General Fund Revenue Overview

This section includes:

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2008 Actual	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan	Over the FY 2010 Advertised Budget Plan Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	$1,975,114,074	$2,046,898,739	$2,103,103,891	$2,113,373,891	$10,270,000	0.49%
Personal Property Taxes - Current and Delinquent[1]	519,180,400	514,282,685	492,194,596	492,194,596	$0	0.00%
Other Local Taxes	474,030,041	451,141,504	449,147,701	449,147,701	$0	0.00%
Permits, Fees and Regulatory Licenses	26,719,184	24,435,569	32,813,466	32,575,391	($238,075)	-0.73%
Fines and Forfeitures	14,873,179	16,012,582	16,799,963	17,426,083	$626,120	3.73%
Revenue from Use of Money/Property	81,578,187	32,423,732	14,162,838	14,162,838	$0	0.00%
Charges for Services	57,965,028	61,969,163	63,659,814	62,150,200	($1,509,614)	-2.37%
Revenue from the Commonwealth and Federal Governments[1]	136,798,864	132,812,316	116,901,122	125,412,801	$8,511,679	7.28%
Recovered Costs/ Other Revenue	9,351,419	7,457,351	7,522,999	7,522,999	0	0.00%
Total Revenue	**$3,295,610,376**	**$3,287,433,641**	**$3,296,306,390**	**$3,313,966,500**	**$17,660,110**	**0.54%**
Transfers In	2,530,299	11,094,492	11,622,151	11,622,151	0	0.00%
Total Receipts	**$3,298,140,675**	**$3,298,528,133**	**$3,307,928,541**	**$3,325,588,651**	**$17,660,110**	**0.53%**

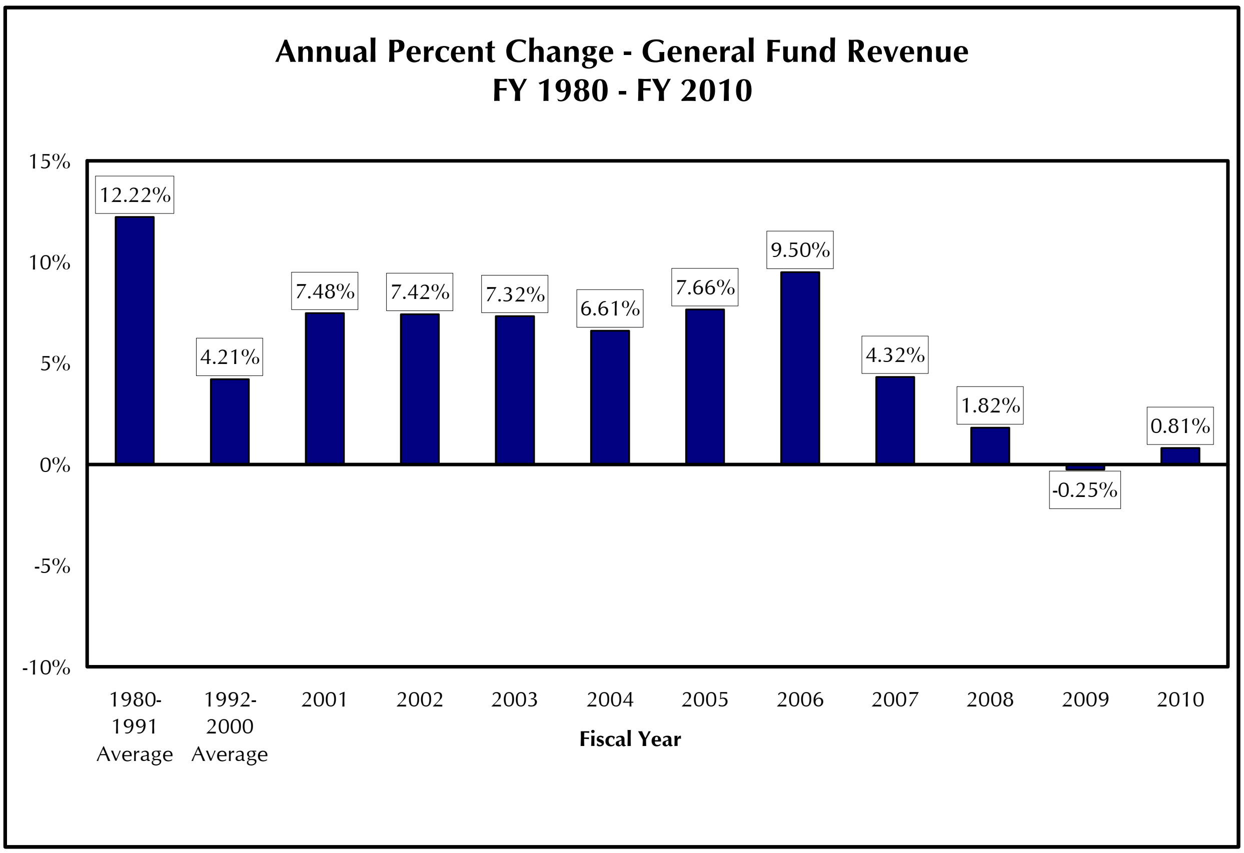
[1]The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2010 General Fund revenues are projected to be $3,313,966,500, an increase of $17,660,110, or 0.5 percent, over the FY 2010 Advertised Budget Plan. The net increase is primarily due to a $10.3 million increase in Real Estate Tax revenue, attributable to a reallocation of one-half of the Real Estate Tax revenue from Fund 319, The Penny for Affordable Housing Fund to the General Fund in FY 2010; an increase of $0.6 million in Fines and Forfeitures; and an increase of $8.5 million in state aid to localities; partially offset by decreases of $0.2 million in Permits, Fees and Regulatory Licenses; and $1.5 million in Charges for Services.

Incorporating Transfers In, FY 2010 General Fund receipts are anticipated to be $3,325,588,651. The Transfers In to the General Fund total $11.6 million and include $2.0 million from Fund 105, Cable Communications, for use of County rights of way and indirect support provided by the County's General Fund agencies. In addition, in order to offset General Fund expenditure requirements, the FY 2010 Transfers In include $3.0 million from Fund 312, Public Safety Construction; $2.0 million from Fund 503, Department of Vehicle Services; and $4.6 million from Fund 505, Technology Infrastructure Services.

General Fund Revenue Overview

The following chart shows General Fund revenue growth since FY 1980. From FY 1980 to FY 1991, average annual General Fund revenue growth exceeded 12 percent per year. From FY 1992 to FY 2000, however, General Fund revenues grew at an average annual rate of only 4.2 percent. Moderate growth rates ranging from 6.6 percent to 7.7 percent were experienced during the period from FY 2001 to FY 2005. General Fund revenue rose 9.5 percent in FY 2006 due to the strong overall economy – the real estate market, business spending, and a nearly 160 percent increase in interest on investments. Revenue growth moderated in FY 2007 to 4.3 percent as the housing market experienced an abrupt turnaround and decelerated further to 1.8 percent in FY 2008. The FY 2009 Adopted Budget Plan included projected revenue growth of 1.0 percent; however, as economic conditions worsened, revenue collections fell short of projections. Based on revised estimates, revenue is anticipated to fall 0.25 percent in FY 2009. Based on the decline in Real Estate Tax assessments and other revenue categories, FY 2010 revenue was originally projected to fall 8.1 percent. With the adopted General Fund Real Estate Tax rate of $1.04 per $100 of assessed value and other revenue enhancements, FY 2010 revenue is forecasted to rise 0.81 percent over the *FY 2009 Revised Budget Plan* estimate.



General Fund Revenue Overview

Fees and Charges Review

As part of the Lines of Business Review, County agencies reviewed fees and user charges in the General Fund. This review included an analysis of cost recovery, maximum rates allowed, and consistency with surrounding jurisdictions. Based on this review, as well as Board approved new fees and fee increases as a result of the FY 2010 Budget deliberations, General Fund fee increases, totaling $13.8 million in revenue, are included in the FY 2010 Adopted Budget Plan. The additional revenue includes: $5.5 million in Land Development Services fees for inspection, site plan review and building permit fees; $1.8 million in Zoning Fees; $1.5 million in revenue for late payment of Personal Property Taxes; $1.3 million in School Age Child Care (SACC) fees; $0.6 million in Alarm Ordinance Violations; $0.5 million in Fire Permits, Alarm Registration Fees, and Faulty Fire Alarm Fees; $0.3 million in Health Department Permits and Fees; $0.6 million in Parking Violations Fines, $0.8 million in fees for various Senior Programs; $0.5 million in Library Fees and Penalties; $0.2 million in Facility Rental Fees, and $0.2 million in other various categories. A more detailed discussion of these adjustments can be found in the following narrative.

Economic Indicators

The national economy has been in recession since December 2007, making the present recession more than twice as long as the downturns experienced in 1990-91 and 2001, which lasted 8 months each. The national economy shrank at a preliminary annual rate of 5.7 percent in the first quarter of 2009, after decreasing 6.3 percent in the fourth quarter of 2008. The national unemployment rate rose to 9.4 percent in May 2009, the highest rate since August 1983. Since the recession began in December 2007, the number of unemployed persons has risen by 7.0 million, and the unemployment rate has grown by 4.5 percentage points. The turbulent economic and financial news have sent the Consumer Confidence Index to record lows in 2009.

To stimulate the economy, the Federal Reserve cut the federal funds rate from 4.25 percent at the beginning of 2008 to a target rate set in December at 0.0 to 0.25 percent, its lowest in history. With no more room to cut the federal funds rate, and with the risks to the economy still substantial, the Federal Reserve started using its balance sheet aggressively to fuel the economy through alternative methods, such as purchasing large quantities of mortgage-backed securities and long-term Treasury securities. The Fed has indicated that while gradual recovery is anticipated to begin late in 2009, the downside risks to the outlook are significant.

While the region and the County are faring better than much of the country, there are signs of economic weakness. Moody's Economy.com estimates that Gross County Product (GCP), adjusted for inflation, grew at a slim 0.3 percent rate in 2008, the lowest rate of growth in six years. In April, the County's unemployment rate was 4.5 percent, up 2.2 percentage points from a year ago. During the last two downturns in 2001 and the mid-1990s, the unemployment rate never exceeded 4.0 percent.

In March, the County's Coincident Index, which represents the current state of the County's economy, was down 15.1 percent from its March 2008 level. March's monthly over-the-year loss was its seventeenth consecutive decline following forty-eight consecutive monthly over-the-year gains. In addition, the County's Leading Index, which is designed to forecast the performance of the County's economy nine to 12 months in advance, has also declined seventeen months in a row on a monthly over-the-year basis. According to Dr. Stephen Fuller of George Mason University, the downward trend in the County's Leading Index suggests that "an acceleration of the County economy is still months away," as "the outlook for early recovery dims."

Housing Market

The housing market in the County experienced its worst slide in history. While the number of homes sold stabilized, average prices fell precipitously. After falling each year since 2004, the number of homes sold in 2008 in Fairfax County rose 3.1 percent, from 13,557 in 2007 to 13,979 based on data from the Metropolitan Regional Information System (MRIS). However, the average price of homes sold during the year fell nearly 18 percent compared to a drop of just 0.2 percent in 2007. Average and median sales price declines accelerated during the last half of the year and have continued through May 2009. On a monthly over the year basis, average price declines have ranged from 10.4 percent to 24.2 percent during the first five months of 2009. However, after rising for 41 consecutive months, the average number of days it took to sell a home has fallen in each month November 2008 through May 2009 compared to the same month the prior year. Foreclosures peaked in the fall of 2008 at approximately 2,200 homes. Due to a moratorium on foreclosures and rising home sales, the number of homes owned by the mortgage lender declined to 1,347 by April 2009. However, because of the lifting of the moratorium and an increase in the number of notices of trustee sales, the number of foreclosures is expected to rise in the coming months.

Nonresidential Market

Direct and sublet office vacancy rates hit five-year highs at the end of 2008. The County's direct office vacancy rose to 12.1 percent as of year-end 2008, up from 9.2 percent at year-end 2007. Including sublet space, the overall office vacancy rate was 14.5 percent, up 3.6 percentage points over the 10.9 percent at year-end 2007. This increase was due in part to an additional 4.0 million square feet of new office space that was delivered in 2008. With the additional space, the County's office space inventory rose to 111.2 million square feet at year-end 2008. At year-end 2008, 13 buildings with nearly 1.8 million square feet of space were under construction. Of these buildings, seven, or roughly 37 percent of the space under construction, is speculative development. This is down significantly from year-end 2007 when 59 percent of the total space under construction was speculative. New construction is expected to be limited to build-to-suit type projects until the credit markets recover. The reduction in new speculative office deliveries is expected to moderate the rate of increase in office vacancy rates; however, rates are expected to continue to rise in 2009 due to slow economic growth and lower demand for space.

Real Estate Tax Revenue

Current and Delinquent Real Estate Tax revenue comprises nearly 64 percent of total County General Fund revenues and residential real estate makes up nearly three quarters of the total real estate base. As such, the decline in the residential market is the driving force in the overall revenue change. FY 2010 Real Estate property values were established as of January 1, 2009 and reflect market activity through calendar year 2008. The Real Estate Tax base is projected to decrease 9.95 percent in FY 2010, and is made up of a 10.52 percent decrease in total equalization (reassessment of existing residential and non-residential properties), and an increase of 0.57 percent for new construction. The FY 2009 and FY 2010 General Fund revenue estimates discussed in this section are based on a review of all relevant indicators, including the Fairfax County Economic Index, actual FY 2008 collections, and FY 2009 year-to-date trends.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 99.0 percent of total FY 2010 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the FY 2010 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled "Financial, Statistical and Summary Tables."

					Change from the FY 2010 Advertised Budget Plan	
		FY 2009	FY 2010	FY 2010		
	FY 2008	Revised	Advertised	Adopted	Increase/	Percent
Category	Actual	Budget Plan	Budget Plan	Budget Plan	(Decrease)	Change
Real Estate Tax - Current	$1,962,290,716	$2,035,000,715	$2,091,205,867	$2,101,475,867	$10,270,000	0.49%
Personal Property Tax						
Current[1]	509,654,928	506,513,097	482,901,008	482,901,008	0	0.00%
Paid Locally	298,340,984	295,199,153	271,587,064	271,587,064	0	0.00%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Delinquent	9,525,472	7,769,588	9,293,588	9,293,588	0	0.00%
Local Sales Tax	160,855,221	156,149,525	152,245,787	152,245,787	0	0.00%
Recordation/Deed of Conveyance Taxes	29,931,835	20,399,223	20,767,592	20,767,592	0	0.00%
Gas & Electric Utility Taxes	45,038,069	45,488,450	45,943,336	45,943,336	0	0.00%
Communications Sales Tax	56,007,544	56,257,401	55,847,373	55,847,373	0	0.00%
Transient Occupancy Tax	20,525,480	19,499,206	19,499,206	19,499,206	0	0.00%
Business, Professional and Occupational License Tax-Current	138,323,224	132,790,295	130,134,489	130,134,489	0	0.00%
Cigarette Tax	9,498,075	9,498,075	9,498,075	9,498,075	0	0.00%
Permits, Fees and Regulatory Licenses	26,719,184	24,435,569	32,813,466	32,575,391	(238,075)	-0.73%
Fines and Forfeitures	14,873,179	16,012,582	16,799,963	17,426,083	626,120	3.73%
Revenue From Money and Property	81,578,187	32,423,732	14,162,838	14,162,838	0	0.00%
Charges for Services	57,965,028	61,969,163	63,659,814	62,150,200	(1,509,614)	-2.37%
Revenue from the Commonwealth and Federal Governments[2]	136,798,864	132,812,316	116,901,122	125,412,801	8,511,679	7.28%
Total Major Revenue Sources	**$3,259,585,006**	**$3,257,018,937**	**$3,261,673,524**	**$3,279,333,634**	**$17,660,110**	**0.54%**

[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

General Fund Revenue Overview

REAL ESTATE TAX-CURRENT

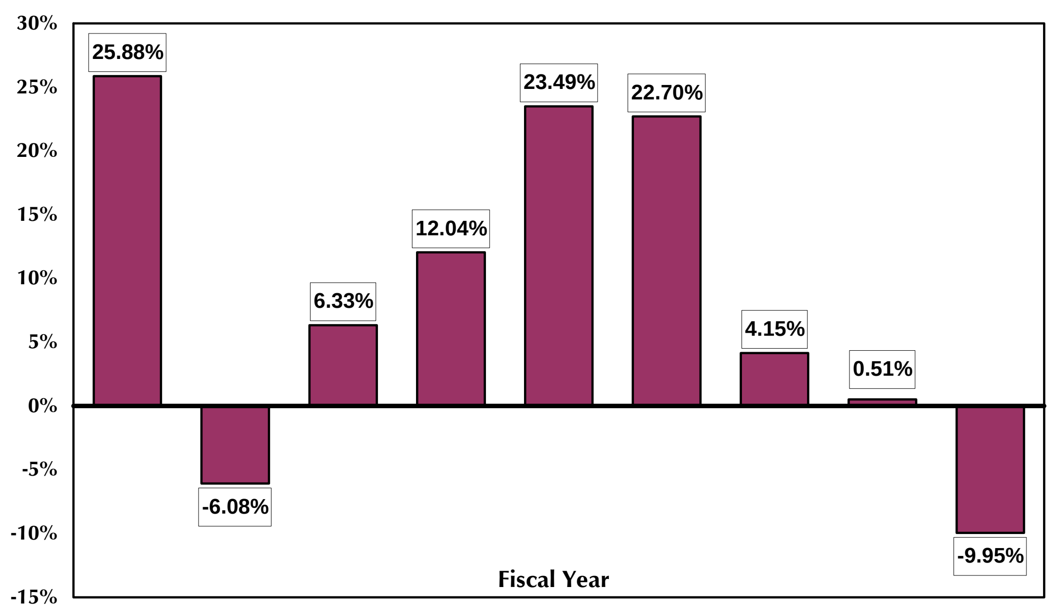
FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$1,962,290,716	$2,035,000,715	$2,091,205,867	$2,101,475,867	$10,270,000	0.49%

The FY 2010 estimate for Current Real Estate Taxes is $2,101,475,867 and represents an increase of $10,270,000, or 0.5 percent, over the FY 2010 Advertised Budget Plan. The increase is the result of a reallocation of one-half of the Real Estate Tax revenue from The Penny for Affordable Housing Fund to the General Fund. The adopted General Fund Real Estate Tax rate is $1.04 per $100 of assessed value. This reflects an increase of 12 cents over the County's Real Estate Tax rate in FY 2009.

The FY 2010 value of assessed real property represents a decrease of 9.95 percent, as compared to the FY 2009 Real Estate Land Book, and is comprised of a net decrease in equalization of 10.52 percent, offset with an increase of 0.57 percent in new growth. The FY 2010 figures reflected in this document are based on final assessments for Tax Year 2009 (FY 2010), which were established as of January 1, 2009. In addition to the revenue shown in the table above, the projected value of one-half penny on the real estate tax rate ($10.3 million) is allocated to The Penny for Affordable Housing Fund. Throughout FY 2010, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the projected collection rate of 99.61 percent.

The following chart shows changes in the County's assessed value base in FY 1990, FY 1993, FY 2000, and from FY 2005 to FY 2010.

Percentage Change in Real Estate Assessed Value
FY 1990 - FY 2010



	1990	1993	2000	2005	2006	2007	2008	2009	2010
Equalization	**18.27%**	**-6.48%**	**2.96%**	**9.54%**	**20.80%**	**19.76%**	**2.47%**	**-1.02%**	**-10.52%**
Res	19.01	-3.74	0.77	11.29	23.09	20.57	-0.33	-3.38	-12.55
NonRes	16.54	-13.22	9.24	3.74	12.74	16.64	13.57	7.00	-4.51
Growth	**7.61**	**0.40**	**3.37**	**2.50**	**2.69**	**2.94**	**1.68**	**1.53**	**0.57**
	25.88%	**-6.08%**	**6.33%**	**12.04%**	**23.49%**	**22.70%**	**4.15%**	**0.51%**	**-9.95%**

FY 2010 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2010 Tax Levy at $1.04/$100 of Assessed Value
FY 2009 Real Estate Book	$229,669,844,640	$2,388,566,384
FY 2010 Equalization	($24,171,476,300)	($251,383,354)
FY 2010 Normal Growth	$1,309,644,580	$13,620,304
TOTAL FY 2010 REAL ESTATE BOOK	**$206,808,012,920**	**$2,150,803,334**
Exonerations	($1,215,157,806)	($12,637,641)
Certificates	($27,910,335)	($290,267)
Tax Abatements	($248,865,688)	($2,588,203)
Subtotal Exonerations	($1,491,933,829)	($15,516,111)
Supplemental Assessments	$331,988,922	$3,452,684
Tax Relief	($2,936,673,783)	($30,541,407)
Local Assessments	**$202,711,394,230**	**$2,108,198,500**
Public Service Corporation	$1,131,667,527	$11,769,341
TOTAL	**$203,843,061,757**	**$2,119,967,841**

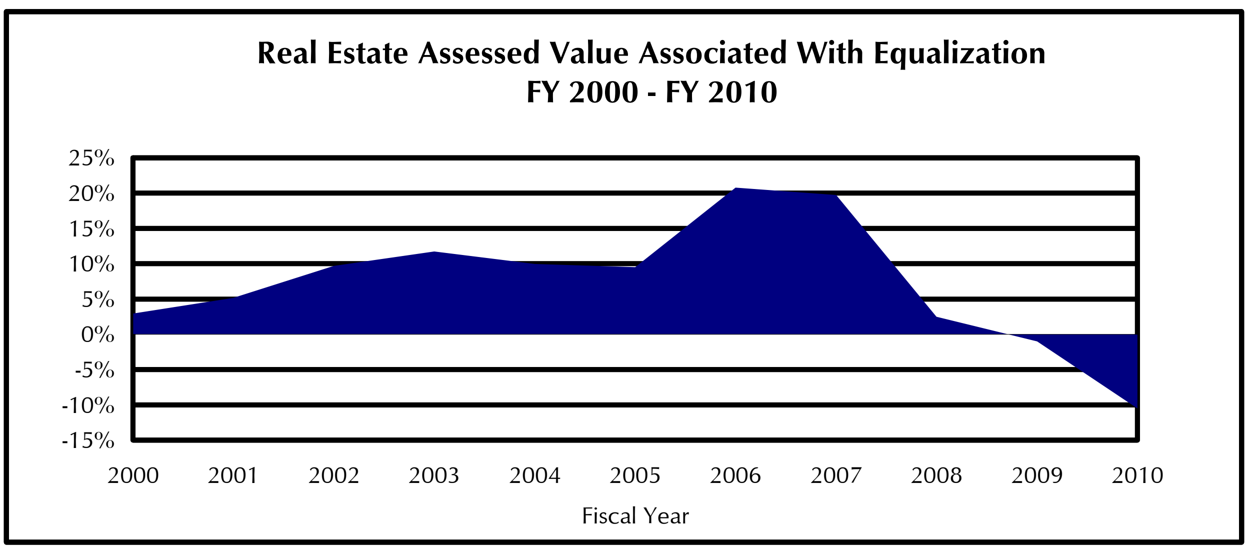
The FY 2010 **Main Assessment Book Value** is $206,808,012,920 and represents a decrease of $22,861,831,720, or 9.95 percent, from the FY 2009 main assessment book value of $229,669,844,640. While this is the largest drop in main assessment book value since at least 1962, dramatic assessment changes have occurred before. Following a 25.88 percent increase in FY 1990, the assessment base rose 16.8 percent in FY 1991, but then declined 0.96 percent in FY 1992. Assessments continued to fall in FY 1993 and FY 1994 at rates of 6.08 percent and 1.38 percent, respectively. After the recession, the value of real property increased at modest annual rates, averaging 2.5 percent from FY 1995 through FY 1999. During this period, growth in assessments just slightly exceeded the corresponding 2.2 percent average annual rate of inflation. It was not until FY 1999 that the assessment base exceeded its FY 1991 level. In FY 2000 and FY 2001, assessments grew at moderate rates of 6.3 percent and 8.9 percent, respectively. From FY 2002 through FY 2007, the assessment base experienced double digit advances. The deceleration trend began in FY 2008, when the assessment base rose just 4.15 percent, and continued in FY 2009 with a modest increase of 0.51 percent.

The overall decrease in the assessment base in FY 2010 includes **equalization,** the reassessment of existing properties, and **normal growth**, which is associated with construction of new properties in Fairfax County. The FY 2010 assessment base reflects a decrease of 12.55 percent in the values of existing residential properties and a 4.51 percent decrease in nonresidential properties. The decline in residential properties is the third consecutive decrease. Residential property experienced modest 0.51 percent growth due to new construction, while new growth in nonresidential properties increased 0.74 percent. As a result of these changes, the residential portion of the total assessment base dropped from 74.84 percent in FY 2009 to 73.12 percent in FY 2010. The table below reflects changes in the Real Estate Tax assessment base from FY 2003 through FY 2010.

Main Real Estate Assessment Book Base Changes (in millions)

Assessed Base Change Due To:	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Equalization	$11,699.8	$11,428.5	$12,322.2	$30,124.7	$35,328.9	$5,410.2	($2,332.0)	($24,171.5)
% Change	11.72%	9.94%	9.54%	20.80%	19.76%	2.47%	-1.02%	-10.52%
Residential	16.27%	14.55%	11.29%	23.09%	20.57%	-0.33%	-3.38%	-12.55%
Nonresidential	0.52%	-2.94%	3.74%	12.74%	16.64%	13.57%	7.00%	-4.51%
Normal Growth	$3,409.4	$2,916.1	$3,235.4	$3,889.0	$5,258.1	$3,683.6	$3,502.6	$1,309.6
% Change	3.42%	2.54%	2.50%	2.69%	2.94%	1.68%	1.53%	0.57%
Residential	3.01%	2.60%	2.49%	2.62%	3.01%	1.00%	0.77%	0.51%
Nonresidential	4.41%	2.36%	2.54%	2.93%	2.67%	4.38%	4.11%	0.74%
Total % Change	15.14%	12.48%	12.04%	23.49%	22.70%	4.15%	0.51%	-9.95%

Equalization, or reassessment of existing residential and nonresidential property, represents a net decline in value of $24,171,476,300, or 10.52 percent, in FY 2010. The decline in total equalization is due to a decrease in both residential and nonresidential property values. FY 2010 is the third consecutive year that existing residential properties fell in value compared to the prior year. The reduction in residential values corresponds to a continued deterioration of the residential housing market that began in calendar year 2006. While the number of homes sold stabilized in calendar year 2008, median and average home sale prices continued to fall. Changes in the Fairfax County housing market mirror the changes experienced in the region and the nation. Changes in the assessment base as a result of equalization are shown in the following graph.



Residential equalization declined notably from FY 1992 through FY 1994 due to the recession and then remained essentially flat from FY 1995 through FY 2000. Following a moderate increase in FY 2001 of 5.13 percent, residential equalization rose at double digit rates from FY 2002 through FY 2007 due to strong demand but a limited supply of housing. Strong job growth, the easy availability of credit and profit-led speculation contributed to price appreciation in the local housing market. In FY 2008 and FY 2009, overall residential equalization declined 0.33 percent and 3.38 percent, respectively, as the inventory of homes for sale grew and home prices fell in the County as they did throughout the Northern Virginia area. In FY 2010, the majority of residential properties in the County will receive a reduction in value; however, a small number of neighborhoods maintained value or declined only modestly. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional standards that assessments should be between 90 percent to 110 percent of the sales prices experienced in a neighborhood.

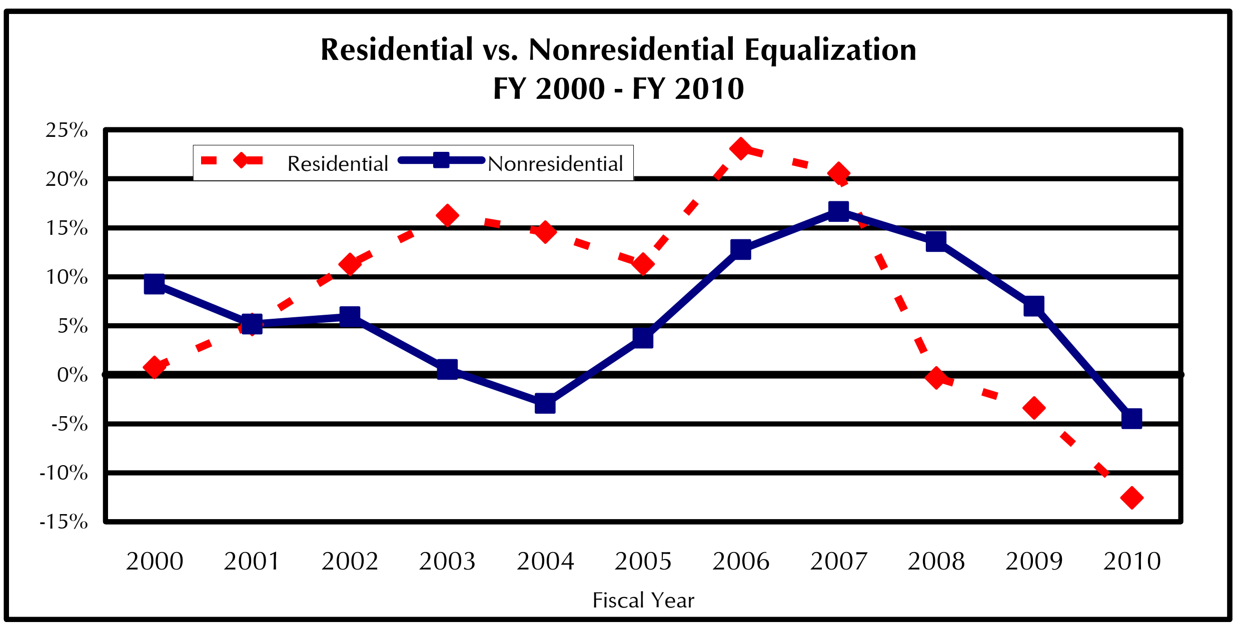
Overall, single family property values declined 11.34 percent in FY 2010. The value of single family homes has the most impact on the total residential base because they represent over 72 percent of the total. The value of condominium properties fell 19.51 percent in FY 2010 due in part to an overabundance of new condos in the area. The value of townhouse properties in FY 2010 fell 16.06 percent. Changes in residential equalization by housing type since FY 2005 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased by different percentages based on neighborhood selling prices.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Single Family (72.1%)	11.20%	22.21%	20.37%	-0.43%	-3.12%	-11.34%
Townhouse/Duplex (18.1%)	12.99%	26.08%	22.69%	0.64%	-4.96%	-16.06%
Condominiums (8.3%)	16.24%	33.49%	25.97%	-2.23%	-4.54%	-19.51%
Vacant Land (1.0%)	15.19%	26.32%	25.44%	3.86%	7.66%	-7.08%
Other (0.5%)[1]	4.89%	5.30%	9.67%	2.97%	6.46%	-4.99%
Total Residential Equalization (100%)	**11.29%**	**23.09%**	**20.57%**	**-0.33%**	**-3.38%**	**-12.55%**

[1] Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

As a result of the decline in residential equalization, the mean assessed value of all residential property in the County is $459,228. This is a decrease of $65,904 from the FY 2009 value of $525,132. At the adopted Real Estate tax rate of $1.04 per $100 of assessed value, the typical residential annual tax bill will decrease, on average, $55.24 in FY 2010 to $4,775.97.

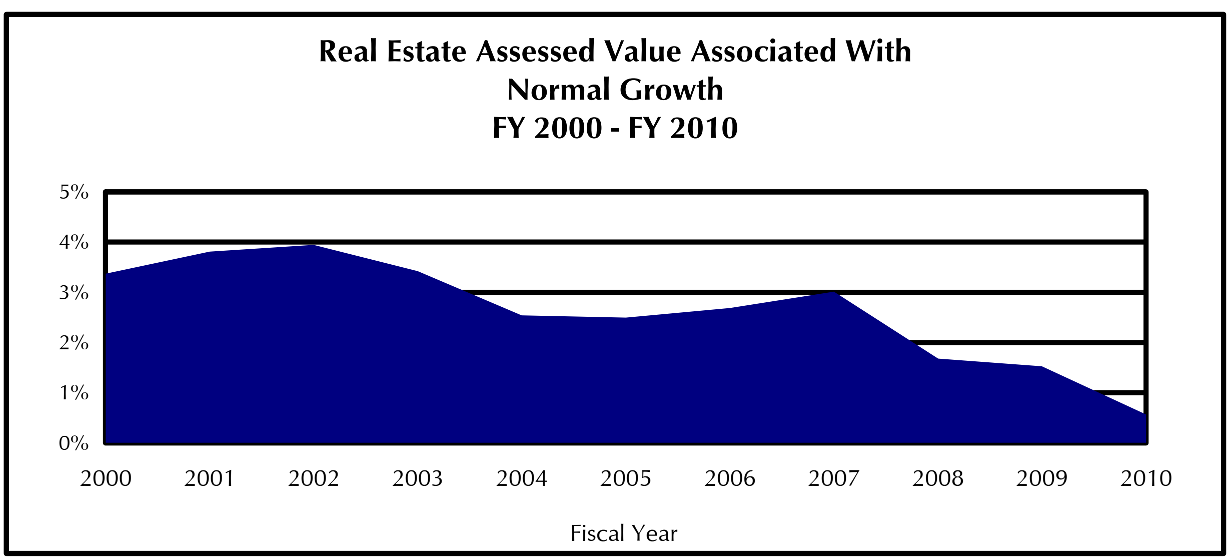


Nonresidential equalization decreased 4.51 percent in FY 2010, compared to an increase of 7.00 percent in FY 2009. Office Elevator properties (mid- and high-rises), which comprise 39.9 percent of the total nonresidential tax base, decreased 6.62 percent. This compares to an increase of 5.68 percent in FY 2009. The sharp decline reflects the rise in office vacancy rates over the year. The County's direct office vacancy rate at the end of 2008 was 12.1 percent, up from 9.2 percent at year-end 2007, according to the Fairfax County Economic Development Authority. Including sublet space, the year-end 2008 office vacancy rate was 14.5 percent, 3.8 percentage points higher than year-end 2007. Regional Mall property values were the only category to rise in FY 2010, albeit at a slight 0.20 percent. Nonresidential equalization changes by category since FY 2005 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2005	FY 2006	FY 2007	FY 2008	2009	2010
Apartments (15.6%)	1.86%	11.21%	11.65%	22.59%	6.41%	-6.96%
Office Condominiums (4.0%)	13.59%	18.01%	1.96%	13.76%	4.78%	-1.10%
Industrial (7.0%)	5.26%	8.89%	12.61%	14.34%	14.08%	-1.08%
Retail (12.0%)	7.91%	10.99%	18.56%	7.56%	7.76%	-2.33%
Regional Malls (3.0%)	3.00%	4.06%	2.24%	12.90%	1.86%	0.20%
Office Elevator (39.9%)	3.27%	18.81%	24.16%	15.93%	5.68%	-6.62%
Office - Low Rise (4.2%)	5.42%	17.56%	23.94%	10.18%	9.16%	-3.35%
Vacant Land (4.7%)	7.15%	10.07%	21.88%	14.99%	7.67%	-3.87%
Hotels (4.1%)	4.48%	15.34%	25.54%	9.58%	11.28%	-7.06%
Other (5.5%)	5.15%	8.52%	12.19%	10.05%	7.63%	-2.07%
Nonresidential Equalization (100%)	**3.74%**	**12.74%**	**16.64%**	**13.57%**	**7.00%**	**-4.51%**

Normal Growth of $1,309,644,580, or 0.57 percent, over the FY 2009 assessment book value results from new construction, new subdivisions, and rezonings. This modest level of growth is a result of the low level of new residential construction due to the softening housing market and a slowdown in commercial construction. In FY 2010, the residential property base experienced a 0.51 percent increase due to new construction, while nonresidential properties rose 0.74 percent as a result of new construction. The rate of new nonresidential construction growth is the lowest since FY 1996. For the 10 years prior to FY 2010, the increase in the value of property added to the tax base due to new residential and nonresidential construction ranged from 1.53 percent to 3.94 percent (see the graph below).



General Fund Revenue Overview

In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2010 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base total $332.0 million and include both prorated assessments and additional supplemental assessments. Prorated assessments are supplemental assessments that include assessments which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $1,491.9 million in FY 2010, an increase of $216.4 million over FY 2009. Each $100.0 million change in the level of exonerations, certificates and tax abatements is equivalent to a change of $1.04 million in tax levy.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2010 by $2,936.7 million. The reduction in tax levy due to the Tax Relief program is approximately $30.5 million at the rate of $1.04 per $100 of assessed value. In FY 2010, the income limits of the Tax Relief program provide 100 percent exemption for elderly and disabled taxpayers with incomes up to $52,000; 50 percent exemption for eligible applicants with income between $52,001 and $62,000; and 25 percent exemption if income is between $62,001 and $72,000. The allowable asset limit in FY 2010 is $340,000 for all ranges of tax relief. The Board of Supervisors expanded the Real Estate Tax Relief Program for the Elderly and Disabled in each year from FY 2001 through FY 2006. In addition, since FY 2005, tax relief benefits are prorated based on the portion of the year an applicant is 65 or becomes disabled. The table below shows income and asset thresholds for the Tax Relief Program for the Elderly and Disabled since FY 2000.

Real Estate Tax Relief for the Elderly and Disabled

	Income Limit	Asset Limit	Percent Relief
FY 2000	Up to $30,000	$150,000	100%
	Over $30,000 to $35,000		50%
	Over $35,000 to $40,000		25%
FY 2001	Up to $35,000	$150,000	100%
	Over $35,000 to $40,000		50%
	Over $40,000 to $46,000		25%
FY 2002	Up to $40,000	$150,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2003	Up to $40,000	$160,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2004	Up to $40,000	$190,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2005	Up to $40,000	$240,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2006 through FY 2010	Up to $52,000	$340,000	100%
	Over $52,000 to $62,000		50%
	Over $62,000 to $72,000		25%

General Fund Revenue Overview

The FY 2010 local assessment base of $202,711,394,230 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,108,198,500 is calculated using a tax rate of $1.04 per $100 of assessed value. Based on an expected local collection rate of 99.61 percent, revenue from local assessments is estimated to be $2,099,976,526. In FY 2010, every 0.01 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $0.2 million, while every penny on the tax rate yields $20.5 million in revenue.

Added to the local assessment base is an estimated $1,131,667,527 in assessed value for Public Service Corporations (PSC) property. Using a rate of $1.04 per $100 of assessed value, the tax levy on PSC property is $11,769,341. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $203,843,061,757 with a total tax levy of $2,119,967,841 at the proposed tax rate of $1.04 per $100 of assessed value. Estimated FY 2010 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $2,111,745,867 at the proposed tax rate of $1.04 per $100 of assessed value. Of this amount, the value of half cent on the Real Estate Tax rate, $10,270,000, has been directed to Fund 319, The Penny for Affordable Housing Fund. Total General Fund revenue from the Real Estate Tax is $2,101,475,867, which reflects an overall collection rate of 99.61 percent. The total collection rates experienced in this category since FY 1995 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1995	99.32%	**2003**	99.67%
1996	99.47%	**2004**	99.61%
1997	99.56%	**2005**	99.62%
1998	99.54%	**2006**	99.62%
1999	99.50%	**2007**	99.64%
2000	99.63%	**2008**	99.66%
2001	99.53%	**2009 (estimated)**	99.61%
2002	99.65%	**2010 (estimated)[1]**	99.61%

[1] In FY 2010, every 0.1 percentage point change in the collection rate yields a revenue change of $2,108,158.

The Commercial/Industrial percentage of the County's FY 2010 Real Estate Tax base is 22.67 percent, a gain of 1.61 percentage points over the FY 2009 level and the third consecutive increase. Commercial/Industrial property values as a percentage of the Real Estate Tax base have increased as a result of new office construction and declines in residential property values. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which make up 4.21 percent of the County's Real Estate Tax base in FY 2010. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1995	19.59%	**2003**	21.97%
1996	19.04%	**2004**	19.14%
1997	19.56%	**2005**	18.20%
1998	20.47%	**2006**	17.36%
1999	21.84%	**2007**	17.22%
2000	24.32%	**2008**	19.23%
2001	25.37%	**2009**	21.06%
2002	24.84%	**2010**	22.67%

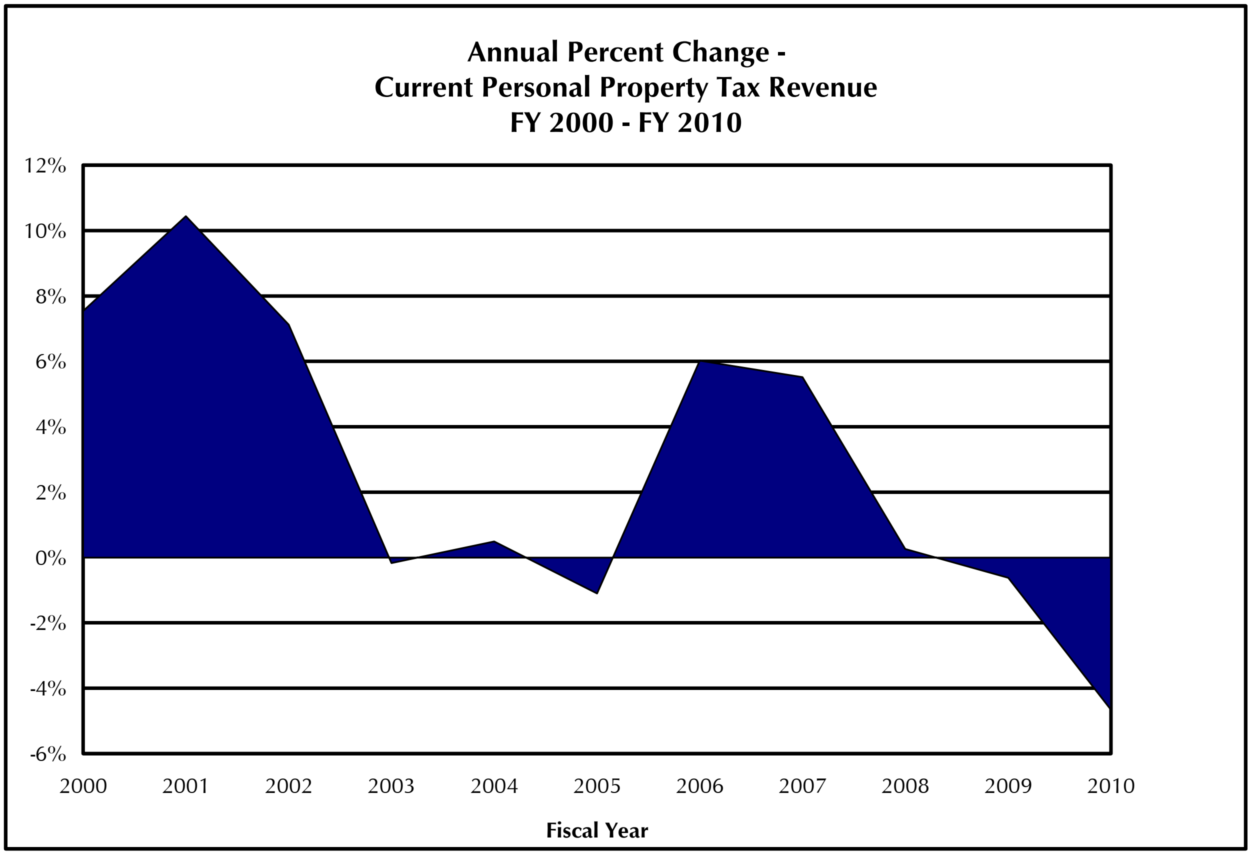
PERSONAL PROPERTY TAX-CURRENT

	FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	$298,340,984	$295,199,153	$271,587,064	$271,587,064	$0	0.00%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Total	$509,654,928	$506,513,097	$482,901,008	$482,901,008	$0	0.00%

The FY 2010 estimate for Personal Property Tax revenue of $482,901,008 represents no change from the FY 2010 Advertised Budget Plan. Revenue in FY 2010 is projected to decline $23.6 million, or 4.7 percent, from the *FY 2009 Revised Budget Plan* estimate due to economic conditions impacting vehicle and business purchases.

The vehicle portion of the Personal Property Tax is comprised of two parts, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA reduces the Personal Property Tax paid on the first $20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively, with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the State's lower than anticipated General Fund revenue growth, the reimbursement rate remained at 70 percent in FY 2003 and held at this rate through FY 2006. The 2004 General Assembly approved legislation that capped statewide Personal Property Tax reimbursements at $950 million in FY 2007 and beyond. Fairfax County's allocation has been set at $211.3 million based on the County's share of statewide tax year 2005 collections. Each year County staff must determine the reimbursement percentage based on the County's fixed reimbursement from the state and an estimate of the number and value of vehicles that will be eligible for tax relief. As the number and value of vehicles in the County vary, the percentage attributed to the state will vary. Based on a County staff analysis, the effective state reimbursement percentage was 66.67 percent, 67.00 percent, and 68.50 percent in FY 2007, FY 2008 and FY 2009, respectively. The FY 2010 reimbursement percentage is set at 70.00 percent.

The Personal Property Tax consists of two major components: vehicles and business personal property. Both components are sensitive to changes in the national and local economies. The vehicle component represents about 74 percent of the Personal Property Tax base in FY 2010. Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.



Total Personal Property Tax revenues experienced average annual growth of 8.3 percent in FY 2000 through FY 2002. In FY 2003, Personal Property Taxes dropped a slim 0.2 percent and rose a modest 0.5 percent in FY 2004. These rates were due to the stalled economy coupled with an enhanced computer depreciation schedule that reduced business levy each year. In FY 2005, Personal Property Tax revenue fell 1.1 percent from the FY 2004 level as a result of faster depreciation of vehicles and a decrease in the business levy due to a reduced equipment purchases. FY 2006 Personal Property recovered and receipts grew 6.0 percent. Average vehicle levy rose a robust 8.4 percent due to strong new car purchases in 2005. FY 2007 Personal Property receipts increased 5.5 percent because of a higher than projected collection rate due in part to the change in the method of receiving the State's share of the tax. FY 2007 was the first year that the State's share of the Personal Property Tax was capped at $211.3 million. One hundred percent of these funds are received in scheduled installments and reimbursement is no longer linked to the payment by the individual taxpayer. Prior to the cap, the State's share was only reimbursed to the County after the bill had been paid by the taxpayer. FY 2008 Personal Property receipts rose a slight 0.3 percent as a result of a decline in vehicle volume and levy as the economy stalled during the year. FY 2009 Personal Property Tax receipts are anticipated to fall 0.6 percent due to a decline in vehicle purchases and a higher rate of use vehicle depreciation than has been experienced in recent years.

Personal Property Tax revenue is projected to drop 4.7 percent in FY 2010. The vehicle component, which comprises nearly 74 percent of total Personal Property levy, is the primary driver of this decrease. Vehicle volume is forecast to drop 1.8 percent in FY 2010 as new vehicle purchases have fallen off. The Virginia Automobile Dealers Association reported that new model vehicle registrations in Fairfax County fell 20 percent in 2008. Tight credit conditions and worsening economic news have lead to reduced purchases of big ticket items like automobiles. Because significantly fewer new vehicles are being purchased and existing vehicles in the County's tax base have depreciated, the average vehicle levy is expected to fall 4.2 percent based on a preliminary analysis of vehicles in the County valued with information from the National Automobile Dealers' Association (NADA). Incorporating changes in volume and average vehicle levy, the overall vehicle component of the Personal Property Tax base is expected to drop 6.0 percent in FY 2010. Changes in vehicle volume and levy since FY 2000 are shown in the following table.

Personal Property Vehicles

Fiscal Year	% Change in Vehicle Volume	Average Vehicle Levy	% Change in Average Levy
FY 2000	4.2%	$336	4.9%
FY 2001	4.5%	$359	6.9%
FY 2002	2.3%	$369	2.8%
FY 2003	3.0%	$372	0.8%
FY 2004	-0.7%	$389	4.6%
FY 2005	1.4%	$379	-2.6%
FY 2006	-0.9%	$411	8.4%
FY 2007	-0.6%	$431	4.9%
FY 2008	-0.1%	$424	-1.6%
FY 2009 (est.)	-0.3%	$426	0.5%
FY 2010 (est.)	-1.8%	$408	-4.2%

Business Personal Property is primarily comprised of assessments on furniture, fixtures and computer equipment. Due to the current economic climate, existing businesses are not anticipated to purchase new equipment and some businesses are expected to close altogether; therefore, business levy is projected to decline 0.8 percent in FY 2010.

In accordance with assessment principles and the Code of Virginia, which require that property is taxed at fair market value, the Department of Tax Administration (DTA) annually reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. To reflect market trends, the computer depreciation schedule was adjusted in each year from FY 1999 to FY 2001, in FY 2003, and again in FY 2004. Based on current trends, the computer depreciation schedule was not adjusted in FY 2005 through FY 2009 and will not be adjusted in FY 2010. Previous and current computer depreciation schedules are shown in the following table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value.

Computer Depreciation Schedules
FY 1998 - FY 2010
Percent of Original Purchase Price Taxed

Year of Acquisition	FY 1998	FY 1999	FY 2000	FY 2001 and FY 2002	FY 2003	FY 2004 through FY 2010
1	80%	65%	60%	60%	55%	50%
2	55%	45%	40%	40%	35%	35%
3	35%	30%	30%	25%	20%	20%
4	10%	10%	10%	10%	10%	10%
5 or more	10%	2%	2%	2%	2%	2%

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and an increased rate of $1.04 per $100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

FY 2010 Estimated Personal Property Assessments and Tax Levy

Category	FY 2010 Assessed Value	Tax Rate (per $100)	FY 2010 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$8,532,837,799	$4.57	$316,039,089	64.8%
Business Owned	460,999,506	4.57	17,133,515	3.5%
Leased	784,059,386	4.57	26,291,244	5.4%
Subtotal	$9,777,896,691		$359,463,848	73.7%
Business Personal Property				
Furniture and Fixtures	$1,521,195,728	$4.57	$69,465,385	14.2%
Computer Equipment	613,062,807	4.57	28,016,625	5.7%
Machinery and Tools	74,757,351	4.57	3,416,411	0.7%
Research and Development	6,972,431	4.57	318,640	0.1%
Subtotal	$2,215,988,317		$101,217,061	20.7%
Public Service Corporations				
Equalized	$2,293,701,876	$1.04	$23,854,500	4.9%
Vehicles	10,607,549	4.57	484,765	0.1%
Subtotal	$2,304,309,425		$24,339,265	5.0%
Other				
Mobile Homes	$22,353,932	$1.04	$232,481	0.0%
Other (Trailers, Misc.)	12,898,827	4.57	441,456	0.1%
Subtotal	$35,252,759		$673,937	0.1%
Penalty for Late Filing			$2,252,524	0.5%
TOTAL	**$14,333,447,192**		**$487,946,634**	**100.0%**

FY 2010 Personal Property Tax assessments including Public Service Corporations are $14,333,447,192 with a total tax levy of $487,946,634. Personal Property Tax revenue collections are projected to be $482,901,008, of which $211.3 million will be reimbursed from the State. The collection rate associated with the taxpayer's share is estimated to be 98.0 percent. Total collection rates experienced in this category since FY 1995 are shown in the following table:

Total Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1995	96.8%	**2003**	96.8%
1996	97.2%	**2004**	96.9%
1997	97.3%	**2005**	97.9%
1998	97.3%	**2006**	98.1%
1999	97.3%	**2007**	98.3%
2000	97.3%	**2008**	98.0%
2001	97.1%	**2009 (estimated)**	98.0%
2002	96.3%	**2010 (estimated)[1]**	98.0%

[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.5 million, and each penny on the tax rate yields a revenue change of $1.0 million.

PERSONAL PROPERTY TAX-DELINQUENTS

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$9,525,472	$7,769,588	$9,293,588	$9,293,588	$0	0.00%

The FY 2010 estimate for Delinquent Personal Property Taxes is $9,293,588, and reflects no change from the FY 2010 Advertised Budget Plan. Collections in FY 2010 are projected to increase $1.5 million, or 19.6 percent, over the *FY 2009 Revised Budget Plan* primarily due to an increase in the penalty for late payment. As allowed by Section 58.1-3916 of the Code of Virginia, the penalty for late payment will be raised from 10 percent to 25 percent once the tax bill is more than 30 days past due. The change is projected to generate an additional $1.5 million. In addition, the County will begin assessing a fee of $100 for vehicles that do not have a valid Virginia license plate. This is estimated to generate $24,000 in FY 2010. Discovery of these vehicles will be administered through the current TARGET program.

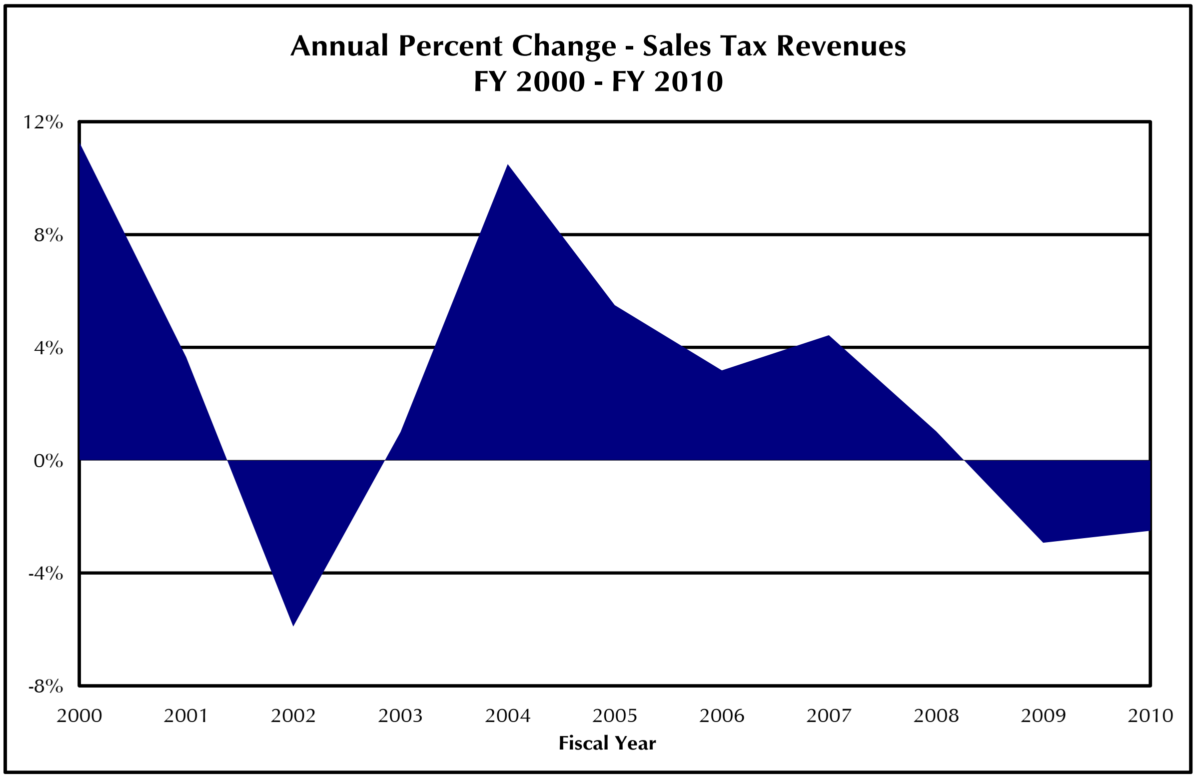
LOCAL SALES TAX

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$160,855,221	$156,149,525	$152,245,787	$152,245,787	$0	0.00%

The FY 2010 estimate for Sales Tax receipts of $152,245,787 represents no change from the FY 2010 Advertised Budget Plan. Sales Tax receipts in FY 2010 are anticipated to decline $3.9 million, or 2.5 percent, from the *FY 2009 Revised Budget Plan* based on current projections for County retail sales and personal disposable income from Moody's Economy.com. As the chart below illustrates, from FY 2005 through FY 2007, Sales Tax Receipts experienced moderate growth, increasing at an average annual rate of 4.4 percent. In FY 2008, however, Sales Tax revenue rose at a rate of just 1.0 percent. Recent Sales Tax receipts have been negatively impacted by declines in virtually all areas of retail sales, from eating out to purchases of big ticket items, as consumers are battered by a recession, a severe credit crisis, and rising job losses. In addition, the Consumer Confidence Index has been at record lows since the beginning of 2009, indicating that consumers remain quite pessimistic about the state of the economy and about their earnings. As a result, consumer spending is expected to decline well into the next fiscal year.

The *FY 2009 Revised Budget* Plan reflects a decline of 2.9 percent from the FY 2008 level. For the first eight months of FY 2009, actual Sales Tax distributions are down 2.7 percent from the same period last year. This level of receipts is after adjustments for transfers between Fairfax County and other local jurisdictions to rectify incorrect filings by retailers over the past three years. A net increase of approximately $2.2 million has been distributed to Fairfax County during FY 2009 as a result of these adjustments. Absent the net increase of $2.2 million from locality transfers, Sales Tax receipts would be down 4.8 percent from the same period of FY 2008. In FY 2010, Sales Tax receipts are projected to decrease another 2.5 percent from FY 2009.

General Fund Revenue Overview



RECORDATION/DEED OF CONVEYANCE TAXES

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$29,931,835	$20,399,223	$20,767,592	$20,767,592	$0	0.00%

The FY 2010 estimate of $20,767,592 for Recordation and Deed of Conveyance Taxes represents no change from the FY 2010 Advertised Budget Plan. Collections in FY 2010 are expected to increase $0.4 million, or 1.8 percent, over the *FY 2009 Revised Budget Plan*. The FY 2010 estimate is comprised of $15,724,000 in Recordation Tax revenues and $5,043,592 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Taxes. Home values and interest rate projections are used in an econometric model that assists in developing estimates for these categories.

Between FY 2000 and FY 2005, receipts from Recordation and Deed of Conveyance Taxes increased considerably due to strong home sales and rising home prices. Increased mortgage refinancing due to low mortgage rates also enhanced Recordation collections. During this period, revenues from Recordation and Deed of Conveyance Taxes increased at average annual rates of 33.4 percent and 18.3 percent, respectively. In FY 2006, as the number of home sales declined and prices stabilized, these categories began to moderate and rose a combined 5.6 percent. Due to the housing slump, revenue decreased a combined 18.9 percent in FY 2007 and an additional 31.8 percent in FY 2008.

The FY 2009 estimate for Deed of Conveyance and Recordation Taxes was revised downward $12.9 million from the FY 2009 Adopted Budget Plan during the fall 2008 revenue review. Collections through December 2008 were down 34 percent. Late in 2008, the Federal Reserve began to purchase mortgage backed securities in an effort to encourage mortgage lending and interest rates fell during the first four months of 2009. Due to these factors, collections have improved recently. This trend is expected to continue into

FY 2010 and receipts from Recordation and Deed of Conveyance Taxes are projected to grow a combined 1.8 percent in FY 2010.

CONSUMER UTILITY TAXES - GAS AND ELECTRIC

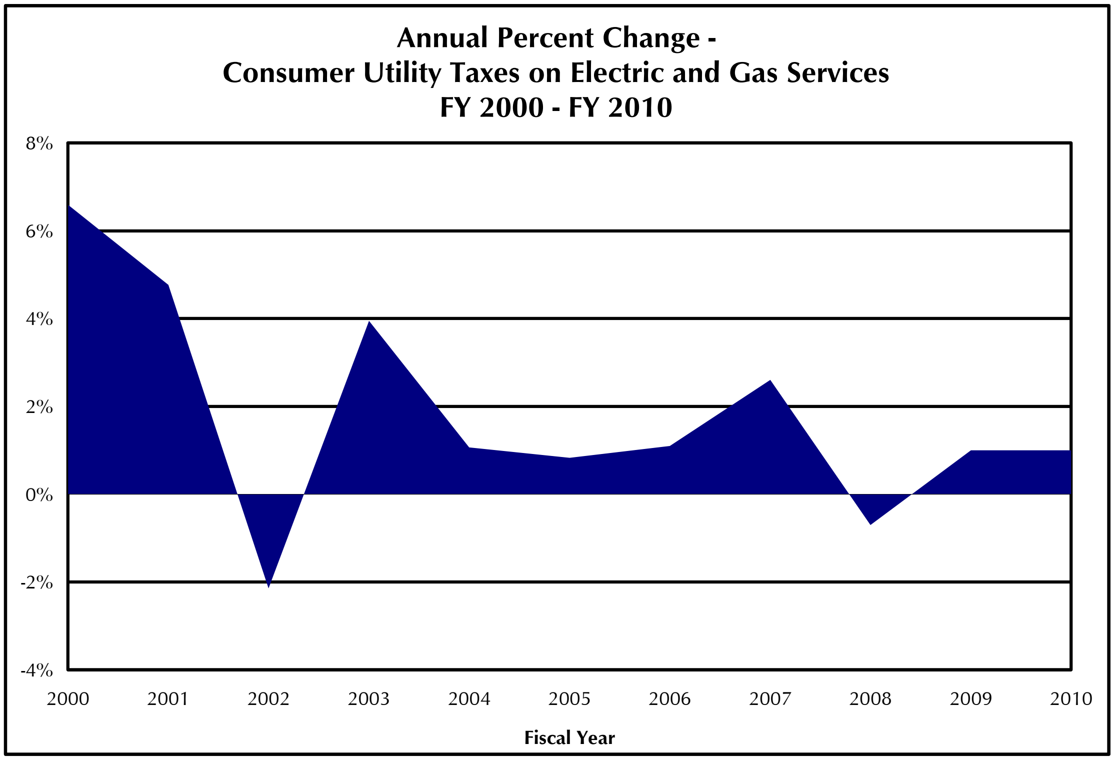
FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$45,038,069	$45,488,450	$45,943,336	$45,943,336	$0	0.00%

The FY 2010 estimate for Consumer Utility Taxes on gas and electric services of $45,943,336 represents no change from the FY 2010 Advertised Budget Plan estimate and reflects an increase of $0.5 million, or 1.0 percent, over the *FY 2009 Revised Budget Plan*. The FY 2010 estimate is comprised of $36,758,081 in taxes on electric service and $9,185,255 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services. Tax rates by customer class are shown in the table below.

CONSUMER UTILITY TAXES ON ELECTRICITY AND NATURAL GAS

ELECTRICITY		NATURAL GAS	
Electric Power Customer Class	**Monthly Tax FY 2001 - FY 2010**	**Natural Gas Customer Class**	**Monthly Tax FY 2001 - FY 2010**
Residential	$0.00605 per kWh	**Residential**	$0.05259 per CCF
Minimum	+$0.56 per bill	Minimum	+$0.56 per bill
Maximum	$4.00 per bill	Maximum	$4.00 per bill
Master Metered Apartments	$0.00323 per kWh	**Master Metered Apartments**	$0.01192 per CCF
Minimum	+$0.56 / dwelling unit	Minimum	+$0.56 / dwelling unit
Maximum	$4.00 / dwelling unit	Maximum	$4.00 / dwelling unit
Commercial	$0.00594 per kWh	**Nonresidential**	$0.04794 per CCF
Minimum	+ $1.15 per bill	Minimum	+ $0.845 per bill
Maximum	$1,000 per bill	Maximum	$300 per bill
Industrial	$0.00707 per kWh	**Nonresidential Interruptible**	$0.00563 per CCF
Minimum	+$1.15 per bill	Minimum	+$4.50 per meter
Maximum	$1,000 per bill	Maximum	$300 per meter

Revenue from Consumer Utility Taxes on gas and electric services from FY 2000 to FY 2003 was unstable, ranging from down 2.1 percent to up 6.6 percent. Since FY 2003, annual growth in Consumer Utility Tax revenue has averaged 1.0 percent. The *FY 2009 Revised Budget Plan* estimate and the FY 2010 estimate reflect an increase of 1.0 percent each year based on current and historical collection trends.



COMMUNICATIONS SALES AND USE TAX

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$56,007,544	$56,257,401	$55,847,373	$55,847,373	$0	0.00%

The FY 2010 estimate for the Communications Sales and Use Tax of $55,847,373 represents no change from the FY 2010 Advertised Budget Plan estimate and reflects a decline of $0.4 million from the *FY 2009 Revised Budget Plan* estimate. This statewide tax was first implemented in January 2007 after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent Statewide Communication Sales and Use Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales and Use Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide $0.75 per line fee. These rates were meant to provide revenue neutrality with FY 2006 receipts. All communications taxes are remitted to the State for distribution to localities based on the locality's share of total statewide FY 2006 collections of these taxes. Based on analysis by the Virginia Auditor of Public Accounts, Fairfax County's share has been set at 18.93 percent.

Since its inception, this statewide tax has been fraught with errors in under-reporting by some providers and over-collection by others. The Commonwealth found that revenue during FY 2007 was lower than anticipated due to errors in reporting the tax by two large communications providers which resulted in an under-collection of the statewide tax during FY 2007 and part of FY 2008. These providers remitted back taxes and corrected the errors in FY 2008. However, in mid-2008, the Virginia Department of Taxation announced that an estimated $12 million in statewide refunds or credits would be necessary in FY 2009 because taxes had been collected by service providers from entities that should have been tax exempt. As of May 2009, the Commonwealth is still verifying the extent of the over-collection and no refunds have yet been made; however, the estimated amount of the statewide over-collection now exceeds $16 million. Once refunds begin, monthly distributions to localities will be reduced over a period of approximately six months. Fairfax County staff anticipates that the refunds will not be completed until sometime in FY 2010. During the fall 2008 revenue review, the FY 2009 estimate was reduced $0.6 million from the FY 2009 Adopted Budget Plan estimate based on an analysis of current monthly receipts, expected refund requirements and a higher level of refunds than originally anticipated. In the *FY 2009 Third Quarter Review*, no further adjustments were made to the current estimate. Because refunds are anticipated to continue into FY 2010, County receipts are projected to be $0.4 million lower in FY 2010 than in FY 2009.

Until errors in reporting and over-collections have been corrected, it is nearly impossible to determine if receipts from the statewide Communications Sales and Use Tax have reached revenue neutrality with FY 2006 receipts as was intended when the tax was implemented in 2007.

TRANSIENT OCCUPANCY TAX

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$20,525,480	$19,499,206	$19,499,206	$19,499,206	$0	0.00%

The FY 2010 estimate for Transient Occupancy Tax of $19,499,206 reflects no change from the FY 2010 Advertised Budget Plan. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotel to the County. Prior to FY 2005, the Transient Occupancy Tax rate was 2 percent, the maximum allowed by State law. Legislation enacted by the 2004 Virginia General Assembly permitted the Board of Supervisors to levy an additional 2 percent Transient Occupancy Tax beginning in FY 2005. A portion, 25 percent, of the additional 2 percent must be appropriated to a nonprofit convention and visitors' bureau located in the County. The remaining 75 percent must be used by the County to promote tourism. Tax collections are anticipated to remain at $19.5 million at the FY 2009 level based on projections of little change in tourism, hotel occupancy and room rates.

CIGARETTE TAX

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$9,498,075	$9,498,075	$9,498,075	$9,498,075	$0	0.00%

The FY 2010 estimate for Cigarette Tax revenue of $9,498,075 reflects no change from the FY 2010 Advertised Budget Plan. Fairfax County and Arlington County are the only counties in Virginia authorized to levy a tax on cigarettes. The maximum rate authorized is the greater of 5.0 cents per pack or the rate levied by the Commonwealth. The County's rate was 5.0 cents per pack until September 2004 when the State tax on cigarettes was raised from 2.5 cents to 20 cents per pack and the County followed suit. Likewise, on July 1, 2005, the County raised the rate to 30 cents per pack in concert with the rise in the State rate. As a result of these increases, Cigarette Taxes rose from $1.9 million in FY 2004 to $10.4 million in FY 2006. Cigarette Tax revenue fell 5.4 percent in FY 2007, and another 3.3 percent in FY 2008, suggesting a drop in consumption due to health concerns or the purchase of cigarettes in surrounding counties that cannot levy a local cigarette tax. Cigarette Tax receipts in FY 2009 have remained steady; therefore, the FY 2009 estimate is the same as FY 2008 actual collections. Revenue is projected to remain at this level in FY 2010.

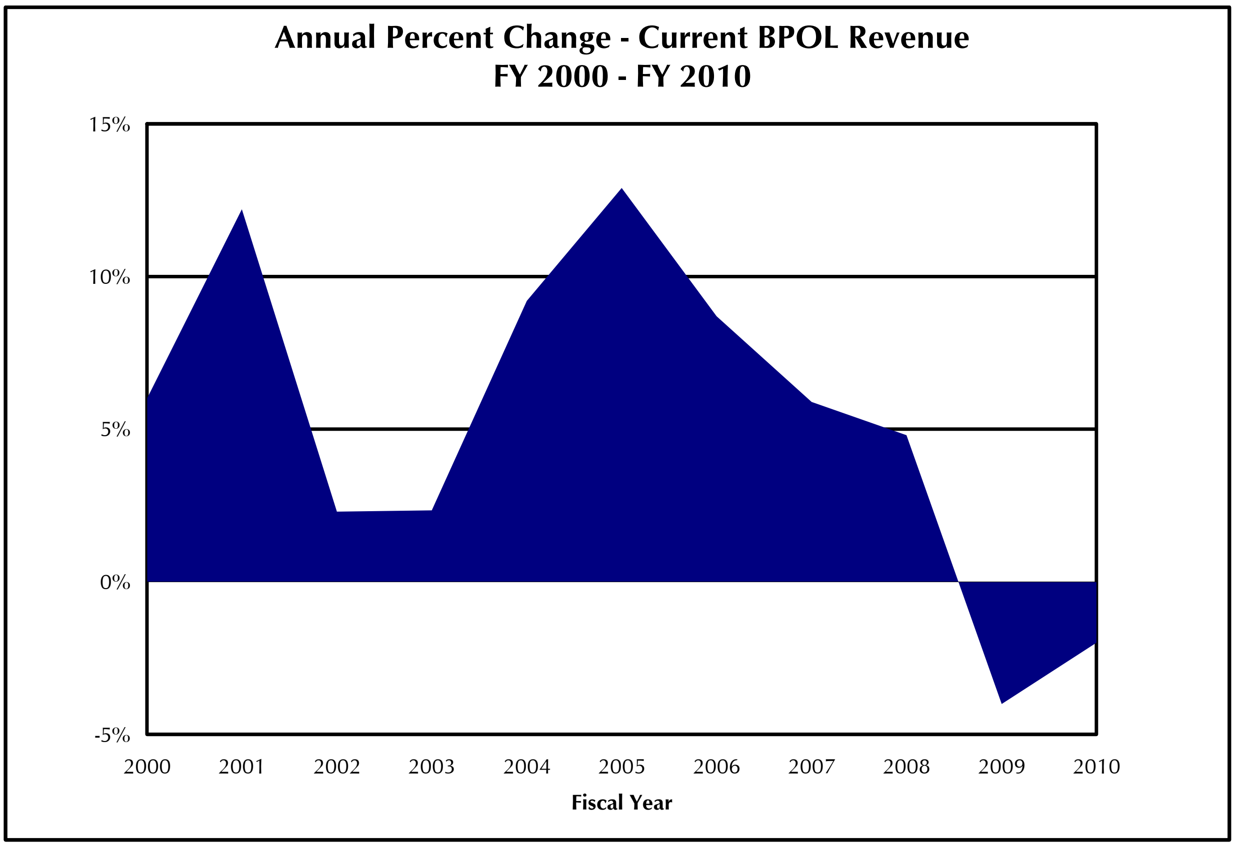
General Fund Revenue Overview

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$138,323,224	$132,790,295	$130,134,489	$130,134,489	$0	0.00%

The FY 2010 estimate for Business, Professional and Occupational License Taxes (BPOL) of $130,134,489 reflects no change from the FY 2010 Advertised Budget Plan and represents a decrease of $2.7 million, or 2.0 percent, from the *FY 2009 Revised Budget Plan*.

As shown in the chart below, BPOL receipts experienced healthy growth in FY 2004 through FY 2006, averaging 10.2 percent per year. This strong growth reflected increases in federal government procurement spending, as well as the robust housing market. Growth in BPOL receipts moderated to 5.9 percent in FY 2007 and 4.4 percent in FY 2008. Revenue from businesses that supply services to other businesses, which comprised 22 percent of total FY 2008 BPOL receipts, increased 22.1 percent. Professional Occupations, which makes up nearly 12 percent of total BPOL revenue and includes physicians and attorneys, rose 10.2 percent in FY 2008. The Retail category (19 percent of total BPOL receipts) rose a slight 1.0 percent over FY 2007. Revenue in the Consultant category, which represents nearly a quarter of total BPOL receipts, fell 5.6 percent in FY 2008 reflecting a decline in federal procurement spending. Real estate related businesses continued to suffer due to the declining residential housing market. The combined Real Estate Broker and Money Lender category, which comprised 2.1 percent of BPOL receipts in FY 2008, fell 23.0 percent, while the Builder and Developer component (0.4 percent of total BPOL) recorded a decline of nearly 15 percent in FY 2008.



Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, little actual data was available during the *FY 2009 Third*

Quarter Review in order to revise the FY 2009 estimate which reflects a decline of 4.0 percent from FY 2008. BPOL receipts are anticipated to decline further in FY 2010 based on projections of a continued decline in economic activity.

PERMITS, FEES AND REGULATORY LICENSES

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$26,719,184	$24,435,569	$32,813,466	$32,575,391	($238,075)	-0.73%

The FY 2010 estimate for Permits, Fees and Regulatory Licenses of $32,575,391 reflects a decrease of $0.2 million, or 0.73 percent, from the FY 2010 Advertised Budget Plan, and represents an increase of $8.4 million over the *FY 2009 Revised Budget Plan*. The increase over FY 2009 is primarily the result of additional fee revenue from Land Development Services (LDS), Zoning, Fire, Police and the Health Department.

In the FY 2010 Adopted Budget Plan, the Board approved an increase in LDS fees for building permits, site plans, and inspection services to provide a higher cost recovery rate. This change, consistent with other local jurisdictions, is estimated to generate additional revenue of $5.5 million in FY 2010. In addition, Zoning fees will also be increased in FY 2010 for additional revenue of $1.8 million. Police Department Alarm Registration fees will increase from $10 to $25 for an estimated increase in revenue of $90,000.

Several fees associated with the Fire Department will increase in FY 2010 for an estimated $0.5 million in additional revenue. These include Fire Prevention Code Permit fees, which will be increased, on average, 25 percent, as well as fees associated with overtime acceptance testing, which will increase from $300 per hour, regardless of how many inspectors are present at the site, to twice the Fire Marshal fee (currently $128 per hour) which will be charged per inspector. In addition, a fee equal to the current Fire Marshal fee will be charged for faulty fire alarms in excess of two per year.

In concert with the State's increases in maximum allowable rates, existing Environmental Health fees will be increased, on average, 25 percent. In addition, implementation of several new Environmental Health fees and permits was also approved by the Board. These include fees for re-instatement of revoked permits and re-inspection for facilities that have been closed for serious health or safety issues, and for soil consultant licenses. Total Environmental Health fee revenue is estimated to increase $0.3 million in FY 2010 as a result of these changes.

FINES AND FORFEITURES

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$14,873,179	$16,012,582	$16,799,963	$17,426,083	$626,120	3.73%

The FY 2010 estimate for Fines and Forfeitures of $17,426,083 represents an increase of $0.6 million, or 3.7 percent, over the FY 2010 Advertised Budget Plan estimate. As of July 1, 2009, fines for most parking violations will increase to $50 for each violation. The fine for parking commercial vehicles in residential districts will increase to $100. Prior to the increase, most fines ranged from $20 to $40. These fee increases are projected to generate $626,120 in FY 2010.

The Board of Supervisors also approved an increase in fines for Alarm Ordinance Violations, which had been included in the FY 2010 Advertised Budget Plan. The increased fees will generate an estimated $632,700 in FY 2010 primarily due to the revision to the Police Department's False Security Alarm Violation fee scale. Prior to the fee increase, the escalating fee structure was capped at $500 for nine or more occurrences. In FY 2008, there were 560 cases with 10 or more false alarms. With the new fee schedule, the maximum fine will incrementally rise to $3,000 for 25 or more false alarm occurrences.

REVENUE FROM THE USE OF MONEY AND PROPERTY

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$81,578,187	$32,423,732	$14,162,838	$14,162,838	$0	0.00%

The FY 2010 estimate of $14,162,838 for Revenue from the Use of Money and Property reflects no change from the FY 2010 Advertised Budget Plan, and represents a decline of $18.3 million, or 56.3 percent, from the *FY 2009 Revised Budget Plan* estimate. The net decrease from FY 2009 is primarily due to a reduction in Interest on Investments, the major component of this category, partially offset with additional revenue from a new conference room rental fee. The FY 2010 budget includes a new rental fee for non-County related use of conference rooms and the Board auditorium at the County Government Center. This fee is consistent with fees charged in surrounding jurisdictions. The rates are $85 per hour for the Board auditorium and $60 per hour for conference rooms. No fees will be charged to Boards, authorities, commissions or Fairfax County agencies. This fee is estimated to generate $0.2 million annually.
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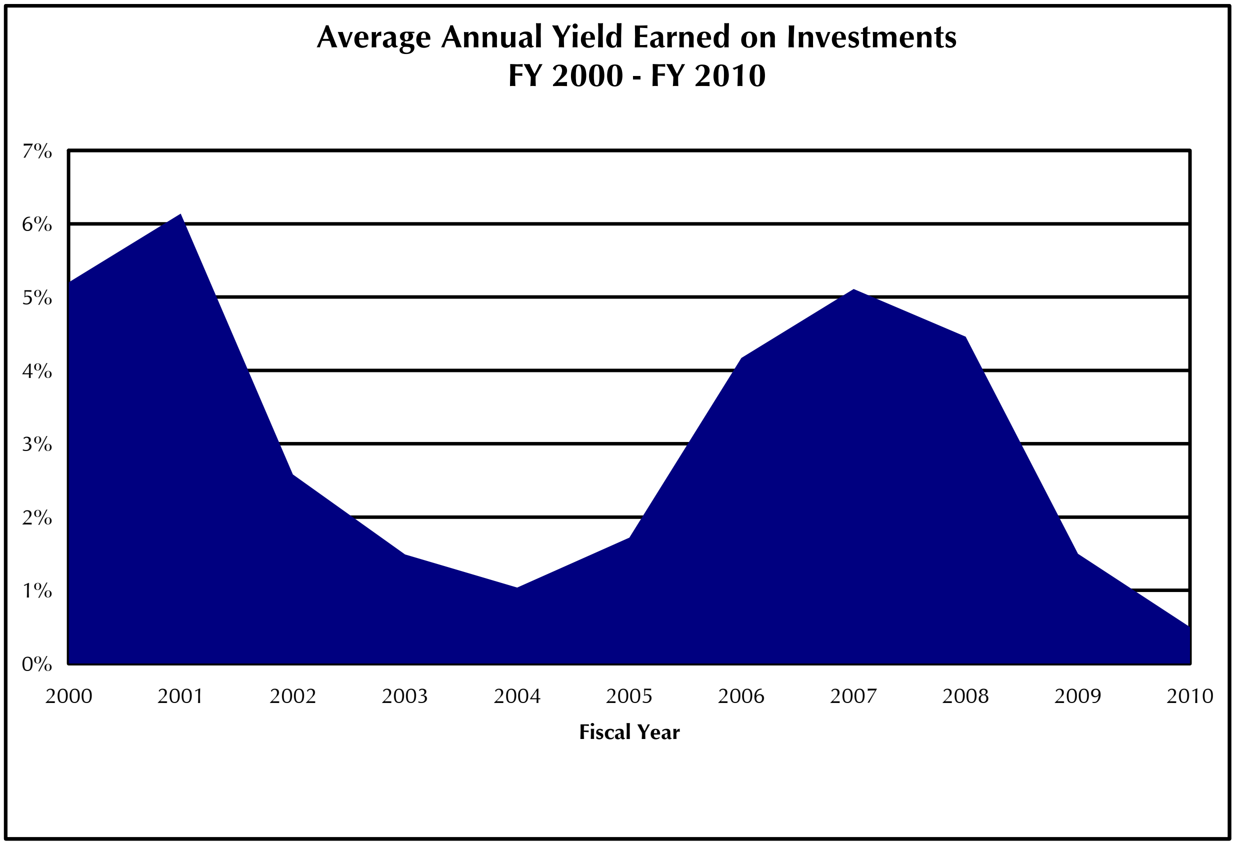
The FY 2010 estimate for Interest on Investments is $10,432,972, a decrease of $18.5 million, or 63.9 percent, from the *FY 2009 Revised Budget Plan* estimate resulting from a decline in the anticipated yield earned on investments. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. From 2001 to 2004, the Federal Reserve reduced interest rates from 6.5 percent to 1.0 percent in order to stimulate economic growth. During this period, revenue from Investment Interest fell from $56.3 million in FY 2001 to $14.8 million in FY 2004. From June 2004 through June 2006, the Federal Reserve increased rates by a quarter point at each of its meetings in an effort to stem inflation. The federal funds rate reached 5.25 percent in June 2006. As a result of higher rates, the annual average yield on County investments was 5.1 percent in FY 2007, and revenue from Interest on Investments was a record high of $92.1 million. In FY 2008, the County's portfolio generated $78.2 million for the General Fund with an average annual yield of 4.46 percent.



The federal funds rate began calendar year 2008 at a rate of 4.25 percent. The Fed lowered rates throughout 2008 attempting to stimulate economic growth. By mid-2008, the federal funds rate had been reduced to 2.0 percent and by the end of the year, the federal funds target rate was set at 0.0 to 0.25 percent, its lowest in history. Minutes from the December 2008 Open Market Committee meeting indicated that "weak economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time."

The FY 2009 estimate for Interest on Investments of $28.9 million remains unchanged from the FY 2009 Adopted Budget Plan, representing a 63 percent drop from the FY 2008 level. The FY 2009 estimate reflects an estimated annual yield of 1.5 percent. The average yield in FY 2009 has been bolstered by investments made early in the fiscal year. The Federal Reserve is expected to hold rates at their current low level throughout calendar year 2009.

The FY 2010 estimate of $10.4 million is based on a projected average yield of 0.50 percent, a portfolio size of $2,475,118,986 and a General Fund percentage of 68.60 percent. All available resources are pooled for investment purposes and the net interest earned is distributed among the various County funds, based on the average dollars invested from each fund as a percentage of the total pooled investment. Total Interest on Investments for all funds is estimated to be $12.4 million in FY 2010.

CHARGES FOR SERVICES

FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
$57,965,028	$61,969,163	$63,659,814	$62,150,200	($1,509,614)	-2.37%

The FY 2010 estimate for Charges for Services revenue of $62,150,200 represents a decrease of $1.5 million, or 2.4 percent, from the FY 2010 Advertised Budget Plan estimate. This decrease is the net result of a reduction in revenue from Clerk Fees and Therapeutic Recreation Fees, partially offset with increases in various user fees.

The FY 2010 estimate for County Clerk Fees is decreased $3.4 million, or 50 percent, from the FY 2010 Advertised Budget Plan. This reduction is due to a statewide change in the distribution of excess clerk fees between localities and the Commonwealth of Virginia. Prior to this change made by the State, two-thirds of excess clerk fees were distributed to localities based on point of service and one-third is retained by the State. Beginning in FY 2010, this split will be reversed and the State will retain two-thirds of the excess clerk fees and localities will receive one-third. The formula change was used to help the State balance its FY 2010 budget. A reduction of $125,000 represents the Board's decision not to charge for transportation services for the summer Therapeutic Recreation program.

Partially offsetting these reductions are increased School Age Child Care (SACC) fees of $0.7 million resulting from the opening of two new SACC centers at Coppermine and Laurel Hill elementary schools. In addition, the Board of Supervisors approved several revenue enhancements in lieu of proposed Lines of Business reductions. Additional library fees are anticipated to generate $0.3 million which will offset the reduction in library book pick up and delivery. A new $48 per year fee at Senior Centers will be instituted that is projected to generate $0.4 million. This funding will be used to restore Senior Center FASTRAN trips, operating hours at the Herndon Senior Center, one day of lunch per week and support for congregate meals. In addition, the Senior+ program will begin to charge a $50 per month fee to partially offset program costs, generating $0.1 million. A program wide fee increase at the Annandale Adult Day Health Care Center will generate $0.2 million in order for the center to remain open. In addition, revenue of $0.2 million which had been deducted from the FY 2010 Advertised Budget Plan due to the proposed closing has been restored. Lastly, fees for the Seniors on the Go program will be increased from $10 to $20 per book of ride tickets and are expected to generate approximately $65,000.

The Board of Supervisors approved other fee increases totaling $1.6 million that had been included in the FY 2010 Advertised Budget Plan. The fees include: an increase in SACC fees generating $1.3 million to increase cost recovery; an increase in library overdue penalties which will generate $0.2 million; and, fee increases for Criminal History Reports (from $5 to $10) and Investigations Reports (from $3 to $10) which will generate $61,000.

General Fund Revenue Overview

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

	FY 2008 Actual	FY 2009 Revised	FY 2010 Advertised	FY 2010 Adopted	Increase/ (Decrease)	Percent Change
Baseline Funding	$136,798,864	$132,468,040	$131,455,262	$130,557,993	($897,269)	-0.8%
Reserve for State Cuts	0	(4,660,183)	(14,554,140)	(5,145,192)	$9,408,948	
Net Funding	$136,798,864	$127,807,857	$116,901,122	$125,412,801	$8,511,679	-8.53%

[1] Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

The FY 2010 estimate for Revenue from the Commonwealth and Federal Government of $125,412,801 represents an increase of $8.5 million, or 8.5 percent, over the FY 2010 Advertised Budget Plan. This increase is primarily associated with reducing the Reserve for State Cuts.

The FY 2010 Advertised Budget Plan included a revenue reserve of $14.6 million for potential State funding reductions in FY 2010. The amount included a $3.9 million reduction approved during the 2008 General Assembly session, funding cuts of $7.4 million included in the Governor's proposed budget, as well as an additional $3.3 million for additional potential reductions during the 2009 General Assembly session. As mentioned in the Charges for Services section, the State changed the distribution formula for excess Clerk Fees so the state will begin to retain a larger portion in FY 2010. This change reduces Fairfax County's Clerk Fees by $3.4 million. This cut was moved from the Reserve for State Cuts and is reflected in reduced County Clerk Fees. Net cuts of $0.9 million were also approved by the Virginia General Assembly, $0.8 for Health Department funding and $0.2 million for Court Services. These reductions were offset with an additional $0.1 million in State Shared Retirement funding for the Circuit Court which is required based on formula change for Clerk Fees. The net $0.9 million was moved to the appropriate State revenue category and reduces the Reserve for State Cuts. The Reserve for State Cuts was also reduced $5.1 million primarily based on restored cuts of $2.6 million as a result of federal funding provided to the State by the American Recovery and Reinvestment Act of 2009 and expectations of future reductions. The Reserve for State Cuts included in the FY 2010 Adopted Budget Plan includes the reduction approved during the 2008 General Assembly session which will reduce State funding in FY 2010 by $3.9 million and an additional $1.2 million for potential additional reductions that may occur during FY 2010.

Overall, actions by the Commonwealth of Virginia have reduced County revenue by $15.1 million over the past two years: $5.7 million in FY 2009 and $9.4 million in FY 2010, including the reduction in Clerk Fees.