audit functions
- Growth in retirees

County Support for Schools

Approximately $11-$12 million

27,589 APS Students

- Parks
- Athletic Field Maintenance
- Clubs & Camps

- Libraries
- Youth Programming

Fleet management, maintenance, financing, fueling, washing, and parking for 176 school buses and 108 support vehicles

- Youth Outreach Unit
- Crossing Guard Unit

- School Zone Flashing Signals
- i-Ride Student Transit Program
- Crosswalks, Markings, Signage, Flashers

- Early Childhood Education & Parenting
- Residential & Youth Outreach Programs

- Registered nurses, clinic aide for each school
- Dental Services, Mental Health Services
- Disease Surveillance, Teen Pregnancy Prevention
- Immunizations, School Physicals

- Joint use facilities
- Construction & occupancy permits, inspections
- Contract management (trash & recycling)
- ConnectArlington
- Emergency Planning

County Manager's Proposed
FY 2027 Budget

Budget Overview for the County / School Work Session

March 24, 2026







