

**ATTACHMENT I
SUMMARY OF GENERAL FUND RECEIPTS**

Revenue adjustments for FY 2009 are recommended in the categories discussed below. These adjustments represent a decrease of \$46.1 million and reflect information received subsequent to the development of the FY 2009 Advertised Budget Plan. These adjustments include the \$32.0 million loss noted during the County Executive's presentation of the FY 2009 budget on February 25, 2008 and the \$14.1 million loss identified during the March 28, 2008 Budget Committee meeting. As a result, FY 2009 revenue reflects a decrease of \$35.9 million, or 1.1 percent, from the FY 2008 revenue projections. Revenue categories that are sensitive to economic change may require further adjustments during FY 2009. Additional interest rate reductions by the Federal Reserve have been assumed in projecting the yield earned on County investments; however, further or more drastic cuts would impact Investment Interest. Economic conditions and the impact on these and all other revenue categories will be closely monitored throughout FY 2009.

LOCAL SALES TAX				
FY 2008 Revised	FY 2009 Advertised	FY 2009 Revised	FY 2009 Increase/ (Decrease)	Percent Change
\$162,983,388	\$170,704,662	\$166,795,426	(\$3,909,236)	(2.29%)

The FY 2009 revised estimate for Sales Tax receipts is \$166,795,426, a decrease of \$3.9 million from the FY 2009 Advertised Budget Plan estimate. This increase is consistent with an adjustment made subsequent to the *FY 2008 Third Quarter Review* to reflect lower than anticipated FY 2008 Sales Tax receipts and the expectation that this trend will continue in FY 2009. Through March 2008, Sales Tax receipts have risen at a 2.4 percent rate and the FY 2008 estimate was revised to reflect this growth rate. The 4.0 percent growth included in the FY 2009 Advertised Budget Plan for FY 2009 Sales Tax receipts has been reduced to 2.3 percent based on a forecast of County retail sales from Moody's Economy.com.

INTEREST ON INVESTMENTS				
FY 2008 Revised	FY 2009 Advertised	FY 2009 Revised	FY 2009 Increase/ (Decrease)	Percent Change
\$77,712,416	\$65,044,789	\$28,885,445	(\$36,159,344)	(55.59%)

The FY 2009 revised estimate for Interest on Investments is \$28,885,445, a decline of \$36.2 million from the FY 2009 Advertised Budget Plan estimate. This decrease is due to a lower projected yield on investments as a result of interest rate reductions by the Federal Reserve. In January 2008, the Federal Reserve cut the federal funds rate by 75 basis points to 3.50 percent and just eight days later lowered the rate by an additional 50 basis points to 3.00 percent. As noted in the County Executive's letter transmitting the FY 2009 Advertised Budget Plan, these rate cuts were expected to reduce interest income by over \$25 million from the interest estimates included in the budget proposal. This estimate was based on a projected yield on County investments of 2.20 percent versus the 3.68 percent included in the FY 2009 Advertised Budget Plan. In March, the Federal Reserve reduced the federal funds rate another 75 basis points to 2.25 percent. More rate reductions are expected in order to stimulate economic growth. The FY 2009 revised estimate of \$28.9 million assumes that the Federal Reserve will reduce interest rates by another 75 basis points over the next several months and that the yield earned on County investments

will average 1.50 percent in FY 2009. Further interest rate reductions will require additional adjustments to the Interest on Investments estimate during FY 2009.

REVENUE FROM THE COMMONWEALTH¹				
FY 2008 Revised	FY 2009 Advertised	FY 2009 Revised	FY 2009 Increase/ (Decrease)	Percent Change
\$96,607,477	\$90,631,065	\$84,631,065	(\$6,000,000)	(6.62%)

¹Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.

The FY 2009 revised estimate for Revenue from the Commonwealth is \$84,631,065, a decrease of \$6.0 million from the FY 2009 Advertised Budget Plan estimate. Due to a downward adjustment to projected state General Fund revenue, the 2008 Virginia General Assembly approved a \$50.0 reduction in state aid to localities in FY 2009 and FY 2010. County staff estimates that the County's reduction will be no more than \$6.0 million. The Virginia Department of Planning and Budget is not required to release the locality-by-locality reduction list until 30 days after the enactment of the Appropriation Act on July 1, 2008; therefore, the final cut may not be known until August 1, 2008. Localities have been given flexibility as to how the cut is to be implemented. A locality may take the total reduction from one program; reduce multiple state aid programs; or reimburse the state in aggregate for its share of the cut, thereby keeping the state aid at an unreduced level. Each locality may use a combination of the three options, but must decide before August 30, 2008 how the reduction should be apportioned.